



SWITZERLAND: A GUIDE TO INTERNATIONAL FUND DISTRIBUTION

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ABOUT IRISH FUNDS

Established in 1991 the Irish Funds Industry Association (Irish Funds) is the representative body of the international investment fund community in Ireland. We represent the fund promoters / managers, administrators, custodians, transfer agents and professional advisory firms involved in the international funds industry in Ireland, with more than 14,000 funds and net assets of more than €5.2 trillion. The objective of Irish Funds is to support and complement the development of the international funds industry in Ireland, ensuring it

continues to be the location of choice for the domiciling and servicing of investment funds. Through its work with governmental and industry committees and working groups, Irish Funds contributes to and influences the development of Ireland's regulatory and legislative framework. Irish Funds is also involved in defining market practice through the development of policy and guidance papers and the promotion of industry-specific training.



Our Mission

We are the voice of the Funds and Asset Management industry in Ireland.



Our Vision

Ireland will be the premier location to enable and support global investing through its reputation for trust, capability and innovation.



Our Values

- **Collaboration** – we succeed together and in working with others
- **Commitment** – to achieving better outcomes for investors
- **Dedication** – to member interests
- **Excellence** – in delivering and enhancing our capabilities
- **Integrity** – in everything we do
- **Society/Community engagement** – we give back
- **Transparency** – In who we represent, our interests and our decisions

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INTRODUCTION

Switzerland represents one of the largest markets in the world for Asset Managers. According to the Swiss Banking Association, Switzerland ranks 5th globally in terms of AUM and leads the world in offshore private banking (25% of global offshore assets).

SWITZERLAND RANKS

5th

IN TERMS OF AUM

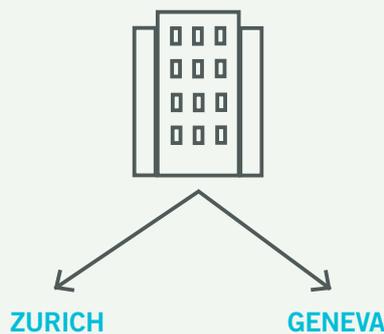
It is a diversified and fragmented market made up of a large number of private banks and asset management firms in addition to many small family office operations, fund of funds and independent wealth managers.

There are also many asset consultants and pension fund advisors servicing the market.

Switzerland has two main financial centres, namely Zurich, the 'Global Banks' centre (mainly servicing the German speaking market) and Geneva, the 'Private Banks' centre (more focus on the French speaking market).

These two regions also differ as regards the preferred distribution channels.

MAIN FINANCIAL CENTRES



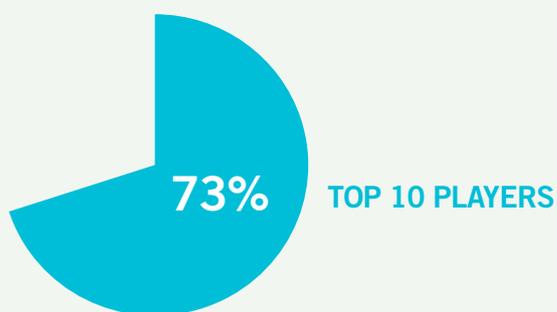
Although Switzerland is not a member of the European Union ("EU"), and thus the standard EU passporting regulations do not apply, many of the requirements in relation to authorisation of foreign funds for distribution in Switzerland are similar, with the notable exception of the requirement to produce a Swiss specific Prospectus when applying for a full public marketing licence. Some of the additional local requirements also include specific disclosure as regards total expense ratio and performance data.

MAIN PLAYERS IN THE SWISS FUND MARKET

While Switzerland is an open market with opportunities for all, it is still dominated by local players. As of August 2020, the market share in terms of volume of assets was led by:

| | |
|---------------|--------|
| UBS | 25.51% |
| CREDIT SUISSE | 15.82% |
| SWISSCANTO | 8.75% |
| BLACKROCK | 6.51% |
| PICTET | 5.17% |

The top 10 players represent 73% of the market but there are opportunities for all in the market and very many smaller players are active in Switzerland.

