

Annual Report
2013/2014



Chairman's Foreword Patrick Odier

Dear Reader

In 2012, I compared the Swiss financial centre to a motorway littered with construction sites. Now, two years onward, I see that although our financial centre still has a number of ongoing construction sites, a great number of fundamental decisions have nevertheless been reached. The way forward has been laid out, but in order to arrive at our desired destination, there is still a lot of work to be done.

The US construction site

Due to the tax-related problems with the US, both the Category 1 banks and those participating in the US Department of Justice's (DoJ) programme have had to mobilise substantial resources. The resulting financial outlay has been significant. As I previously stated when it was announced in August 2013, this programme is unilateral and at the upper limit of what is acceptable both in legal and economically sustainable terms. It is, however, the sole solution available to the banks in Switzerland that allows them to definitively end their legal problems with the US.

We founded the Association Program 2013 with the aim of clarifying unanswered questions related to the US programme and of coordinating the efforts of the banks wishing to participate in the programme. I would like to highlight two concrete results in particular that were achieved through this initiative: Firstly, the US tax authority, the Internal Revenue Service (IRS), released a statement announcing that banks participating in the programme and complying with FATCA will not face civil prosecution. Secondly, the DoJ announced that Category 2 banks will have the possibility of transferring into Category 3, should concerns of having violated US law prove to be unfounded.

We have not yet completed the work to be done in this area, and today, my attention is focussed on two aspects in particular: First and foremost, the Swiss banks must be treated fairly and equally. Also, particular importance must be placed on the protection of bank employees, especially because the banks participating in the programme are under the obligation to provide the DoJ with extensive information, and the documents provided could contain the names of employees. We have therefore reached an agreement together with the Employers Association of Banks in Switzerland (AGV Banken) and the Swiss Bank Employees Association (SBPV) to ensure the greatest possible protection for bank employees.

The EU construction site

Growth continues to be one of the core objectives of the Swiss financial centre. In order to achieve this, the banks in Switzerland require framework conditions that allow them to foster their client relationships as well as to enter new markets and acquire new clients. Unfortunately, I have been observing increasingly protectionist tendencies toward vertical foreclosure in the strategically relevant EU markets. The EU Parliament's decision not to make the establishment of local branches obligatory as part of the MiFiD II financial market regulation averted a worst-case scenario. For the time being, therefore, it remains at the discretion of the individual EU states to decide whether or not to make the active handling of retail clients by third-country institutions dependent on the presence of a local branch.

In its interim report on market access issued on 1 May 2014, the Brunetti Expert Group II, appointed by the Swiss government, recommended that the legal, political and economic consequences of a sectoral agreement with the EU for financial services be analysed and the feasibility thereof clarified. We share this view and agree with the recommendations made by the experts.

Independently of the Brunetti Expert Group, our board of directors has decided to commission an in-depth assessment of the costs and benefits of EU market access from a banking industry perspective. The results of the study are expected to be available in the fall.

One way or another, it is time to conduct bilateral negotiations on market access with the most important EU partner states, and in doing so, create legal certainty. This is key because an integration agreement would be extremely time consuming due to the necessity for certain institutional issues to be regulated before being able to move ahead. Moreover, the dialogue with our EU partners has become even more complex following the referendum held on 9 February 2014. This issue remains central, because both our possibilities for exporting services, and job preservation in Switzerland in particular, depend on this.

The automatic exchange of information and international standards construction site

In 2013, the automatic exchange of information (AEOI) was above all a political catch phrase. Today it is nearly a reality.

We recognise the paradigm shift that has taken place on this matter and have been speaking out in favour of the automatic exchange of information as a global standard for over a year. We have played a constructive role at all levels of the drafting process. Before the automatic exchange of information comes into effect, it remains important that the past is regularised fairly and definitively with all of the important countries. Also, we cannot accept a multitude of standards or exceptions, but rather one single norm that applies to all and creates a level playing field.

Although adhering to the FATF recommendations appears essential to me, I would like to once again state that we must take a stand against additional due diligence requirements (the Taxed Assets Strategy). Unfortunately, the Swiss Federal Council has not abandoned this concept, and instead continues to want to integrate these into the Financial Institutions Act. In reality, this is a question of "Swiss finish" that will neither be implemented by the other countries, nor understood by our clients. It is, moreover, redundant, as we are on board with AEOI.

The Switzerland construction site

The discussions surrounding a possible real estate bubble in Switzerland have lost almost no momentum over the last few years. The more rigid self-regulation rules for the banks issued in July 2012 and the anti-cyclical capital buffer are not far-reaching enough for the regulator.

