SwissBanking

Annual Report

2010/2011

The Swiss Bankers Association

The Swiss Bankers Association (SBA) is the leading organisation of the Swiss financial centre and

- represents the interests of the banks and securities dealers vis-à-vis the authorities in Switzerland and abroad;
- promotes Switzerland's image as a financial centre throughout the world;
- fosters open dialogue with a critical public in Switzerland and worldwide;
- develops the system of self-regulation in consultation with regulatory bodies;
- supports the training of junior staff and established executives in the banking industry;
- facilitates the exchange of information and knowledge between banks and bank employees;
- coordinates joint projects undertaken by the Swiss banks.

The SBA was founded in 1912 in Basel and today has a membership of approximately 350 institutions and approximately 17 700 individual members. The Association's Office employs a staff of 66. A total of 11 commissions deal with key issues affecting the industry. Serving on these commissions are representatives of various banking groups as well as specialists from the SBA. The SBA's main objective is to safeguard and promote an optimal environment for the Swiss financial services industry at home and abroad.

Patrick Odier, Senior Partner at Lombard Odier Darier Hentsch & Cie, Geneva, has been Chairman of the SBA's Board of Directors since 2009. Claude-Alain Margelisch has been Chief Executive Officer since September 2010.

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Chairman's Foreword

Patrick Odier

Dear Reader,

The Swiss financial centre is in the process of repositioning itself, as the 2015 Financial Centre Strategy shows: the Swiss banks are concentrating on the acquisition and management of tax-compliant assets. With this in mind, work in the past year focused particularly intensively on the introduction of a flat-rate tax with Germany and the UK. Issues relating to regulation and the interaction with business are also high on the list of priorities, as is the creation of new growth potential in Switzerland and abroad.

Measured, reasoned regulation

The financial crisis brought with it a host of upheavals. As the worldwide sovereign debt crisis bites, the euro and the US dollar have plunged into an unprecedented spiral of depreciation against the Swiss franc, with the effects being felt by both our export industry and our banking sector. The financial sector also continues to face numerous regulatory initiatives, which were pursued over the last twelve months. The Global Forum's peer review process, which Switzerland passed the first phase of a few months ago, and FATCA are just two illustrations of the complex and changing environment in which the banks and their employees currently have to operate. That said, the Swiss banking sector has no opposition in principle to new regulatory projects. As such, we have always welcomed the proposals of the expert group tasked with investigating the "too big to fail" issue and continue to back the work it is doing, while at the same time expressing our desire to ensure that our banks receive the same treatment as their international competitors and are not put at any competitive disadvantage. We are also in favour of new legislation to help tackle the problem of dictators' assets. As far as this extremely thorny issue is concerned, we need to avoid confusion and set clear criteria regarding the freezing of assets and the procedure to be followed. On a general level, the key in terms of regulation is not to lose sight of the following two principles: firstly, the side-effects of regulation must never outweigh its benefits, and secondly, self-regulation should be favoured wherever possible over measures imposed by the authorities.

All these regulatory measures will have major financial consequences for the banks. The Swiss Bankers Association (SBA) will do everything it can to limit the costs and implement solutions that will benefit the entire banking sector. With regard to the rules governing cross-border business, for example, we are offering interested banks Country Information packs containing information specific to the various countries concerned. We are also working with SIX Group to develop a solution for the entire

banking sector regarding the levying of the flat-rate tax. What we want is for the banks to see this challenge as an opportunity and to adapt their business models accordingly, without being deterred by the costs.

Core values for the Swiss financial centre

With the above in mind, it is therefore important to define the values that the Swiss banks will seek to uphold in the future. Stability, universality, responsibility and excellence are the core values set out in our strategy. They will allow us to reinforce Switzerland's image as a trusted and competitive financial centre with a good reputation. Stability shows the extent to which Swiss values shape the activities of the banks. In other countries especially, political and monetary stability and legal certainty are seen as key success factors. Universality highlights the wide range of international services offered by Swiss banks. It is the universal banks that secure the success of our financial centre, not overly specialised niche providers. Given that they operate both globally and locally, their main assets are their high level of diversification, their openness and their network. Responsibility relates to the attitude of the players in our financial centre. We comply with the regulations both in Switzerland and abroad. Our clients' interests are at the heart of everything we do, and the protection of privacy remains a vital pillar of our system. And it goes without saying that we take our responsibility to society, other players in the economy and the environment seriously. Finally, excellence stands for our professional, high-quality and innovative services, which are geared towards achieving good performance for our clients. To make this possible, we need well-trained, expert and talented staff at all levels.

Ladies and gentlemen, I look forward to sharing and implementing these core values with you from next year. I would like to offer my heartfelt thanks to my colleagues in the SBA Office and to all those who have given us their vital support through their activities in the commissions and working groups. Without them we would not have been able to overcome the many challenges we have faced this year.

Patrick Odier
Chairman

Dictators' assets

What next?

Banking relationships with politically exposed persons (PEPs) are permitted in Switzerland, but are subject to special provisions. Where there is reasonable suspicion that the assets deposited are of illicit origin, the Federal Council has up to now been able to freeze them under emergency legislation. This emergency legislation is now to be replaced with a law. The Swiss Bankers Association is working closely with the relevant authorities to bring about this change.

The website of the Federal Department of Foreign Affairs (FDFA) states the following: Whenever required in order to safeguard the interests of the country, the Federal Council is empowered to freeze the assets of politically exposed persons (PEPs) and their entourage (see also the FINMA Anti-Money Laundering Ordinance [AMLO-FINMA]) who become dictators under emergency legislation based on Article 184, para. 3 of the Swiss Constitution.

Such measures can be taken in specific situations (for example, in times of political upheaval) to ensure that the assets are not transferred out of Switzerland. The aim is to return assets to their legitimate owners and any misappropriated public funds to the countries concerned. The country in question must initiate criminal proceedings and request mutual legal assistance from Switzerland in order to demonstrate the illicit origin of the assets.

From PEP to dictator

The question here is how dictators' assets come to be deposited in Switzerland in the first place. It should be borne in mind that such individuals do not come to Switzerland as dictators, but instead become dictators after they have already deposited their assets in Switzerland as PEPs.

PEPs can be bank clients. Switzerland has an exemplary, internationally recognised system for dealing with such people. The AMLO-FINMA defines PEPs as "persons with prominent public functions abroad: heads of state or government, senior politicians at national level, senior government officials in administration, the judiciary, the military and political parties at national level, senior executives of nationally important state-owned enterprises and companies or individuals identified as having close ties with the above due to family, personal or business reasons".

Such individuals do not come to Switzerland as dictators, but instead become dictators after they have already deposited their assets in Switzerland as politically exposed persons.

Business relationships with PEPs are subject to special checks in the Anti-Money Laundering Ordinance, but they are permitted. Problems only arise if political events lead to a PEP becoming persona non grata in the eyes of the Swiss government, and sometimes in the eyes of international bodies and organisations as well.

Freezing of dictators' assets in 2011

Political upheavals brought about by popular uprisings and violence have changed the status of politically exposed per-

sons in the Ivory Coast, Egypt, Tunisia, Libya and Syria from PEP to persona non grata.

The Federal Council's freeze order is a political decision carried out as a precautionary measure designed to prevent the assets being moved out of Switzerland and enable the new foreign governments to request the restitution of the assets through mutual legal assistance.

As in other countries, this development prompted the Federal Council in early 2011 to freeze the assets of the aforementioned dictators and their entourages deposited in Switzerland based on the emergency legislation referred to above. This freeze order is a political decision carried out as a precautionary measure designed to prevent the assets being moved out of Switzerland and enable the new foreign governments to request the restitution of the assets through mutual legal assistance.

The Federal Council's decision to block the assets was made very quickly and with no prior notice. The differing follow-up statements that were subsequently issued by the various authorities resulted in a degree of legal uncertainty. This is due in no small part to the fact that various authorities published bank names and speculation about the volume of assets frozen at an early stage.

The publication of lists that were subsequently modified also caused uncertainty and created the impression that the decision had been made in extreme haste with the aim of being as extensive as possible.

The Swiss Bankers Association essentially welcomed the Federal Council's decision to freeze assets on political grounds. At the same time, however, it believes that better coordination and communication is required. Information should be provided as soon as the first signs of a crisis of this kind appear, so that preparatory measures can be implemented jointly and the extent of the impact on the economy – it is not only the banks that are affected – can be assessed. As requested, a clearly defined process must also be issued.

International reaction to the freeze order

Events have also shown that a coordinated procedure is required at international level. While Switzerland's rapid response attracted worldwide attention – because people recognised that Switzerland's PEP system and hence its legislation is functioning correctly – at the same time the perception was created that Switzerland is a haven for dictators' assets. This perception was further exacerbated by some incorrect reporting in the foreign press (e.g. confiscation rather than freezing of assets).

The way in which the emergency orders to freeze assets were issued and communicated raised doubts among bank clients and trading partners of Swiss firms as to the strategy being followed by Switzerland. This was all the more true since Switzerland has played a pioneering role in the fight against money laundering and the establishment of rules regarding PEPs. A host of procedural issues still have to be resolved for the banks, which is why the Federal Council would ideally have a clear strategy, and individuals and assets would be clearly designated in the event of the emergency legislation being applied.

In particular, the Federal Council's actions may damage investors' confidence in legal certainty and the protection of basic rights in Switzerland, as they could fear that assets would be frozen for no apparent reason.