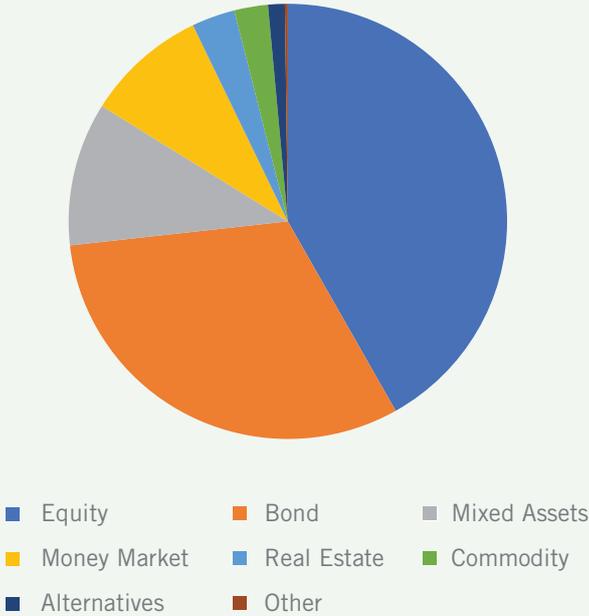


Top 10 players represent 73%
of the market

ASSET ALLOCATION OF THE SWISS FUND MARKET

As at August 2020 the top fund types by asset allocation sold in Switzerland were:

| | |
|--------------|-------|
| EQUITY | 41.8% |
| BOND | 31.4% |
| MIXED ASSET | 10.7% |
| MONEY MARKET | 9.0% |
| REAL ESTATE | 3.2% |
| COMMODITY | 2.5% |
| ALTERNATIVES | 1.2% |
| OTHER | 0.2% |

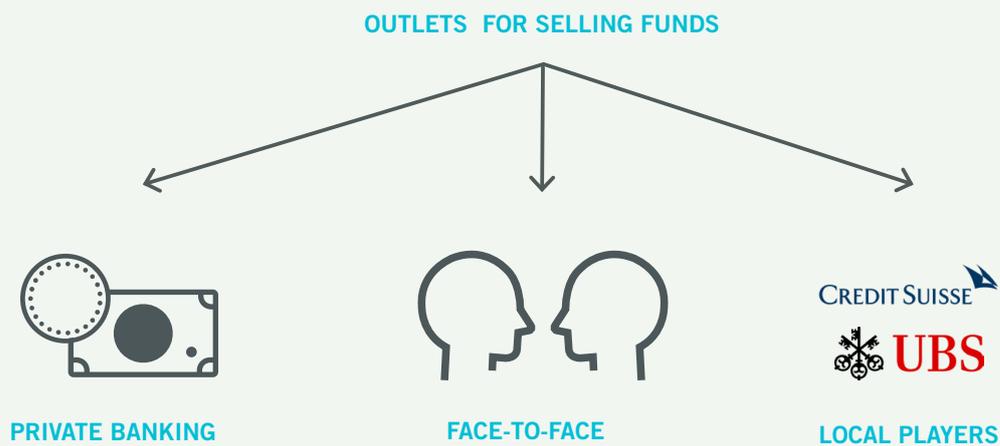


MAIN DISTRIBUTION CHANNELS

Switzerland is a very diverse market in terms of distribution and there are many different outlets for selling funds.

While Private Banking and direct face-to-face selling remain very prominent distribution channels, the local players such as UBS and Credit Suisse also operate large fund platforms. In late 2019 and early 2020 both entities have partnered with third party entities – Clearstream and Allfunds respectively.

The main distribution channels are Institutional (Pension Funds and Insurance), Intermediary wholesale (banks and asset manager) intermediary retail (IFA, Unit-linked, Private pension solutions) and Retail (direct)



REGULATORY ENVIRONMENT

– WHAT'S CHANGING

The Swiss Financial Market Supervisory Authority (FINMA)



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is responsible for supervising the Swiss financial market.
Key regulations include the Collective Investment Schemes Act (CISA).