We have always been open to additional measures in order to prevent potential extremes in the real estate sector. At the beginning of this year, however, we had to suspend discussions with the federal financial market supervisory authority FINMA on the matter. In our opinion, the demands were excessive and our tough stance was justified in light of the fact that FINMA's board of directors had approved our new self-regulation rules in July 2014. The amended minimum requirements for mortgage financing will come into effect on 1 September 2014. As part of these new requirements, mortgages will have to be amortised over 15 years instead of the current 20 years. Additionally, private, interest-bearing and/or repayable loans will no longer be considered as the client's own resources.

It is our view that no further measures should be introduced at a federal level. For the time being, self-regulation should be given enough time to have its full effect on the real estate and mortgage markets. This being said, we feel that consideration should perhaps also be given to the assessment of government incentives for home ownership.

Despite all of these construction sites, I am convinced that our financial centre will continue to hold a leading position internationally in future, as it is ideally positioned to do so. Nevertheless, the challenges we face demonstrate that we must also develop new growth drivers for the future, for example the creation of a renminbi hub in Switzerland or our Asset Management Initiative for Switzerland.

The first Chinese – Swiss Financial Round Table was held on 27 June, and was an important milestone on the road to the creation of a renminbi hub. The memorandum of understanding signed by the China Banking Association and our association is evidence of this. The memorandum strengthens further collaboration in the areas of banking research, education and training, as well as the renminbi hub.

The aim of the Asset Management Initiative is to position Switzerland as a globally leading location for asset management. It is now a matter of establishing the corresponding measures to support the realisation of this goal.

This past financial year was once again extremely labour-intensive, and the future is sure to bring significant challenges that we will have to overcome. In this spirit, I would like to thank Claude-Alain Margelisch, everyone at our offices, and all of our committee and task force members for their tireless commitment to the Swiss financial centre.



Patrick Odier, Chairman

Balance Sheet as of 31 December 2013

Assets CHF	Year under review	Prior year
Cash and cash equivalents	21,510,686	13,370,014
Accounts receivable	1,042,329	10,755,307
Accrued income and prepaid expenses	31,847	168,638
Total current assets	22,584,862	24,293,959
Securities and financial assets	12,277,536	11,882,250
Movable property and equipment	1	1
Property	3,700,000	3,700,000
Total fixed assets	15,977,537	15,582,251
Total assets	38,562,399	39,876,210

Liabilities CHF	Year under review	Prior year
Accounts payable	1,209,657	2,817,182
Accrued expenses and deferred income	2,864,292	1,279,858
Special-purpose provisions	23,789,000	25,041,000
Total liabilities	27,862,949	29,138,040
Association capital	6,961,000	6,961,000
Reserves	3,738,450	3,777,170
Total equity capital	10,699,450	10,738,170
Total liabilities	38,562,399	39,876,210

Income Statement 2013

Income CHF	Year under review	Prior year
Membership fees	25,772,923	25,590,103
Financial income	592,437	1,262,990
Income miscellaneous	2,383,956	2,543,606
Release of provisions	936,176	801,600
Total income	29,685,492	30,198,299

Expenses CHF	Year under review	Prior year
Operating and commission expenses	13,775,081	13,642,831
Personnel expenses	12,509,920	12,199,451
General and administrative expenses	3,237,934	2,496,167
Depreciation, amortisation and provisions	0	1,637,036
Interest expenses	887	890
Tax expenses	200,390	217,233
Total expenses	29,724,212	30,193,608

Surplus	-38,720	4,691
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Appropriation of surplus CHF	Year under review	Prior year
Utilisation of reserves	-38,720	0
Allocation to reserves	0	4,691
Surplus	-38,720	4,691

Notes to the Financial Statements as of 31 December 2013

CHF	Year under review	Prior year
Fire insurance values of tangible fixed assets		
Movable property and equipment	3,100,000	3,100,000
Property	18,624,960	18,744,576
Fair values of securities and financial assets	13,149,077	12,652,452
Pledges in favour of third parties		
Pledged securities	600,000	600,000

An die Generalversammlung der Einzelmitglieder der
Schweizerischen Bankiervereinigung (Swiss Banking), Basel

Basel, 20. Mai 2014

Bericht der Revisionsstelle zur Jahresrechnung

Als Revisionsstelle haben wir die Jahresrechnung der Schweizerischen Bankiervereinigung (Swiss-banking), bestehend aus Bilanz, Betriebsrechnung und Anhang (Seiten 5 bis 7), für das am 31. Dezember 2013 abgeschlossene Geschäftsjahr geprüft.