Clear legal provisions

As a result of developments and discussions with the SBA, on 11 May 2011 the Federal Council commissioned the FDFA to draft a formal legal basis for blocking the assets of PEPs on a precautionary basis. This is in line with the Swiss Bankers Association's wish for a law that describes the required measures in the clearest and most detailed manner possible. The Swiss Bankers Association is strongly committed to the creation of a clearly defined process for freezing PEP assets in order to safeguard the rule of law and legal certainty. The "emergency legislation" is to be replaced with a law, as a regulation is the only way to establish the basic parameters.

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However, these preventative measures require clear criteria to be defined in advance to ensure that freezing assets on the basis of the Federal Constitution does not become the norm whenever a head of state is forced to step down due to massive public protests. An extremely careful assessment must instead be made on a case-by-case basis to determine whether or not the conditions for such a far-reaching step have been met.

It is important to define in precise terms the room for manoeuvre the individual parties concerned have, their roles and the related responsibilities. It would be extremely valuable if the banks were able to estimate at an early stage the extent to which business relationships are affected. The banks are heavily dependent on the support of the authorities in this regard, but conversely also provide the necessary assistance.

To ensure that a coherent procedure can be followed in terms of disclosure obligations, a distinction should be made between Federal Council measures and those that financial intermediaries must take under the Anti-Money Laundering Act.

With regard to mutual legal assistance in criminal matters, a clearly defined process should be created to establish the Federal Council's room for manoeuvre in its dealings with the foreign country in which a change of government is taking or has

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taken place. This is true in any event – but not only – when the country in question is a "failing state". The Federal Act on the Restitution of Illicit Assets (RIAA), known as the "Duvalier Law", which came into effect on 1 February 2011, applies only in cases where the country of origin is unable to meet the requirements for mutual legal assistance proceedings due to the total or large-scale collapse or non-availability of its judicial system (failure of state structures).

The Swiss Bankers Association welcomes the Federal Council's decision to issue a law and remains heavily committed to effectively tackling the issue of dictators' assets in collaboration with the relevant authorities.

FATCA

US Foreign Account Tax Compliance Act

The US Foreign Account Tax Compliance Act (FATCA) is intended to combat tax evasion by US taxpayers with offshore accounts. The Act will be difficult to implement successfully, however, unless the existing conflicts can be resolved. The Swiss Bankers Association is therefore playing an active role in drawing up the implementing provisions for the Act and is committed to keeping them as pragmatic and practicable as possible.

In March 2010 the US Congress passed FATCA, part of the Hiring Incentives to Restore Employment Act (HIRE Act). FATCA is intended to combat tax evasion by US taxpayers with offshore accounts. As such, FATCA applies not just to Switzerland but to the entire world.

The financial industry respects FATCA's objective of combating tax evasion, but has been extremely critical of the measures proposed, the timeframe and the possible unintentional consequences.

The FATCA provisions go further than the previous Qualified Intermediaries (QI) system and are intended to apply to all foreign financial institutions (FFIs) – irrespective of whether or not the FFI has signed a QI agreement. While some 6000 financial institutions worldwide have entered into a QI agreement, FATCA should also apply to a further 100000 FFIs and certain non-financial entities.

In summary, the Act contains the following elements:

- A new withholding tax of 30% will be introduced for earnings and capital gains on US securities. This tax can only be avoided by complying with an agreement concluded by the FFI with the US tax authorities.
- The term "FFI" is very broad in scope. It also covers various other entities including asset management companies, fiduciary agents, insurance companies, collective investment schemes and trusts.
- The Act requires FFIs to disclose any US taxpayers (US persons) among its clients.
- The term "US persons" also includes persons behind a company, green card holders, dual citizens and those who simply spend a certain amount of time (number of days per year) in the USA.
- Any link to the USA may potentially give rise to a tax liability and must be investigated by the FFI.
- FFIs must adhere to far-reaching identification and verification rules.
- Payments to downstream FFIs that may have US taxpayers among their clients must be administered (passthru payments).
- Existing special rules regarding US Eurobonds in bearer form will be abolished.
- A withholding tax will also be imposed on US dividend substitute payments (particularly equity swaps).
- The additional tax revenues from FATCA are estimated at just under USD 9 billion over ten years.
- FATCA will come into effect on 1 January 2013.

The Swiss Bankers Association represents the interests of the Swiss banks through a delegation formed in October 2009 in

conjunction with the European Banking Federation (EBF) and the Institute of International Bankers (IIB), a group representing the interests of foreign banks in the USA. This EBF / IIB delegation has since conducted various meetings in the USA, and has submitted a number of written statements to the US Internal Revenue Service (IRS) and the US Treasury. The SBA plays an active role in EBF and IIB initiatives.

Financial industry offers constructive criticism on FATCA

Although the international lobbying efforts did not prevent FATCA and its far-reaching requirements becoming law, they did convince the US financial authorities to grant a certain amount of scope with regard to issuing the implementing provisions. Lobbying has since been concentrated on making the implementing provisions as practice-oriented and hence practicable as possible.

The financial industry respects FATCA's objective of combating tax evasion, but has been extremely critical of the measures proposed, the timeframe and the possible unintentional consequences.

The chief source of concern relates to the extensive identification and documentation obligations for US persons. The key demand is to keep these as practicable as possible. It would greatly simplify matters for FFIs if – where "losses" from registered US persons and hence the tax revenues under FATCA were minimal – they were only required to identify and report taxpayers domiciled in the USA and were able to use tried and tested anti-money laundering procedures for identification purposes. In many countries, Switzerland among them, the FATCA requirements unfortunately differ from anti-money laundering and data

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protection provisions as well as from other guidelines. Swiss banks, for example, establish the beneficial owners in their client relationships at great expense under the SBA's agreement on due diligence. However, these procedures can only be adapted for use with FATCA at considerable extra effort. Successful implementation will be impossible if the conflicts between national legislation, common Know Your Customer (KYC) processes in the countries concerned and the FATCA rules cannot be resolved.

Another core criticism relates to the possible negative impact of FATCA on capital inflows into the USA. There is a risk that cost / benefit analyses could lead FFIs to regard FATCA participation as too costly. In such cases they would terminate client relationships with US persons, no longer wish to hold or acquire US securities, and all in all significantly reduce the amount of business they do with the USA. Given the importance of the US market and the US dollar, larger FFIs would undoubtedly continue their US business relationships, but thousands or even tens of thousands of FFIs worldwide could sell their US securities or decide not to reinvest. In view of the anticipated US budget and current account deficits, this could make it more difficult and thus more expensive for US companies and the US government to arrange refinancing, which in turn would have consequences for international exchange rates and interest rates.

If thousands or even tens of thousands of FFIs worldwide sell their US securities or decide not to reinvest, this could make it more difficult and thus more expensive for US companies and the US government to arrange refinancing.

Little flexibility in FATCA implementation proposals

The IRS and the US Treasury proposed initial implementing provisions in August 2010 in the form of Notice 2010-60.

The provisions cover the following aspects in particular:

- definition of the term FFI
- nature and scope of the documentation and identification obligations for business relationships with US persons
- content of annual reporting to the IRS
- clarification regarding "grandfathered obligations" that are not subject to the withholding tax

Unfortunately Notice 2010-60 barely addressed the concerns raised by many countries. As such, many FFIs became aware for the first time just how drastic the FATCA requirements are. As a result, the first banks announced publicly that they would exit the US securities business and terminate their business relationships with US clients.

The interest groups were subsequently invited once again to give their views on the Notice. The 60 or so statements submitted, including those of the EBF and the IIB, were extremely critical and questioned the (efficient) implementation of FATCA in general.

The EU Presidency and the European Commission also felt compelled to write a critical letter to the IRS and the US Treasury in March 2011. They suggested that FATCA should focus on taxpayers domiciled in the USA and noted that it made more sense for the USA to adopt an extended EU savings tax directive in place of FATCA.

The International Banking Federation (IBFed), the global umbrella organisation for the banking industry, to which the SBA belongs through the EBF, wrote to the G7 finance ministers at the beginning of April 2011. This letter also cast doubts on FATCA's practicability.

The Swiss Bankers Association will work intensively with the US Treasury and the IRS to draw up the implementing provisions for the Act. International lobbying will also assume a prominent role in forthcoming activities.

A second implementation proposal, Notice 2011-34, was finally issued in April 2011. The proposal replaces parts of the preceding Notice 2010-60 and addresses individual industry proposals, but on the whole increases the workload for FFIs.

Notice 2011-34 contains the following main points:

- A new "private banking" category has been introduced for existing clients, further increasing the work involved in analysing this client population compared with Notice 2010-60. A computer-based search for US persons is no longer sufficient; client advisors must now assess both clients and associated family members to determine whether they are US persons.
- The provisions relating to passthru payments are very onerous. The payee's FFI must determine the US ownership shares of the payments received, by means of an extremely complicated procedure, and report these to the IRS on a quarterly basis. Experts doubt whether the procedure is actually feasible at all.
- The FFI must confirm that it does not give its clients any instructions or assistance on modifying accounts and custody accounts in order to avoid or circumvent the FATCA rules.

The Swiss Bankers Association will once again submit a response to this Notice in conjunction with the EBF and the IIB, and will work intensively with the US Treasury and the IRS to draw up the implementing provisions for the Act. These must be kept as pragmatic and practicable as possible, with international lobbying also assuming a prominent role in forthcoming activities.

Swiss real estate market

The price boom gives rise to debate

Construction activity and price trends on the Swiss property market have been rising for years. The main reasons for the high demand are immigration, greater prosperity and the current low cost of financing. Since the momentum is based on fundamental factors, direct intervention in pricing with the aim of limiting suspected bubbles is inappropriate.