On 15 June 2018, the Swiss Parliament approved the Financial Services Act (FinSA) and the Financial Institutions Act (FinIA). The changes proposed have been described as "an entirely new regulatory framework governing the Swiss financial markets"

The public consultation relating to both FinSA and FinIA closed on 06 February 2019 and both acts together with their implementing ordinances, entered into force on 1 January 2020 with a two year transitional period applicable to most changes.

The new regime is, broadly speaking, influenced by relevant EU directives, for example target markets/client types are being aligned to the framework introduced in Europe by MiFID II.

The following practical changes are of particular interest:

- Defined categories of investors under existing relevant Swiss legislation will change from i. Regulated Qualified Investors, ii. Unregulated Qualified Investors and iii. Non-Qualified Investors to i. Professional Clients and ii. Private Clients;
- The requirement for non-Swiss domiciled funds to appoint a Swiss Representative and a Swiss Paying Agent in order to market to Qualified Investors will no longer apply; By way of exception, this requirement will still apply where funds are offered to Qualified Investors who are high-net worth individuals (HNWI);
- Non-Swiss domiciled funds, which are registered with FINMA for offering to Non-Qualified Investors are no longer required to translate their documents, i.e. the Instrument of Incorporation, Prospectus, Annual & Interim Financial Statements or KIIDs, into a Swiss official language. All such documents are now permitted in English, subject to inclusion of the necessary Swiss-specific disclosures. Before changing from a Swiss official language to English, it is necessary to make an application to FINMA to have this change approved;
- A new "registration requirement" will come into effect for "client advisors" of non-Swiss domiciled funds who provide "services" to clients in Switzerland, regardless of the domicile or place of work of the "client advisor". The registration requirement will not apply to foreign client advisors who are subject to prudential supervision in their home jurisdiction, provided the services they offer in Switzerland are limited to professional and/or institutional clients. The register will be maintained by a dedicated registration body which will be licenced by FINMA. More clarity and definition is required on who is considered a "client advisors" as well as what constitutes "services".

REGULATORY ENVIRONMENT

– WHAT'S CHANGING

NOTES

There are currently no practical guidelines on how to implement the new rules and therefore compliance with current rules in Switzerland must continue;

FINMA are expected to issue ordinances and circulars which should assist in interpreting the changes;

Foreign firms marketing funds to any type of investor in Switzerland register with an ombudsman approved by the Swiss Federal Department of Finance. The registration must be completed by the 24th of December 2020. The requirement to register only applies if the foreign firm is marketing directly to the end investor. The Federal Department of Finance of Switzerland only approved the first ombudsman's offices according to the FinSA with effect from 24 June 2020.

