



Switzerland and China – a successful partnership

kpmg.ch

With its strategic location in the heart of Europe, Switzerland is attractive for international organizations, major financial institutions and asset managers. Well known for its leading financial centers Zurich and Geneva, Switzerland's key advantages for foreign banks are:

- highly skilled labor force;
- globalized banking system;
- competitive tax system;
- high standard of living;
- sound infrastructure; and
- stable political system.

Being the first developed nation in the West that established diplomatic ties with China, Switzerland is nowadays China's fifth biggest trading partner in Europe, while China is Switzerland's biggest trading partner in

Asia. The valuable diplomatic relationship between China and Switzerland has already led over 80 Chinese enterprises to set up operations in Switzerland.

The basis for the successful investment of Chinese companies in Switzerland's financial sector are several treaties between Switzerland and China:

- Free Trade Agreement of 1 July 2014
- Currency Swap Agreement between People's Bank of China and Swiss National Bank (RMB 150 billion) of 21 July 2014
- Memorandum of Understanding on Regular Financial Consultations of 24 May 2013
- WTO/GATS Agreement 1997 on Financial Services

Switzerland is an ideal location for Chinese banks to set up their overseas operations.

Requirements

The following provides an overview of the regulatory framework for banks in Switzerland and shows a selection of possible requirements.

Supervision of Banks in Switzerland

- Swiss Financial Market Supervisory Authority (FINMA)
- Swiss National Bank
- Swiss Bankers' Association
- External Auditors

License Types

Depending on the planned business activities, a foreign bank can apply for the following license types in Switzerland:

			Type	Subtype	Characteristics
commonly combined	Banking			Banking License	Fully supervised by FINMA, regulatory and statutory audit required.
				License as a branch of a foreign bank	Partially supervised by FINMA, regulatory and statutory audit required.
				Representative office of a bank	Supervision by foreign authorities.
	Securities Dealer			License as Securities Dealer	Fully supervised by FINMA, regulatory and statutory audit required.
				License as a branch of a foreign securities dealer	Partially supervised by FINMA, regulatory and statutory audit required.
				Representative office of a securities dealer	Supervision by foreign authorities.

- Banking license (accepting funds from the public, credit business, etc.)
- Securities Dealer license (trading or issuance of securities, derivatives, issuance of financial bonds, etc.)
- License as a branch of a foreign bank or a securities dealer
- Representation Office

Applicants can choose if they wish to apply for a single license (Banking or Securities Dealer license only) or a combination of both.

Possible Legal Structures of the Presence in Switzerland

- Subsidiary
- Branch
- Representation Office

Regulatory bodies in Switzerland prefer the set up of subsidiaries, as they are legal entities based in Switzerland.

Requirements of Owners / Shareholders and Persons in a Position of Responsibility

Key personnel and qualified participants of the planned business operation in Switzerland have to prove their good reputation and their sound experience in Swiss financial market laws and provisions (excerpts of commercial and debt registers, criminal records, CVs, etc.).

Requirements on Internal Governance

- Functional segregation of the Board of Directors and Management
- Segregation of duties (Front Office, Back Office as well as control functions such as Risk Management, Compliance)

Requirements on Outsourcing of Services, Swiss Banking Secrecy and Data Protection

- Data storage in Switzerland
- Cross-border information flow
- Controllable IT systems outside of Switzerland

For Branches

- Joint supervision by FINMA and CBRC
- Coordination of procedures between the two regulators



Other (non-regulatory) Requirements to be considered during the Application Process