The issue of whether or not a real estate bubble is being created in Switzerland has given rise to controversial debate over the past year. While Head of the Federal Department of Economic Affairs Johann Schneider-Ammann said at the beginning of the year that a real estate bubble was "not a real, serious danger", according to Swiss National Bank (SNB) Chairman Philipp Hildebrand it is now important to make sure "that we do not end up in a situation of this kind". As is so often the case, the truth probably lies somewhere in the middle. The economic assessment of the probability and consequences of a real estate bubble bursting is key to the public debate on economic policy.

While Head of the Federal Department of Economic Affairs Schneider-Ammann said that a real estate bubble was "not a real, serious danger", according to Swiss National Bank Chairman Hildebrand it is important to make sure "that we do not end up in a situation of this kind". As is so often the case, the truth probably lies somewhere in the middle.

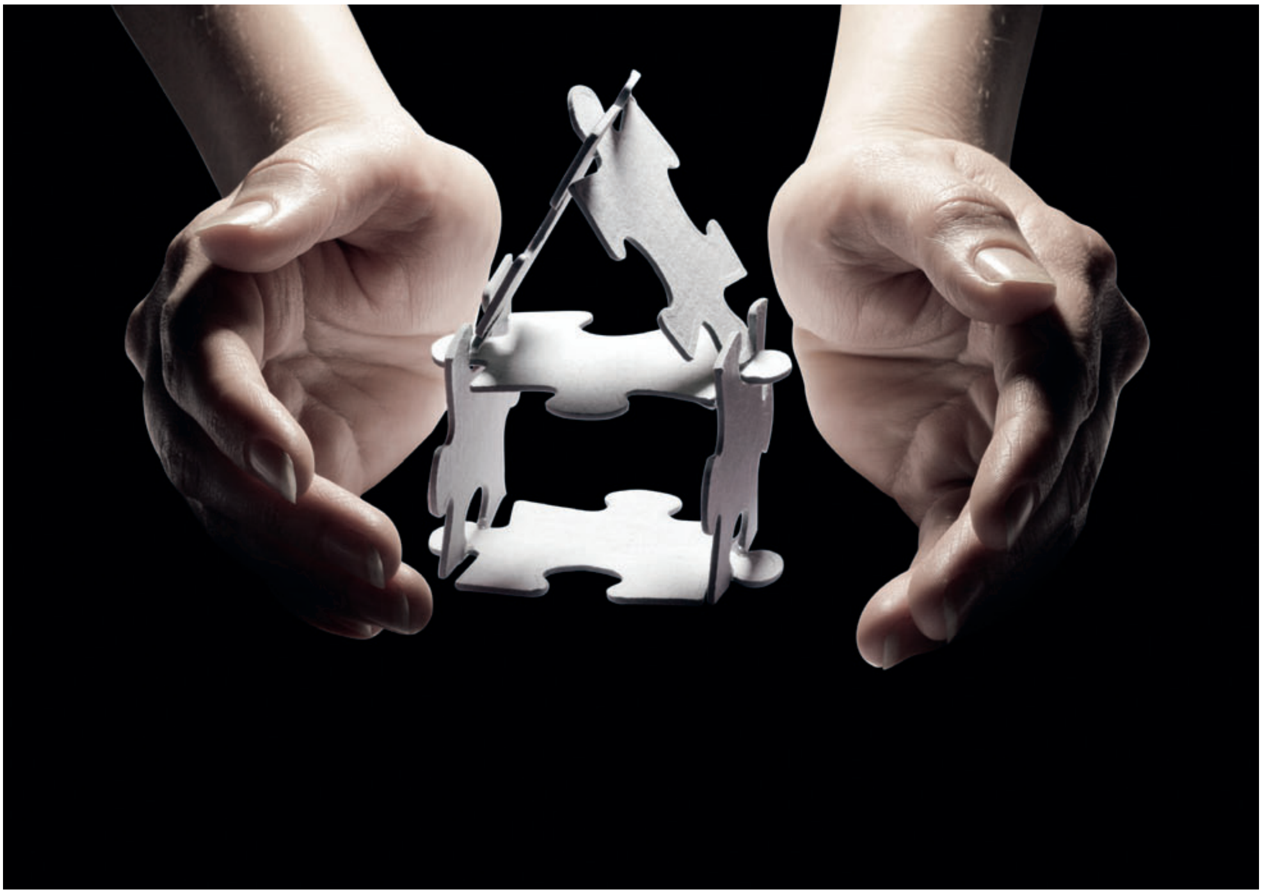
Statistics show that in some regions real estate prices have actually grown more quickly than the fundamental factors on which they are based. Asking prices for owner-occupied apartments and single-family houses in particular have seen significant growth in recent quarters. Talk of a boom across the board is misplaced, however. Asking prices for owner-occupied apartments and single-family homes rose by 5.1 % and 4.4 % respectively year-on-year, with 1.3 % and 0.6 % of the increase respectively coming in the first quarter of 2011. The asking price index for office premises is actually 3.8 % lower than in the prior-year quarter.

Prices for investment properties are relatively high, due in part to very strong price growth in 2009. This growth slowed last year to 2.9 %. The market in numerous premium-priced central sites is also in a speculative phase. It is therefore clear that on an overall basis the asking price index for the market as a whole rose steadily last year, continuing the constant growth trend of the last decade. But Switzerland is currently far removed from the cycles of "boom and bust" seen in other countries.

Price increases can be explained

Everyone agrees that on the whole the price increases are attributable to fundamental factors. Although investment in construction in recent years, particularly in the residential segment, led to a comparatively large supply of new properties, the strong demand drove prices up. The demand is based on the following three causes:

Firstly, the increased level of immigration due to the free movement of persons and the good economic situation, and also to



family members joining immigrants, has led to an increase in Switzerland's residential population. Secondly, greater prosperity, the creation of jobs for highly qualified people and the ageing population has prolonged the trend towards increased per capita living space. The third factor driving demand is the low cost of financing, which is boosting demand for home ownership. As the price increases are attributable to fundamental factors, it is wrong to talk about a price bubble for the home ownership segment as a whole. There are local hotspots, however, particularly in conurbations, the Lake Geneva area and certain tourist destinations, which have seen striking price rises that appear to be independent of fundamental factors.

If a large number of loans are granted at the limit of what borrowers can afford, a price correction can have serious consequences. If more and more borrowers experience payment difficulties, banks can also be dragged down with them.

Price trends in the investment property market also merit closer attention. The high price level means that the initial returns on such properties are too low, and this can result in corrections if the economy performs badly. Despite the low returns, the sideways trend and the high degree of uncertainty in other asset classes made property an attractive option for institutional investors in the wake of the financial crisis. Swiss pension funds, for example, are very heavily invested in property by international standards.

Limited risks

Analysts anticipate a further moderate price increase in the short to medium term. According to a survey by the Swiss Homeowners' Association (Hauseigentümerverband, HEV), 44 % of the real estate experts questioned expect prices for owner-occupied apartments to remain stable in 2011, while 47 % anticipate a moderate increase in prices. As for single-family homes, 49 % of those surveyed believe that prices will remain stable, while 42 % think they will increase. However, the current situation in Switzerland is not comparable with the 1990s real estate bubble caused by rising prices for office premises or with the real estate crises in Ireland, Spain or the USA.

Despite the fact that prices have not increased across the board, price bubbles and possible countermeasures have been a hotly debated topic for some time. The SNB has already issued a warning about increased mortgage risks in last year's financial stability report, in which it identified the sharp rise in mortgage volumes as one source of such risks. Heightened vigilance is called for because economic crises often originate in the real estate sector. In addition, the financial crisis has also made people more sensitive with regard to safeguarding financial stability.

If a large number of loans are granted at the limit of what borrowers can afford, a price correction can have serious consequences. If more and more borrowers experience payment difficulties, banks can also be dragged down with them. The SNB has ascertained that it is not unusual for banks to have a large risk appetite due to the intensive competition in the sector.

Given the fundamental environment, however, it has to be said that neither a general increase in prices nor the apparent easing of lending restrictions are justified by the fiercely competitive market for mortgage loans. Risks also appear to be limited by the fact that some 80% of mortgages are fixed rate, thus reducing the impact of an interest rate rise on borrowers. The International Monetary Fund estimates that the interest rate risk for banks as a result of the high proportion of fixed-rate mortgages is higher than the default risk for borrowers.

Should a major rise in interest rates nevertheless cause some homeowners to have problems meeting their mortgage payments, meaning that more properties come on to the market, this would also be absorbed by the ongoing strong future demand. As such, the systemic risk remains moderate for the foreseeable future. As long as the current price increases are an expression of the relative scarcity of living space, we do not face any increased risk. For this reason, direct market intervention would be not only ineffective but in fact counter-productive.

Work on the general conditions

The banks help to mitigate the risks from mortgage business by being careful who they grant mortgage loans to and then managing these loans over the long term. The internal bank directives used for this comply with the minimum requirements issued by the Swiss Bankers Association (SBA) as part of the self-regulation process for member banks in its "Guidelines governing the examination, valuation and treatment of mortgage-backed loans". These are designed to ensure first and foremost that mortgages are valued in an economically correct, prudent and comprehensible manner. Drawing on the lessons of the financial crisis, the SBA is working with FINMA to establish how the guidelines can be revised and structured in more detail to further reduce any risks. The focus is on the provisions regarding affordability, collateral and valuation and on the treatment of "exception-to-policy" transactions.

Economic crises often originate in the real estate sector. In addition, the financial crisis has also made people more sensitive with regard to safeguarding financial stability.