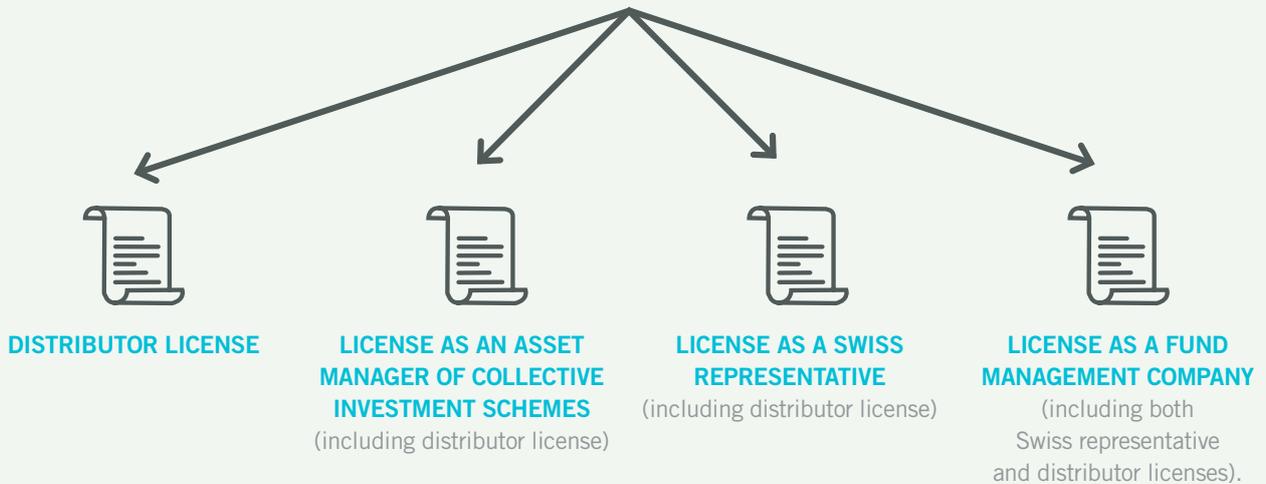
Foreign individuals that are marketing funds to investors in Switzerland to register as client advisors. The registration must be complete by the 19th of January 2021. This registration applies to the individual carrying out the marketing and not to the firm. Certain exemptions apply.

REGULATORY LICENSES



FINMA authorisation is required in order to undertake distribution of collective investment schemes in Switzerland.

There are various types of licenses with varying degrees of supervision by FINMA and the main types include:



REGULATORY ENVIRONMENT



The Representative is the legal representative of the fund in Switzerland with regard to Swiss investors, and it is the Representative's role to ensure that the funds distribution activities comply with Swiss law. They must inform the fund about all communications and notifications from the Swiss authorities and are required to assist the fund in tailoring and maintaining the fund documents as required by the Swiss laws and FINMA recognised standards.

The distribution activities of any appointed and regulated distributor in Switzerland must be supervised by the Swiss Representative so that they are in line with the SFAMA guidelines on the distribution of collective investment schemes.

ROLE OF SWISS PAYING AGENT



The Swiss Paying Agent is a Swiss bank that is appointed by the fund in order to receive subscription monies from a Swiss investor or to pay redemption proceeds to a Swiss investor. It is a regulatory requirement that the fund offers this capability should a Swiss investor require it. In practice the both Swiss Representative and Swiss Paying Agent functions can be carried out by the same group.

DISTRIBUTION REGULATORY REQUIREMENTS FOR FUNDS BASED ON INVESTOR TYPE

| | Regulated Qualified Investors | Unregulated Qualified Investors | Non Qualified Investors (all other investor types) |
|---|-------------------------------|---------------------------------|--|
| Requires Authorisation for Distribution by FINMA | X | X | ✓ |
| Requires Swiss Representative and Swiss Paying Agent* | X | ✓ | ✓ |
| Requires Swiss specific fund prospectus and financial statements | X | ✓ | ✓ ** |
| Required to publish legal documents on a recognized Swiss electronic platform | X | X | ✓ |

* Swiss Representative and Swiss Paying Agent must be named in the fund documents. In addition, Swiss investors need to be provided with disclosure regarding remuneration terms (retrocessions and rebates) and information on where fund documentation can be obtained in Switzerland.