Verantwortung des Vorstandes

Der Vorstand ist für die Aufstellung der Jahresrechnung in Übereinstimmung mit den gesetzlichen Vorschriften und den Statuten verantwortlich. Diese Verantwortung beinhaltet die Ausgestaltung, Implementierung und Aufrechterhaltung eines internen Kontrollsystems mit Bezug auf die Aufstellung einer Jahresrechnung, die frei von wesentlichen falschen Angaben als Folge von Verstössen oder Irrtümern ist. Darüber hinaus ist der Vorstand für die Auswahl und die Anwendung sachgemässer Rechnungslegungsmethoden sowie die Vornahme angemessener Schätzungen verantwortlich.

Verantwortung der Revisionsstelle

Unsere Verantwortung ist es, aufgrund unserer Prüfung ein Prüfungsurteil über die Jahresrechnung abzugeben. Wir haben unsere Prüfung in Übereinstimmung mit dem schweizerischen Gesetz und den Schweizer Prüfungsstandards vorgenommen. Nach diesen Standards haben wir die Prüfung so zu planen und durchzuführen, dass wir hinreichende Sicherheit gewinnen, ob die Jahresrechnung frei von wesentlichen falschen Angaben ist.

Eine Prüfung beinhaltet die Durchführung von Prüfungshandlungen zur Erlangung von Prüfungsnachweisen für die in der Jahresrechnung enthaltenen Wertansätze und sonstigen Angaben. Die Auswahl der Prüfungshandlungen liegt im pflichtgemässen Ermessen des Prüfers. Dies schliesst eine Beurteilung der Risiken wesentlicher falscher Angaben in der Jahresrechnung als Folge von Verstössen oder Irrtümern ein. Bei der Beurteilung dieser Risiken berücksichtigt der Prüfer das interne Kontrollsystem, soweit es für die Aufstellung der Jahresrechnung von Bedeutung ist, um die den Umständen entsprechenden Prüfungshandlungen festzulegen, nicht aber um ein Prüfungsurteil über die Wirksamkeit des internen Kontrollsystems abzugeben. Die Prüfung umfasst zudem die Beurteilung der Angemessenheit der angewandten Rechnungslegungsmethoden, der Plausibilität der vorgenommenen Schätzungen sowie eine Würdigung der Gesamtdarstellung der Jahresrechnung. Wir sind der Auffassung, dass die von uns erlangten Prüfungsnachweise eine ausreichende und angemessene Grundlage für unser Prüfungsurteil bilden.

Prüfungsurteil

Nach unserer Beurteilung entspricht die Jahresrechnung für das am 31. Dezember 2013 abgeschlossene Geschäftsjahr dem schweizerischen Gesetz und den Statuten.

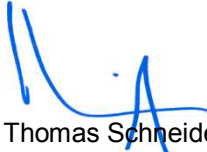
Berichterstattung aufgrund weiterer gesetzlicher Vorschriften

Wir bestätigen, dass wir die gesetzlichen Anforderungen an die Zulassung gemäss Revisionsaufsichtsgesetz (RAG) und die Unabhängigkeit (Art. 69b ZGB in Verbindung mit Art. 728 OR) erfüllen und keine mit unserer Unabhängigkeit nicht vereinbaren Sachverhalte vorliegen.

In Übereinstimmung mit Art. 69b ZGB in Verbindung mit Art. 728a Abs. 1 Ziff. 3 OR und dem Schweizer Prüfungsstandard 890 bestätigen wir, dass ein gemäss den Vorgaben des Vorstandes ausgestaltetes internes Kontrollsystem für die Aufstellung der Jahresrechnung existiert.

Wir empfehlen, die vorliegende Jahresrechnung zu genehmigen.

Ernst & Young AG



Thomas Schneider
Zugelassener Revisionsexperte
(Leitender Revisor)



Stefan Lutz
Zugelassener Revisionsexperte

Report of the Statutory Auditors on the Financial Statements

As statutory auditors we have audited the financial statements of the Swiss Bankers Association (SwissBanking), which comprise the balance sheet, income statement and notes, for the year ended 31 December 2013.

Duties of the Board of Directors

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Swiss law 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 have conducted our audit in accordance with Swiss law and Swiss audit standards. These standards 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, 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 2013 comply with Swiss law 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.

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