The efforts regarding risk management in the mortgage market also have to be viewed in connection with the debate surrounding the strengthening of macro-prudential supervision, which aims to mitigate systemic risks and avoid the macroeconomic costs that result from financial stability. An internal working party headed by Federal Councillor Eveline Widmer-Schlumpf is currently developing the future structure of macro-prudential policy. One of the requests made by the International Monetary Fund during its annual discussions conducted as part of the Article IV consultations was that Switzerland should clarify the respective roles of FINMA and the SNB. It is clear that the tightening of financial market regulation at international level (for example, the increased capital requirements under Basel III) will increase banks' refinancing costs. Depending on the extent of the tightening this is likely to feed down to borrowers in future in the form of higher interest rates.

The government influences demand through housing subsidies and tax rules relating to home ownership. The proportion of homeowners is still low compared with other countries at around 40 %.

The government influences demand through housing subsidies and tax rules relating to home ownership. These incentivising measures also feature regularly in political debates. The rules have so far had a positive impact on the proportion of homeowners, which at around 40 % is still low compared with other countries. This figure has increased continually over the last few decades, however.

Despite the diverse range of work being done in connection with the general conditions, it can be assumed that the individual initiatives will have little effect on price dynamics for the foreseeable future. This is down to the strong demand trends, which exercise a dominant influence. It is difficult to assess the overall impact of the various shifts in incentives brought about by changes in the general conditions, however, particularly if demand pressure eases due to fundamental factors. It is therefore essential to keep an eye on the overall system, especially where initiatives are taking place at the same time. Otherwise, interventions can prove to be counterproductive.

Financial Literacy
A guide through the financial jungle

The Swiss Bankers Association (SBA) has taken up the cause of promoting basic financial knowledge within the general population. In particular, young people should have a greater awareness of basic everyday financial issues by the time they leave primary school. A pilot project has been underway since summer 2011.

An increasing number of service offerings also requires an increasing amount of knowledge on the part of clients. This practical day-to-day knowledge and ability in financial matters is referred to internationally as financial literacy. The promotion of financial literacy is currently a red-hot topic. For example, US Federal Reserve Chairman Ben S. Bernanke declared before a US Senate committee in April 2011 that financial education must be a life-long pursuit.

The SBA has long been aware of the importance of disseminating basic financial knowledge within the general population. There are a number of reasons why the Association should step up its activities in this area:

- More discerning and better informed clients also directly boost the quality of providers and hence the competiveness of the financial centre.
- A solid level of basic financial knowledge in the population can help to reduce the overall risks associated with financial products and their use.
- Enhanced knowledge and understanding of the financial world can create new client potential.
- A greater (partial) focus on knowledge of the banking and financial world can also inspire people to consider a job in the banking sector.
- According to Article 2 of the SBA's Articles of Association, one of the association's primary objectives is to "promote the Swiss financial centre". In addition to fostering expertise in financial institutions through high-quality training and education for employees, the ongoing, long-term improvement of financial competency within the general population helps to promote the financial centre generally.

Midway through 2010 the SBA told the Swiss Conference of Cantonal Ministers of Education that greater institutional emphasis should be placed on financial literacy – particularly for young people – as part of compulsory education. Specifically, it is calling for young people to be familiarised with, or at least made aware of, basic everyday financial issues such as budgeting, debt, investment and the risk / return trade-off by the time they leave primary school.

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Early in 2011 the Association's Office decided initially to promote basic financial knowledge through a pilot project rolled out in German-speaking Switzerland only and entitled "Webweiser

Financial Literacy" (Financial Literacy Web Guide). The underlying idea is a concept to create a target group-specific guide to the existing online offerings.

There is a plethora of existing websites containing information on basic financial knowledge, but it is difficult to gain an overview of them. Anyone wishing to obtain information is faced with a jungle of offerings. This is where the SBA Web Guide comes

The website www.money-info.ch is intended to be the first port of call for people interested in financial literacy and to provide them with some initial pointers. It is aimed at young people and adults along with parents and teachers.

into play: the website is intended to be the first port of call for people interested in the subject and to provide them with some initial pointers. It is aimed at young people and adults along with parents and teachers (in connection with financial education for children / school students). Each target group has its own sub-page containing specific information.

The pages all have a similar structure: a brief introductory text, followed by a list of links, with corresponding comments, to existing projects and offerings, and finally links to multimedia content highlighting the relationships between the target group concerned and the relevant basic financial knowledge. Each target group can also access a glossary with clear explanations of key basic financial terms.

The content is geared specifically to each target group. For young people, there is a particularly strong emphasis on interactivity in the form of quizzes, games, etc. Content for the parents target group is focused on topics such as the "right" amount of pocket money, while teachers are given an overview of suitable teaching aids that they can incorporate into lessons. In the adults target group, emphasis is placed on using and understanding financial products, with relevant links to sources of information such as bank portals. Finally, all users also have the opportunity to get in touch with key contacts for debt prevention and advice.

Social Media

Of “friends” and “followers”

Social media is becoming an increasingly important PR tool. The Swiss Bankers Association (SBA) has continually expanded its activities in this area in recent months and gained some positive initial experiences. When the website is relaunched in the coming year, social media will be integrated even more closely into the SBA’s communications strategy.

Social media, offering the opportunity to swap photos, videos, knowledge, opinions and comments, are being used by an ever-growing number of people. They are increasingly becoming the means by which issues are brought to the attention of the public. Facebook, the most well-known social media site, has more than 600 million users worldwide, while the video portal YouTube is the most-used Internet search engine after Google. Twitter, meanwhile, has more than 160 million registered users who publish more than 90 million short messages (tweets) every day.

The new digital public is becoming ever more important for both corporate and political communications. With this in mind, the Swiss Bankers Association has been active on Twitter since April 2010 at www.twitter.com/swissbankingSBA.

This new digital public is becoming ever more important for both corporate and political communications. With this in mind, the SBA has been looking at the social media issue since early 2010 and has taken its first concrete steps in this regard.

Initial experiences in the social media world

The SBA’s objectives with regard to social media are to boost the Association’s profile and reach a new audience. After analysing a range of platforms, the Association’s Office decided to become active on Twitter and simply observe other platforms for the time being.

Twitter

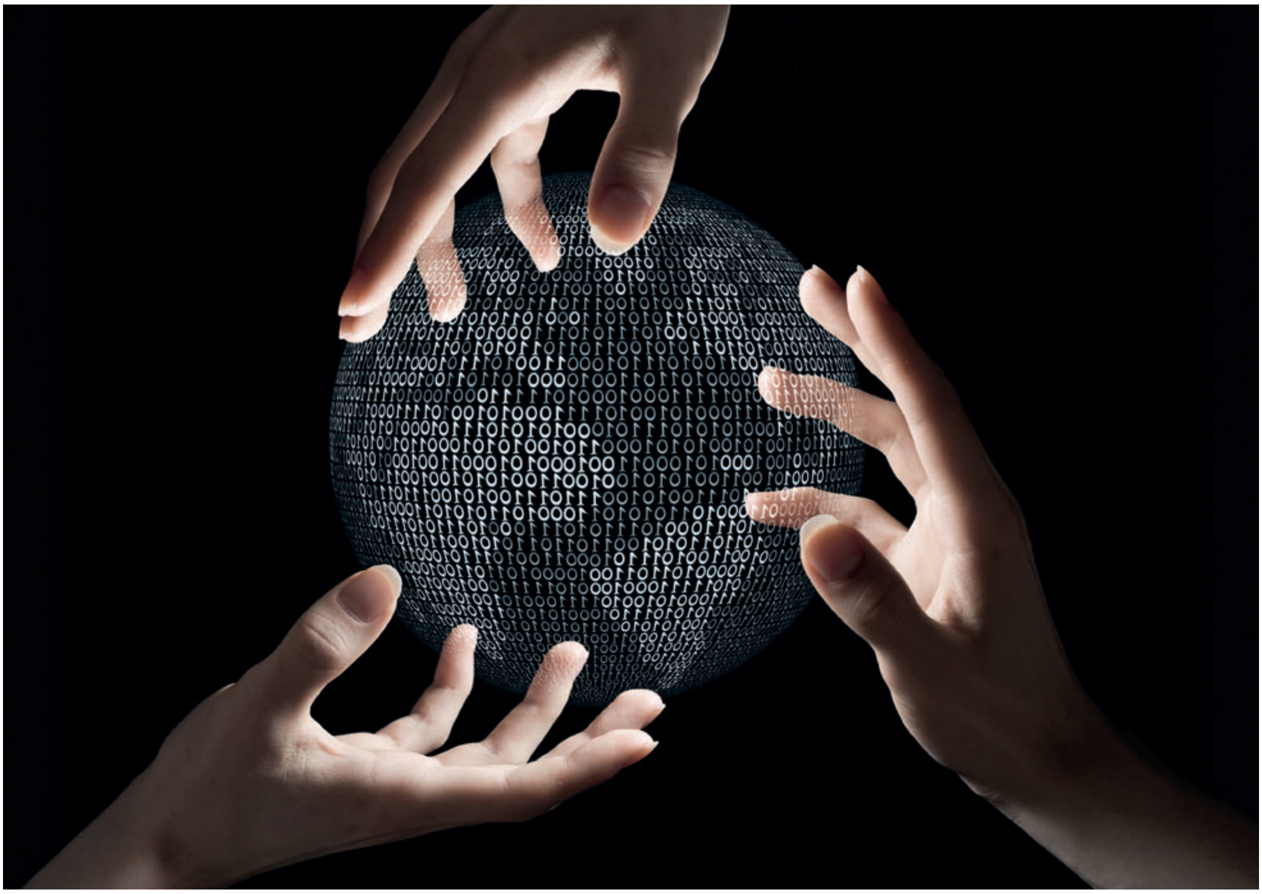
The short message service was the most appropriate avenue for the SBA’s entry into the world of social media. The Association has been active on the microblogging service since April 2010 at www.twitter.com/swissbankingSBA. Despite a certain initial reticence about “tweeting”, it has since built up a network of 300 “followers”. To drive this digital networking campaign forward, the SBA also consciously follows journalists, Swiss and foreign politicians, and other stakeholders. By way of comparison, many other Swiss business associations have much fewer than 100 followers.