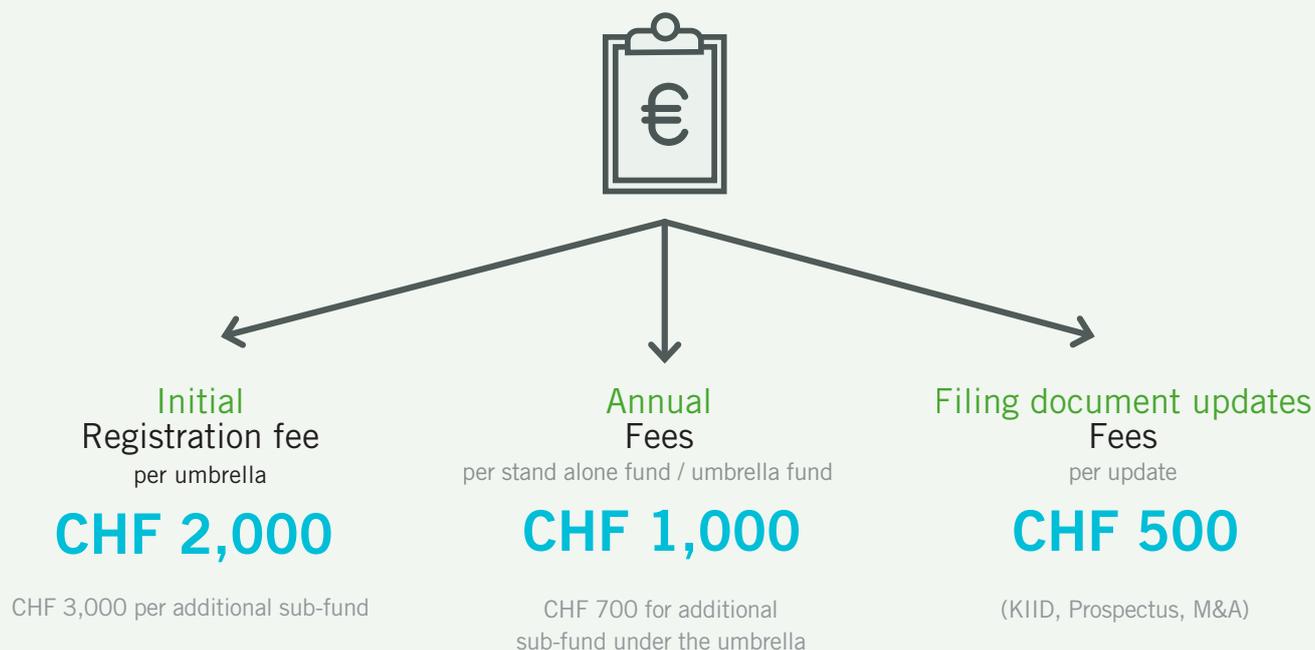
** These documents must be produced in German, French or Italian, reference that the fund has authorisation for distribution in Switzerland and contain a special addendum called "Information for Swiss Investors" The Swiss Representative and Swiss Paying Agent must also be named in all fund documentation.

COSTS OF REGISTRATION IN SWITZERLAND

As Switzerland falls outside the EU it is not possible for Irish funds to avail of regulator to regulator notification to passport UCITS funds or AIFs.

Initial registration/authorisation of a fund with FINMA can be a long process which requires translation of documentation, payment of fees (initial and annual) along with submission of various documents before approval is granted. Naturally, there is a cost associated with these requirements. The approval process takes an average of two months.

FINMA COSTS



A Swiss representative and Swiss paying agent must also be in place when distributing to both Unregulated Qualified Investors and non-Qualified Investors increasing the costs associated with distributing to these types of investors.

LISTING ON SIX SWISS EXCHANGE



Listing on the SIX Swiss Exchange is a popular means to support a distribution strategy. For exchange traded funds seeking FINMA registration, SIX listing is mandatory. The listing application must be submitted by a representative recognized by SIX Exchange Regulation as competent to do so.

Various documents must be submitted along with the listing application, including a listing prospectus containing the information required in accordance with the applicable prospectus scheme.

TAX REPORTING REQUIREMENTS



Swiss individual investors require tax reporting so that they can declare their taxable income and the value of the investment in their tax return. If Swiss tax reporting is not undertaken, investors will very likely suffer prohibitive income tax in Switzerland. Foreign funds are treated like Swiss funds for income tax purposes if they pass certain equivalence criteria.



Dublin

Ashford House, 18-22 Tara Street,
Dublin 2, D02 VX67, Ireland.

T: +353 (0) 1 675 3200

F: +353 (0)1 675 3210

E: info@irishfunds.ie

www.irishfunds.ie

October 2020

Brussels

6th Floor,
Square de Meêus 37,
1000,
Brussels.

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