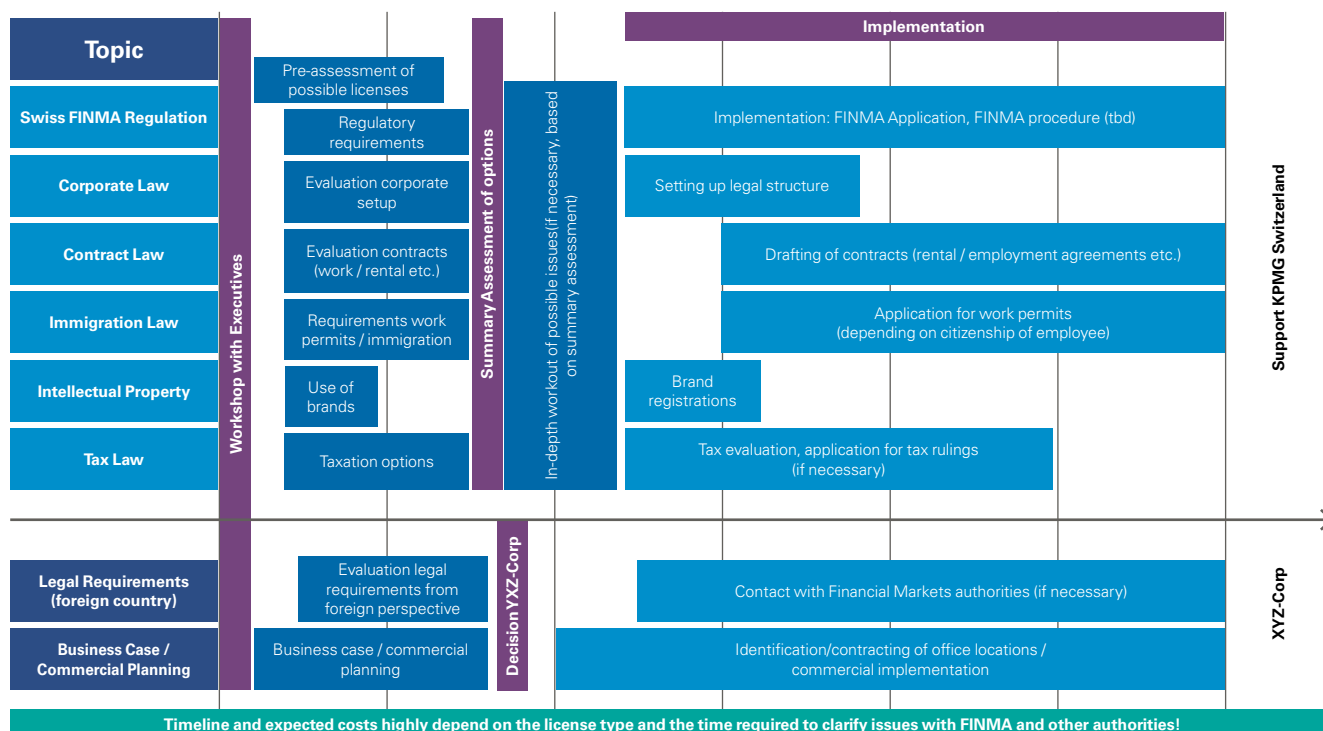
- IT
- Tax impacts
- Labor law, immigration matters and work permits
- Business premises
- Access to trading platforms
- Correspondent banks

A typical project plan includes the following steps:

Phase		Timeline	Parties		Main Tasks
1 2 3 4	Internal Evaluation	1 – 6 months	Legal / Tax / IT Advisor	Set-up Auditor	<ul style="list-style-type: none">• Evaluation of the possible options;• Preliminary clarification on regulatory requirements;• Business case for targeted operations in Switzerland.
	Preparation	3 – 12 months			<ul style="list-style-type: none">• Setup of the main organizational requirements (e.g. legal entity in Switzerland if necessary);• Evaluation of key personnel (required for application);• Detailed business case (required for application);• Approval of foreign authorities;• Preparation of the formal FINMA application (at the time of the application, the main organization should be implemented already).
	Filing / Audit	1 – 2 months			<ul style="list-style-type: none">• Setup audit by an independent audit firm (not the present or future regulatory/statutory auditor, normally not required for rep offices);• Filing of the finalized FINMA application in an official Swiss language.
	FINMA evaluation	3 – 12 months			<ul style="list-style-type: none">• Time for FINMA evaluation: highly depends on the complexity of the setup.• Normally, FINMA is only open to meetings once an application has been filed and a case manager has been designated.• FINMA regularly requires amendments in the organization or asks for more details on certain aspects of the application.
FINMA decision / operational phase		...	Regulatory Auditor		<ul style="list-style-type: none">• Regulatory and statutory auditor required (not for rep offices);• Periodic FINMA and SNB reporting.

Our Services

During the process of setting up operations in Switzerland, KPMG can support you as advisor, license auditor or regular auditor. If you mandate KPMG as advisor, a typical project structure could be as follows:



Our well-interacting team of experts in all relevant areas of practice delivers hands-on experience, functional expertise and local business savvy to provide our valuable advice from one hand:

- Regulatory set-up (FINMA application, draft of relevant policies)
- Negotiations with relevant authorities (FINMA, immigration office, commercial register)
- Draft of contracts with landlords, construction companies, employees
- Design of IT architecture
- Immigration Services (visa, work permits, individual tax and social security, dependent transfer, etc.)
- Trademark Registration
- Tax Planning
- Real Estate (search for appropriate business premises, flats for expats)

- Relocation Services (move management, housing, schooling and childcare advisory, cross-cultural training, etc.)
- HR Compliance (payroll processing, policy design, etc.)
- Collaboration with third-party service providers (correspondent banks, infrastructure)

This “one-stop-shop” solution offered by KPMG allows you to focus on your daily business, as there is no need to handle many different service providers (Law firms, IT consultants, Compliance advisors, etc.) simultaneously.

Credentials

Our experts have been deeply involved in the application process for the Swiss brand of a major Chinese bank.

Contact

KPMG AG

Badenerstrasse 172
PO Box
8036 Zurich

kpmg.ch

Philipp Rickert

Partner, Member of the Executive Committee,
Head of Financial Services
+41 58 249 42 13
prickert@kpmg.com

Jürg Birri

Partner, Head of Regulatory Competence Center,
Head of Legal
+41 58 249 35 48
jbirri@kpmg.com

Pascal Sprenger

Partner, Regulatory Competence Center
+41 58 249 42 00
name@kpmg.com

Adrian Tüscher

Director Legal
+41 58 249 28 85
atuescher@kpmg.com

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received, or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2016 KPMG AG is a subsidiary of KPMG Holding AG, which is a member of the KPMG network of independent firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss legal entity. All rights reserved.