YouTube

The SBA has launched its own podcast series to communicate its position on current events and provide information on SBA matters. Three video clips have been produced to date and published on the Association’s portal (https://www.sbvg.ch, “Info Corner”), on www.swissbanking.org and on the SBA’s dedicated YouTube channel. Further podcasts are planned.

Facebook

The Association’s Office also looked at Facebook. The decision was taken not to create an SBA page for the time being, how-



ever, since Facebook is used primarily for personal communication and users expect more entertaining content. The SBA feels that the cost of preparing such content is currently too high in relation to the expected benefit. The option of creating a Facebook page will be reviewed in the near future, particularly with regard to the planned anniversary activities, since the social networking site offers great potential for connecting with and mobilising younger target groups.

Online newspaper editions and Wikipedia

The Internet is gaining significance in other areas as well. Online editions of newspapers are very important as the articles spread quickly through the web and contribute to opinion-forming. Blogs are another increasingly influential medium, albeit to a lesser extent in Switzerland. And Wikipedia has become many people's go-to reference for information of all kinds.

Over the longer term a modern association cannot afford not to incorporate the new channels into its communications strategy. This finding will be taken into account in the forthcoming relaunch of the website www.swissbanking.org.

The SBA has commissioned an external company to monitor online media and blogs and provide it with updates several times each day. Staff from the Association's Office periodically search Wikipedia and other websites of interest for content relating to the SBA. Where necessary, comments are added (e.g. to online articles) or corrections made (Wikipedia entries). The website www.swissbanking.org now also has a "Facts & Fiction" section for correcting factually incorrect reports.

Positive results thus far

Experiences with social media to date have been positive and above all have shown that over the longer term a modern association cannot afford not to incorporate the new channels into its communications strategy. This finding will be taken into account in the forthcoming relaunch of the website. The plan is to make the site more interactive, expand social media activities and integrate these activities more closely than at present.

Reports from the Commissions

The following section summarises the main business dealt with by the SBA's various commissions in the year under review. A more detailed report, together with the names of all members of the commissions, is available in German and French on the Swiss Bankers Association's website www.swissbanking.org under "Publications / Activity Report".

Commission for Institutional Asset Management (IAM)

During the year under review, the commission examined the proposed Alternative Investment Fund Management Directive (AIFMD), coming out in particular in favour of a liberal regulatory framework in dealings with "third countries" such as Switzerland. To this end, the Association made the commission's position known to the EBF as well as the Swiss authorities and the SFA. The commission also focused on the reform of second pillar structures and the associated amendments to the Swiss Federal Act on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) during the year under review. It issued a position statement during the consultation process on the revision of the related ordinances, notably with regard to transparency in occupational pensions. The commission also launched a study on second pillar asset management with a view to collecting comparative information on the returns, risks and costs of second pillar investments in Switzerland, the United Kingdom, the Netherlands and the US. Finally, the expert group on Global Investment Performance Standards (GIPS), working under the aegis of the commission, helped implement and develop "GIPS 2010". This group of experts also organised various events designed to provide information on GIPS.

Andreas Schlatter, Managing Director, UBS AG (Zurich)

Commission for the Safeguarding of Swiss Financial Assets

The main task of this commission is to deal with securities issued by Swiss or foreign companies or by public sector bodies that are administered by Swiss banks where there is a risk of defaulting (failure to make interest payments or repay principal upon maturity, debt restructuring and / or rescheduling proposals, etc.). During the year under review, the commission focused in particular on problems stemming from the liquidation of Iceland's three biggest banks, Kaupthing, Landsbanki and Glitnir.

Chair to be confirmed

Commission for Financial Market Regulation and Accounting

The main focus of the commission's activities during the year under review was once again to address the various regulatory reactions to the financial crisis. As part of this activity, the commission monitors relevant international and national developments on an ongoing basis, defines strategic guidelines, and is involved in formulating positions on the applicable issues. Capital adequacy and liquidity regulation are prime examples of the issues addressed. Following the April 2010 opinion of the Swiss Bankers Association (SBA) with regard to the Basel Committee on Banking Supervision's consultative documents, the Swiss implementation of Basel III is now the focus of the commission's work. The commission represents individual banking groups on the relevant National Working Group under the direction of FINMA. The commission also prepared SBA positions on amendments to the Capital Adequacy Ordinance and implementing provisions governing market risks and risk distribution, on the new FINMA Circular "Capital buffer and capital planning in the banking sector", and on amendments to the FINMA Circular on "Rating Agencies". The commission played a key role in formulating our March 2011 position on the Federal Council's "too big to fail" proposals. In accounting, the commission focuses on monitoring international developments in relation to IFRS and US GAAP accounting standards. The commission also provides targeted input into national accounting projects, such as the planned redesign of accounting standards for banks. Further examples include the proposed amendments to auditing standards, the ongoing monitoring of framework agreements on netting, and systematic status reviews and public relations work.

Ralph Odermatt, Managing Director, UBS AG (Zurich)

Swiss Commission for Financial Standardisation

During the year under review, the commission focused extensively on strategic direction and future challenges, revising the relevant principles and policies. This is encapsulated in a single sentence in the commission's Mission Statement: "The Swiss Commission for Financial Standardisation is the nationally and internationally recognised body of the Swiss financial centre for the development, maintenance and use of data and reporting standards for the operational processes of the financial services industry". As part of regional and national initiatives to standardise infrastructure in the financial sector, the commission's experts provided input into all 48 amendments and standard reviews of the ISO Technical Committees 68 (TC68 – Financial Services), and represented Switzerland at the annual plenary meetings of ISO TC68 and its 4 subcommittees. The commission's experts are also involved in the review of annual SWIFT releases by the SWIFT user committees. It submitted several change requests based upon agreed Swiss requirements and participated in the relevant country voting procedures. The new ISO 20022 messaging standard was also a key focal point in 2010. In relation to payments, the standards in Switzerland, which are essentially proprietary, will need to be aligned to the new standard in the long term. In the area of securities, ISO 15022 has already replaced the majority of proprietary standards in Europe and Switzerland, which means that any other change will be harder to discern, requiring further discussion. In 2010, the commission once again hosted full-day information events on developments in the fund and securities industry.

Peter Lorenz, Managing Director, UBS AG (Zurich)

Commission for Law and Compliance

The Legal Commission has been renamed as a result of its partial realignment, since it now specifically deals with issues of compliance. During the period under review, the commission focused specifically on the self-regulation of asset management (Portfolio Management Guidelines), country information for cross-border private client transactions – a new service for members that is highly in demand, the proposed FINMA rules on marketing and selling financial products, issues surrounding the regulation of independent asset managers, issues affecting the Agreement on Due Diligence (e.g. insurance wrappers), fresh initiatives in legislation governing long-term dormant assets in banks, current developments concerning bank-client confidentiality and international administrative assistance, and finally, depositor protection schemes at different regulatory levels. Finally, the Swiss Banking Act is now explictly taking the "normative force of facts" into account with the "too big to fail" (TBTF) bill – a new development in Swiss legal policy.

Dr Felix P. Graber, Managing Director and Senior Legal Counsel to the Group Executive Board, Credit Suisse Group AG (Zurich)

Commission for Swiss Client Business

The commission is responsible for a broad range of issues relating to Swiss client business both with individuals and companies. Last year it was active in a number of different client business projects and subject areas, with a particular focus once again on the policy aspects of SME financing. As well as assessing exchange rate movements, the real estate and mortgage markets were a key area of concern for the commission. The commission makes relevant assessments of the situation and assists the SBA in formulating positions and opinions. The commission also conducts high-level talks on behalf of the SBA with other associations, including annual meetings with Swissmem, the Swiss Small Business Association, bauenschweiz, the Swiss Hotel Association and the Schweizerische Gesellschaft für Hotelkredit (Swiss Society for Hotel Credit). This dialogue has proven to be successful in recent years and will be continued in future. Planned priorities for the commission's activities include formulating comments, opinions and FAQs on SME financing, the real estate market and consumer issues. Other key areas include payment transactions, postal and banking business, and consumer credit and leasing. The commission also acts as the board of the depositor protection association, with few exceptions holding two posts concurrently.

Patrik Gisel, Deputy Chair of the Executive Board, Raiffeisen Switzerland (St. Gallen)

Commission for Security

The Commission for Security, an advisory specialist and steering body for all matters related to security, dealt with various security issues during the year under review, including physical and logistical security (information security), business continuity management (BCM) and various aspects of white-collar crime. Important focal points include skimming attacks on ATMS and participation in federal government initiatives to create a basic strategy for protecting critical infrastructure and a national cyber defence strategy. The commission also maintains valuable relationships with supranational organisations, notably through a presence on the relevant committees of the EBF in Brussels.

Christoph Beat Zumstein, Head of Group Security Services,
UBS AG (Zurich)

Training Commission

The Training Commission is involved at all levels of the banking and finance training system. Several factors significantly affected the commission's activity. These included demographic trends (declining number of students entering basic training, increase in average age of working population), nationwide changes in the basic bank training, and initiatives underway on the Swiss and international financial markets (including regulation). Following the launch of the "SwissBanking I Future" joint basic training campaign at the beginning of 2010, the focus has shifted towards consolidating and building on the campaign. It was possible to draw key findings and conclusions about the ideal, life-long learning process from an online survey of more than 11 000 bank employees. In addition to completing the design of future commercial training at national level (due to take effect in 2012), the Association dealt extensively with the new legal basis for training high school graduates and the implications for the "BEM" bank entry programme for high school graduates. Further key activities in the area of advanced training were the support and backing provided to the Higher Specialist College of Banking and Finance (HFBF) – which provides the initial core training in general banking, cooperation with various universities and issues of positioning, transparency and information on further training in banking and finance. The commission also addressed a number of new and existing srategic issues in relation to developments on the financial markets (e.g. qualifications framework for banking and finance and the promotion of basic financial literacy .

Dr Jürg Gutzwiller, Member of the Executive Board, RBA-Holding AG
(Gümligen)

Commission for Communications and Public Affairs

The Commission for Communications and Public Affairs deals with all matters affecting public affairs for the Swiss Bankers Association (SBA). During the period under review, attention was focused primarily on the structural impact of the financial and economic crisis on banks and the international tax discussion. The communication of the 2015 Financial Centre Strategy played a large role in this regard. Our public affairs specialists in Berne also faced significant challenges. In the light of national and international developments, their lobbying efforts intensified and talks continued with selected cantonal authorities. The well-established series of events "Swiss Banking on air" (7 events) at high school level and "Swiss Bankers' Club" (SBC) (20 events) for members was successfully continued and extended. These SBC events provided the Chairman and newly elected CEO, Claude-Alain Margelisch, with a platform for dialogue with the members. For the first time ever, the SBA's Internal Communications also used podcasts in its dialogue with members. The series of events initiated last year under the banner "Swiss Banking Dialogue" (new: "SwissBanking Bi de Lüt" or "SwissBanking Parlons-en") was continued. This provides a regional focus for the financial centre and promotes dialogue between the financial services industry and business. The Association's change of CEO also resulted in a further area of intense activity. Since Swiss Bankers Day on 16 September 2010 in Interlaken, new CEO Claude-Alain Margelisch has been engaging in extensive communication with all SBA dialogue partners, both publically and also behind the scenes. Following an initial phase in Switzerland, meetings have been held abroad as well. International communications activities during the reporting period have focused specifically on the current situation, resulting in the prioritisation of lobbying efforts directed at countries and organisations within Europe, especially in France, and also in the USA. There was increased awareness of the need for further communication initiatives in other core markets, generally in cooperation with Swiss embassies, with communications strategies being defined.

Claude-Alain Margelisch, CEO of the SBA (Basel)

Commission for Economic Policy

The Commission for Economic Policy is the Swiss Bankers Association (SBA) think tank for economic issues and issues related to economic and regulatory policies. It dealt with both international and national developments in the year under review. Its duties at the international level involve helping prepare the banking aspects of official trade missions. It also constantly monitors and assesses relevant political and regulatory trends in the USA and the EU. As part of its duties at the national level, the commission was responsible, for example, for conducting a study on the significance of the financial centre and its interaction with business. The commission was also closely involved with another study highlighting opportunities for the Swiss banking sector following the financial crisis. The commission also addressed some other key issues relating to the Swiss financial services industry, including regulatory matters, which are also covered by other commissions.

The Economy Master Plan working group examined the potential economic impact of a financial services agreement or EU market access using a scenario-based methodology. The commission also continued to make active contributions to the various regular SBA publications.

Cesare Ravara, Director, Credit Suisse AG (Zurich)

Commission for Tax and Finance Policy

The Commission for Tax and Finance Policy was active in a broad range of areas due to the fast-moving pace of developments in international tax law. The commission worked on the formulation of a detailed opinion on the planned Swiss Tax Administrative Assistance Act governing requests for administrative assistance under existing double taxation agreements in relation to Article 26 of the OECD Model Tax Convention. It also worked intensively on the issue of the impact and implementation of the Foreign Account Tax Compliance Act (FATCA). Here it worked very closely with the EBF and the IIB and submitted two detailed opinions to the US Treasury and the IRS. Finally, the commission dealt with the "too big to fail" bill, focusing specifically on the switch from the debtor principle to the paying agent principle and formulating a detailed opinion on the subject.

Fritz Müller, Managing Director, Credit Suisse (Zurich)

Areas of Responsibility within the Office

Head Office Basel
Aeschenplatz 7
4052 Basel
PO Box 4182
4002 Basel
T +41 61 295 93 93
F +41 61 272 53 82
office@sba.ch
www.swissbanking.org

Berne Office
Hotelgasse 10
3011 Berne
T +41 31 312 27 27
F +41 31 312 27 87

Zurich Office
Limmatquai 122
8001 Zurich
T +41 44 266 93 00
F +41 44 266 93 01

Claude-Alain Margelisch

Lucas Metzger

Renate Schwob

Jakob Schaad

Thomas Sutter

Kuno Hämisegger

Chief Executive Officer
Claude-Alain Margelisch*
Dep. Jakob Schaad
Dep. Renate Schwob

Operations
Lucas Metzger*

Logistics

Board Office and EC	Selma Merdan
Human Resources	Ursula Zähringer
Finances	Ernst Buess
Informatics	Martial Schilliger
DB/Support	Priska Lanz
Services	Thomas Knell

Strategic Development
Claude-Alain Margelisch*

Strategy
Stefan Tobler

Communications
Jean-Marc Felix

Training
Stefan Hoffmann

Economics
Martin Hess

Economic Analysis
Raphael Vannoni

Training
Matthias Wirth

Advanced training
Marie-Theres Lorenzon

Education Development
Stefan Hoffmann

Basic training
Daniela Strohmeier

Financial Market Switzerland
Renate Schwob*
Dep. Markus Staub

Banking Policy, Banking Regulation
Markus Staub

Financial Markets Law, Netting
Christoph Winzeler

Infrastructure, Payment Systems
Renate Schwob

Depositor Protection, Real Estate and Consumer Issues
Patrick Loeb

Compliance, Money Laundering, FATF, Bank Security
Pascal Baumgartner

Country Information
Fiona Hawkins

Financial Markets Internat.
Jakob Schaad*
Dep. Urs Kapalle

Europe, International Legal Issues, Asset Protection
Jakob Schaad

America / Asia, WTO / OECD / ICC
Heinrich Siegmann

Institutional Asset Management
Mireille Tissot

Federal Finance & Tax Policy
Urs Kapalle

Tax Issues
Jean Brunisholz

Communications
Thomas Sutter*

Switzerland, Germany, Asia
Thomas Sutter

USA
Jean-Marc Felix

UK
Sindy Schmiegel

Europe
Rebeca Garcia

Web Services
Alexandra Arni

Internal Communications, Publications
Corinne Moser

Events
Marlen Melone

Public Affairs Switzerland
Kuno Hämisegger*
Dep. Yves Weidman

Public Affairs Monitoring
Yves Weidmann

* Member of the Executive Committee

Association Business

Swiss Bankers Day

The 97th Annual General Meeting of the Swiss Bankers Association (SBA) was held on 16 September 2010 in Interlaken. Over 400 bankers and guests from the world of business, politics, public administration, trade associations and the media attended the formal event. The SBA also had the honour of welcoming ambassadors from over 20 countries.

In his first speech as Chairman, Patrick Odier presented an overview of the challenges facing our industry, calling for proportionate regulation: "It's a matter of preserving our trump cards such as stability and legal certainty." Mr Odier was firmly opposed to Switzerland "going it alone". He also reminded participants of the 2015 Financial Centre Strategy, and reviewed his own objectives on taking office one year ago. Patrick Odier closed his address on an upbeat note, saying: "If we succeed – and I have no doubt that we will – in adapting to far-reaching changes ..., then I see no reason not to face the future with confidence."

He went on to pay tribute to the outgoing CEO, Urs Roth, who is retiring after serving ten years. He pointed out the milestones in his ten-year term of office, and emphasised that Urs Roth had steered the Bankers Association through some very turbulent times with considerable care. The President also expressed his full confidence in the new CEO, Claude-Alain Margelisch.

Following the Chairman's address, Federal Councillor Eveline Widmer-Schlumpf delivered the traditional speech on behalf of the government. She called the financial markets a "global work in progress", but assessed the opportunities for long-term success for Switzerland and the financial services industry as extremely good.

The Annual General Meeting approved the 2009/2010 Annual Report and the financial statements.

Board of Directors, Board Committee and Presiding Committee, Articles of Incorporation and Mission Statement

There were seven resignations from the Board of Directors in the year under review: Francesco Morra and Lukas Gähwiler (both from UBS AG), Arthur Bolliger (Maerki Baumann Holding AG), Paul Nyffeler (Association of Swiss Cantonal Banks, ASCB), Eduardo Leemann (Falcon Private Bank Ltd.), Maurice Monbaron (Crédit Agricole [Suisse] SA) and Urs Roth, who also resigned as CEO. The following were elected to the Board of Directors at the Annual General Meeting of 16 September 2010: Jean Berthoud, Banque Bonhôte & Cie SA (in place of Guy de Picciotto, Union Bancaire Privée, who stepped down last year); Ulrich Körner, UBS AG (in place of Lukas Gähwiler); Peter Siegenthaler, ASCB (in place of Paul Nyffeler); Herbert J. Scheidt, Vontobel Holding AG (in place of

Arthur Bolliger) and Claude-Alain Margelisch (in place of Urs Roth). The Board of Directors coopted Joachim H. Strähle (Bank Sarasin & Cie AG) and Alexandre Zeller (HSBC Private Bank [Suisse] SA) to succeed Eduardo Leemann and Maurice Monbaron.

In addition, the Board of Directors appointed Ulrich Körner, Claude-Alain Margelisch and Peter Siegenthaler to the Committee of the Board of Directors; the latter replaces Martin Scholl (Zürcher Kantonalbank, ZKB) on the Committee, who will, however, continue as an ordinary member of the Board (from 1 January 2011). Claude-Alain Margelisch was also appointed as the new CEO and Delegate to the Board of Directors.

The Annual General Meeting on 16 September 2010 also approved an amendment to the Articles of Incorporation, primarily in relation to the streamlining of organisational structures at management level. Among other things, the Presiding Committee was abolished. In addition to changes in governance, the Articles of Incorporation were also amended to reflect changes in practice and legislative changes, for example the statutory requirement for auditors to be elected by the General Meeting. Finally, the Board of Directors has defined its own mission statement. As well as a preamble, this sets out the stated objectives of the Swiss Bankers Association (SBA), the values represented by the Association and the services that we provide to our members.

Office

On 1 May 2010, Corinne Moser took over from Tanja Rokitzky in the Communications department. The two new vacancies for research assistants in the Financial Market Switzerland and Financial Markets International were filled by Angela Knuchel and Selma Merdan in June 2010. Sherif Beqa started work in the IT department in the same month. On 1 August 2010, Claudia Dannenhauer joined us to complete her second year of apprenticeship as a commercial assistant (e-profile). We appointed Micha de Roo to the new position in our Training department; he assumed his new role as a project assistant on 1 September 2010. Following Swiss Bankers Day, Urs Roth, who was CEO of the Swiss Banking Association (SBA) and Delegate to the Board of Directors for many years, started his well-deserved retirement. His duties were assumed in October 2010 by our long-standing Head of Financial Markets International, Claude-Alain Margelisch. Sophie Pfefferkorn, Cathy J'espère and Selma Merdan transferred to the CEO's office with him. On 1 October 2010, Martin Hess took up office as Chief Economist and Jeanine Blumer joined us as a tax expert, having served in the Tax department as part of a secondment programme. Starting 1 November 2010, we recruited Fiona Hawkins to the new Country Information project along with Rebeca Garcia as Head of Communications Europe. Monique Oser entered her well-deserved retirement at the end of November 2010. Her duties as accounts administrator will now be performed by Sarah Zehnder. Céline Zumstein, event manager, and Nadine Zwahlen, Communications assistant, left us at the end of 2010. In January 2011, Peter Kaufmann took over from Michael Waldburger as research assistant in the Communications department. Since 1 February 2011, Jens Schweizer has been working for our Economics department, following a six month internship, while Isabelle Rösch was appointed as an assistant in the Financial Market Switzerland department. At the end of February 2011, Eugen Dietlin entered his well-deserved retirement, following a lengthy absence due to illness. Sarah Mayer also left us at the end of February 2011, having supported the Board and CEO's office for many years with tireless energy and commitment. On 1 March 2011, Jakob Schaad took over from Claude-Alain Margelisch as Head of Financial Markets International; Marlen Melone filled the Events vacancy. At the same time, Thomas Sutter, formerly Head of Communications Switzerland, took over as Head of Communications from Jean-Marc Felix, who moved to the new Strategic Development department along with Stefan Tobler, long-standing Head of the Board and CEO's office. Tanja Müller, assistant in Financial Markets International, left us at the end of March 2011. Her responsibilities will now be performed by Carine Voegeli as of 1 April 2011.

On 21 June 2010, the Board of Directors promoted Raphael Vannoni to Associate Director, while Jean Brunisholz and Patrick Loeb were appointed as Members of Senior Management. At its meeting on 6 December 2010, the Board of Directors promoted Jakob Schaad to Member of the Executive Committee; Martin Hess was appointed as a Member of Senior Management and both Rebeca Garcia and Fiona Hawkins were appointed Associate Directors. On 29 March 2011, the Board of Directors elected Kuno Hämisegger and Thomas Sutter as Members of the Executive Committee by way of circular resolution.

At the end of April 2011, the Association's Office had a permanent staff of 66, representing 57 full-time equivalent positions, plus one temporary staff member and a secondee.

Balance Sheet as of 31 December 2010

Assets

In CHF	2010	2009
Cash and cash equivalents	20 381 367	21 542 653
Accounts receivable	1 039 594	1 230 125
Accrued income and prepaid expenses	29 783	241 860
Total current assets	**21 450 744**	**23 014 638**
Securities and financial assets	12 280 751	11 556 715
Movable property and equipment	1	1
Property	3 700 000	3 700 000
Total fixed assets	**15 980 752**	**15 256 716**
Total Assets	**37 431 496**	**38 271 354**

Liabilities

In CHF	2010	2009
Accounts payable	1 424 711	901 226
Accrued expenses and deferred income	935 869	1 309 617
Special-purpose provisions	24 360 400	25 264 150
Total liabilities	**26 720 980**	**27 474 993**
Association capital	6 961 000	6 961 000
Reserves	3 749 516	3 835 361
Total equity capital	**10 710 516**	**10 796 361**
Total Liabilities	**37 431 496**	**38 271 354**

Income Statement 2010

Income

In CHF	2010	2009
Membership fees	23 437 061	28 118 707
Financial income	410 351	447 938
Income miscellaneous	6 851 517	8 452 451
Release of provisions	1 802 600	2 008 000
Total Income	**32 501 529**	**39 027 096**

Expenses

In CHF	2010	2009
Operating and commission expenses	17 082 113	25 663 239
Personnel expenses	11 407 751	10 332 398
General and administrative expenses	2 742 392	2 420 134
Depreciation, amortisation and provisions	1 153 750	524 050
Interest expenses	250	750
Tax expenses	201 118	192 812
Total Expenses	**32 587 374**	**39 133 383**
Surplus	**–85 845**	**–106 287**

Appropriation of Surplus

In CHF	2010	2009
Utilisation of reserves	–85 845	–39 287
Use of fund capital	0	–67 000
Release of fund capital	0	–4 961 000
Allocation to association capital	0	4 961 000
Surplus	**–85 845**	**–106 287**

Notes to the Financial Statements as of 31 December 2010

Notes

In CHF	2010	2009
Fire insurance values of tangible fixed assets		
Movable property and equipment	2 920 000	2 934 000
Property	18 306 240	18 093 700
Fair values of securities and financial assets	13 854 267	13 687 999
Pledges in favour of third parties		
Pledged securities	600 000	600 000

Report of the Statutory Auditors on the Financial Statements

To the General Assembly of the members of the Swiss Bankers Association (SwissBanking), Basel

As statutory auditors we have audited the financial statements of the Swiss Bankers Association (SwissBanking; see pages 31 to 33), which comprise the balance sheet, income statement and notes, for the year ended 31 December 2010.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Swiss law (Art. 957 ff. of the Swiss Code of Obligations) and the Association's Articles of Incorporation. This responsibility includes designing, implementing and maintaining an internal control system suited to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss auditing standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit applies procedures to obtain audit evidence about the amounts and other disclosures in the financial statements. The procedures selected depend on the auditor's judgement, which includes an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers the internal control system, to the extent that it is relevant to the preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control system. An audit also includes an evaluation of the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as an evaluation of the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2010 comply with Swiss law (Art. 957 ff. of the Swiss Code of Obligations) and the Association's Articles of Incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements concerning licensing (Audit Supervision Act) and independence (Art. 69b of the Swiss Civil Code in conjunction with Art. 728 of the Swiss Code of Obligations) and that there are no circumstances incompatible with our independence.

In accordance with Art. 69b of the Swiss Civil Code in conjunction with Art. 728a para. 1 point 3 of the Swiss Code of Obligations and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

Basel, 2 May 2011

Ernst & Young Ltd.

Thomas Schneider
Licensed Auditor (in charge of audit)

Stefan Lutz
Licensed Auditor

Organs of the Swiss Bankers Association

Chairmen since the year of foundation

1912–1917	Friedrich Frey, Basel
1917–1927	Dr h. c. Alfred Sarasin, Basel
1927–1946	Robert La Roche, Basel
1946–1950	Bernhard Sarasin, Basel
1950–1965	Dr Charles de Loës, Geneva
1965–1986	Alfred E. Sarasin, Basel
1986–1992	Dr Claude de Saussure, Geneva
1992–2003	Dr Georg F. Krayer, Basel
2003–2009	Pierre G. Mirabaud, Geneva
Since 2009	Patrick Odier, Geneva

Governing Board

Patrick Odier*
Chairman, Senior Partner, Lombard Odier Darier Hentsch & Cie, Geneva

Dr Ulrich Körner*
Vice Chairman, Member of the Group Executive Board, Group Chief Operating Officer and CEO Corporate Center, UBS AG, Zurich

Peter Siegenthaler*
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Attorney-at-Law, via Nassa 21, 6901 Lugano

Dr Martin Lüscher
Attorney-at-Law, Seestrasse 41, 8002 Zurich
PO Box 1878, 8027 Zurich

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PO Box 189, 1211 Geneva 12

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PO Box, 8022 Zurich

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PD Dr Christoph Winzeler

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Office of the Swiss Banking Ombudsman

Hanspeter Häni

Banking Ombudsman

Bahnhofplatz 9, PO Box 1818, 8021 Zurich

T +41 43 266 14 14 (8.30–11.30 am) German / English

T +41 21 311 29 83 (8.30–11.30 am) French / Italian

F +41 43 266 14 15 www.bankingombudsman.ch

Christian Guex

Deputy Banking Ombudsman

Rudolf Schenker

Deputy Banking Ombudsman

Andrea Pellanda

Deputy Banking Ombudsman

Martin Tschan

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Attorney-at-Law, Rahn & Bodmer Co., Thalwil

Office of the Swiss Banks' and Securities Dealers' Deposit Guarantee Association

Patrick Loeb

CEO

PO Box 4182, 4002 Basel

T +41 61 295 92 92, F +41 61 272 53 82

info@einlagensicherung.ch

www.einlagensicherung.ch

Lucas Metzger

Deputy CEO

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Head of Human Resources, Julius Bär Gruppe AG, Zurich

Office of the AGV Banken (Swiss Bank Employers' Association)

Dr Balz Stückelberger

CEO

Dufourstrasse 49, PO Box 4182, 4002 Basel

T + 41 61 295 92 95, F + 41 61 272 93 97

info@agv-banken.ch

www.agv-banken.ch

Utility Infrastructure Providers, Associations and Federations

Utility Infrastructure Providers for the Swiss Banking Sector

SIX Group AG

Postal address	SIX Group AG, Selnaustrasse 30, PO Box 1758, 8021 Zurich
Office	Selnaustrasse 30, 8001 Zurich
	T +41 58 854 20 91, F +41 58 499 54 55
	www.six-group.com
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CEO	Dr Urs Rüegsegger

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Postal address	SIX Swiss Exchange AG, Selnaustrasse 30, PO Box 1758, 8021 Zurich
Office	Selnaustrasse 30, 8001 Zurich
	T +41 58 399 54 54, F +41 58 499 54 55
	www.six-swiss-exchange.com

SIX SIS AG

Postal address	SIX SIS AG, Brandschenkestrasse 47, PO Box 1758, 8021 Zurich
Office	Brandschenkestrasse 47, 8002 Zurich
	T +41 58 399 45 11, F +41 59 499 31 11
	www.six-sis.com

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Postal address	SIX x-clear AG, Brandschenkestrasse 47, PO Box 1758, 8021 Zurich
Office	Brandschenkestrasse 47, 8002 Zurich
	T +41 58 399 43 11, F +41 58 499 43 12
	www.six-x-clear.com

SIX Systems AG

Postal address	SIX Systems AG, PO Box, 4601 Olten
Office	Baslerstrasse 100, 4600 Olten
	T +41 58 399 35 55, F +41 58 499 31 11
	www.six-systems.com

SIX SAG AG

Postal address	SIX SAG AG, Baslerstrasse 90, PO Box, 4601 Olten
Office	Baslerstrasse 90, 4600 Olten
	T +41 58 399 61 11, F +41 58 499 61 12
	www.six-sag.com

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Postal address	SIX Telekurs AG, Hardturmstrasse 201, PO Box 1521, 8021 Zurich
Office	Hardturmstrasse 201, 8005 Zurich
	T +41 58 399 51 11, F +41 58 499 51 12
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Postal address	SIX Multipay AG, Hardturmstrasse 201, PO Box 1521, 8021 Zurich
Office	Hardturmstrasse 201, 8005 Zurich
	T +41 58 399 91 11, F +41 58 499 91 15
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Postal address	SIX Card Solutions AG, Hardturmstrasse 201, PO Box 1521, 8021 Zurich
Office	Hardturmstrasse 201, 8005 Zurich
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	www.six-card-solutions.com

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Postal address	SIX PayNet AG, Hardturmstrasse 201, PO Box 1521, 8021 Zurich
Office	Hardturmstrasse 201, 8005 Zurich
	T +41 58 399 95 11, F +41 58 499 95 25
	www.paynet.ch

Aduno-Gruppe

Office	Hagenholzstrasse 56, 8050 Zurich Oerlikon
	T +41 58 958 60 00, F +41 58 958 60 01
	info@aduno-gruppe.ch
	www.aduno-gruppe.ch

SIX Interbank Clearing AG

Postal address	SIX Interbank Clearing AG, Hardturmstrasse 201, PO Box 1521, 8021 Zurich
Office	Hardturmstrasse 201, 8005 Zurich
	T +41 58 399 29 99, F +41 58 499 31 12
	www.six-interbank-clearing.com

SIX Group Services AG

Postal address	SIX Group Services AG, Hardturmstrasse 201, PO Box 1521, 8021 Zurich
Office	Hardturmstrasse 201, 8005 Zurich
	T +41 58 399 41 11, F +41 58 499 41 12
	www.six-group.com

Swiss Bankers Prepaid Services AG

Office	Kramgasse 4, 3506 Grosshöchstetten
	T +41 31 710 11 11, F +41 31 710 12 00
	info@swissbankers.ch
	www.swissbankers.ch

Pfandbriefbank schweizerischer Hypothekarinstitute AG

Office	Nansenstrasse 16, PO Box 6446, 8050 Zurich
	T +41 44 315 44 55, F +41 44 315 44 66
	info@pfandbriefbank.ch
	www.pfandbriefbank.ch

Pfandbriefzentrale der schweizerischen Kantonalbanken

Office	Bahnhofstrasse 9, PO Box, 8050 Zurich
	T +41 44 292 27 78, F +41 44 292 31 24
	www.pfandbriefzentrale.ch

Center for Young Professionals in Banking (CYP)

Office	Puls 5, Giessereistrasse 18, 8005 Zurich
	T +41 43 222 53 53, F +41 43 222 53 54
	info@cyp.ch
	www.cyp.ch

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Office	AKAD Höhere Fachschule Banking und Finance AG,
	Jungholzstrasse 43, 8050 Zurich
	T +41 44 307 32 47, F +41 44 307 32 22
	banking+finance@akad.ch
	www.akad.ch/banking+finance

Swiss Finance Institute

Office	Walchestrasse 9, 8006 Zurich
	T +41 44 254 30 80, F +41 44 254 30 85
	info@sfi.ch
	www.swissfinanceinstitute.ch

Associations and Federations

Association of Swiss Cantonal Banks

Office	Wallstrasse 8, PO Box, 4002 Basel
	T +41 61 206 66 66, F +41 61 206 66 67
	vskb@vskb.ch
	www.kantonalbank.ch
Chairman	Peter Siegenthaler
CEO	Hanspeter Hess

RBA-Holding AG

Office	Mattengasse 8, 3073 Gümligen
	T +41 31 660 44 44, F +41 31 660 44 55
	info@holding.rba.ch
	www.rba-holding.ch
Chairman	Paul Nyffeler
CEO	Pius Ch. Schwegler

Raiffeisen Group

Office	Raiffeisenplatz 4, 9001 St. Gallen
	T +41 71 225 88 88, F +41 71 225 82 51
	www.raiffeisen.ch
Chairman	Dr h. c. Franz Marty
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Office	Uraniastrasse 12, PO Box 3228, 8021 Zurich
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	office@gigersimmen.ch
	www.vskf.org
Chairman	Heinz Hofer
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Association of Swiss Commercial and Investment Banks

Office	Baarerstrasse 12, 6300 Zug
	T +41 41 729 15 35, F +41 41 729 15 36
	benno.degrandi@vhv-bcg.ch
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Office	Löwenstrasse 51, 8001 Zurich
	PO Box 1211, 8021 Zurich
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	info@foreignbanks.ch
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Swiss Private Bankers Association

Office	12 rue du Général-Dufour, PO Box 5639,
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	info@swissprivatebankers.com
	www.swissprivatebankers.com
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Swiss Associations

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Office	Dufourstrasse 49, PO Box, 4002 Basel
	T +41 61 278 98 00, F +41 61 278 98 08
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Office	PO Box 4182, 4002 Basel
	T +41 61 295 93 93, F +41 61 272 53 82
	info@holdingverband.ch
	www.holdingverband.ch
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International Associations

European Banking Federation (EBF)

Office	10 rue Montoyer, B-1000 Bruxelles
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	ebf@ebf-fbe.eu
	www.ebf-fbe.eu
Chairman	Christian Clausen
Secretary-General	Guido Ravoet

EFAMA – European Fund and Asset Management Association

Office	47 rue Montoyer, B-1000 Bruxelles
	T +32 2 513 39 69, F +32 2 513 26 43
	info@efama.org
	www.efama.org
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Institute of International Bankers (IIB)

Office	299 Park Avenue, 17th Floor,
	USA-New York, NY 10171
	T +1 212 421 16 11, F +1 212 421 11 19
	iib@iib.org
	www.iib.org

Imprint

Publisher

Swiss Bankers Association (SBA), Basel

Concept, design and composition

Ramstein Ehinger Associates AG, Branding und Corporate Identity

Printing

Reinhardt Druck, Basel

Picture source

Swiss Bankers Association, Getty Images, Shutterstock

Copies of this report are available from

Swiss Bankers Association, Aeschenplatz 7,
PO Box 4182, 4002 Basel
T +41 61 295 93 93, F +41 61 272 53 82
office@sba.ch, www.swissbanking.org

This report is also published in German and French.
A detailed report of the year's activities is available in German and French on the website www.swissbanking.org under "Publications / Activity Report".

Swiss Bankers Association
Aeschenplatz 7
PO Box 4182
4002 Basel
Switzerland
T +41 61 295 93 93
F +41 61 272 53 82
office@sba.ch
www.swissbanking.org