



© Frédéric Monnerat, (canton of Geneva)

6. Capital markets and financing

Table of contents

6.1 The Swiss financial center	2
6.2 The Swiss National Bank	2
6.3 The Swiss banking system	2-3
6.4 Obtaining credit for investments	3
6.5 Mortgage rates	3
6.6 Financing of current business activity	3
6.7 Federal seed capital and venture funds	4
6.8 Other public funding for innovation	4
6.9 Venture capital programs in the GGBa	4-5
6.10 Opening a bank account	5
6.11 SIX Swiss Exchange	5

Switzerland is one of the world's major financial centers. The country's banks are known for their high quality of service and the stock market is the largest in Europe based on the value of equity trading. With the added advantages of low interest rates, high services, top-level security and a stable business environment, Switzerland – and particularly the GREATER GENEVA BERNE area - is among the safest places in the world to invest. The banks and financial institutions here are well established with long traditions and all have the most up-to-date technology demanded by modern banking.



6.1 THE SWISS FINANCIAL CENTER

Switzerland's financial center is of great importance to the economy – its contribution to GDP is estimated at more than 10 percent. More than five percent of the workforce is active in this sector. It is characterized by stability and solidity, the quality of its services and infrastructure, the long tradition of banking and insurance, the competence of its staff, favorable legal conditions, moderate taxation, openness, the traditionally stable Swiss franc and an efficient and consistent system of financial market supervision. Swiss banking discretion remains intact; however, in compliance with the OECD tax model and more than 100 double taxation agreements, Switzerland will assist countries in cases where they have submitted a specific and justified request for information.

In Switzerland, there is cost-effective financing of investment transactions and international activities, coupled with attractive tax optimization structures. The large international commercial banks, cantonal and regional banks, and foreign banks domiciled in Switzerland handle transactions efficiently and reliably. The availability of venture capital through private channels and public listings on the SWX Swiss Stock Exchange has increased markedly.

6.2 THE SWISS NATIONAL BANK

The Swiss National Bank (www.snb.ch) in Berne conducts the country's monetary policy as an independent central bank. It is obliged by the Swiss Constitution and by statute to act in accordance with the interests of the country as a whole. Its primary goal is to ensure price stability while taking into account economic developments. In so doing, it creates an appropriate environment for economic growth.

6.3 THE SWISS BANKING SYSTEM

The Swiss banking system is noted for its diversity. Visit www.swissbanking.org, the homepage of the Swiss Bankers Association for further details.

The concept of universal banking applies, encompassing the following services:

- Credit/lending
- Asset management and investment advice
- Payment transactions
- Deposit accounts (savings, etc)
- Securities (stock exchange transactions)
- Underwriting (issuing of bonds)
- Financial analysis

The Swiss National Bank (SNB) divides the more than 300 banks in Switzerland into various categories: big banks, cantonal banks, regional banks and savings banks, Raiffeisen banks, other banks (in particular commercial banks and stock exchange banks, as well as foreign-controlled banks), branches of foreign banks and private banks. These categories differ with regard to institutional size, business focus, geographic scope of activities and legal form. Within the banking sector, the big banks maintain a dominant position in every respect.

The two major Swiss banks: The two big players in Swiss banking - UBS and the Credit Suisse Group - together account for more than 50% of the balance sheet total of all banks in Switzerland. UBS is the world's leader in wealth management and also Switzerland's leading bank for individual and corporate clients. It is also an important global player in investment banking and securities. Credit Suisse is a leading global bank renowned for providing expert advice, holistic solutions and innovative products to a wide range of corporate and institutional clients and high-net-worth individuals globally, as well as retail clients in Switzerland.

www.creditsuisse.ch, www.ubs.ch

Cantonal banks: Some 24 cantonal banks are in operation today. These banks are partly government-owned organizations backed by a state guarantee (though liberalization is under way with respect to this guarantee). Despite their close connection to the state, cantonal banks must be competitive in their business activities. Their objective, according to cantonal law, is to promote



the canton's economy. While they are engaged in all banking activities, their emphasis is on lending and deposit accounts.

Overview of cantonal banks: www.swisscanto.ch

- Berne: www.bekb.ch
- Neuchâtel: www.bcn.ch
- Vaud: www.bcv.ch
- Geneva: www.bcge.ch
- Fribourg: www.bcf.ch
- Valais: www.bcvs.ch

Regional banks and savings banks: These are smaller commercial and investment banks with an emphasis on lending and deposit accounts. These banks voluntarily restrict their activities to one region. Their advantages include their proximity and their specialist local knowledge of such things as regional business cycles.

Raiffeisen Group: As a group of banks with the largest branch network in Switzerland, the Raiffeisen banks together form Raiffeisen Switzerland. The bank group, which is structured as a cooperative, is one of Switzerland's leading retail banks.

www.raiffeisen.ch

Private bank: Private banks are among the oldest banks in Switzerland and take the legal form of individually owned firms, collective and limited partnerships. Private bankers are subject to unlimited subsidiary liability with their personal assets. Their field of activity is asset management, chiefly for private clients. As a rule, private banks do not publicly offer to accept savings deposits.

www.swissprivatebankers.com

Foreign banks: A foreign-controlled bank means that more than half of the institution's votes are held by foreigners with qualified interests. Most foreign banks operating in Switzerland are European (the EU is the source of more than 50%) and Japanese (around 20%). Their fields of activity are foreign business (the share of foreign assets in the balance sheet total is 70%) and asset management.

Other banks: The sector includes banks with diverse business objectives such as institutions specializing in the stock exchange, securities and asset management businesses and commercial banks. As a rule, these are uni-

versal banks in which mortgage investments play a significant role. In addition, they offer commercial loans to trade, industry and commerce. Consumer credit firms and institutions specializing in small loans to private individuals and the industry also fall within this category.

The most important banks for trade finance are Credit Suisse, BNP Paribas, Agricole and BCGE. For more information, please refer to the website www.gtsa.ch.

6.4 OBTAINING CREDIT FOR INVESTMENTS

Favorable financing conditions for investments have a beneficial effect on the development of all business activities. A very high saving rate leads to low interest rates, which in turn reduces overall finance costs.

For industrial loans, normally up to 50% of the total plant value (market value or building costs, including machinery and equipment) can be financed against real estate pledges at very attractive conditions. For office and service buildings, the collateral margin is normally up to 70%, but it also depends on the risk assessment. Some cantons offer bank guarantees for bank loans. For more information please refer to our fact sheet "9. Government incentives and support".

6.5 MORTGAGE RATES

Mortgage rates are traditionally low in Switzerland. In the last five years, the rates have varied between 2.5% and 4%.

6.6 FINANCING OF CURRENT BUSINESS ACTIVITY

Banks grant various types of short-term credit: unsecured or secured with collateral. The amount of credit granted depends on the trustworthiness and the future prospects of the company. Financial services providers in Switzerland offer a variety of attractive solutions such as guarantees, convertible loans and venture finance.



© Berne tourisme, (canton of Berne)



6.7 FEDERAL SEED CAPITAL AND VENTURE FUNDS

On a national level, the Confederation's Innovation Promotion Agency CTI promotes R&D projects in conjunction with universities and companies.

It supports the technology transfer by co-financing R&D projects managed jointly by companies and universities. When a project is taken on, CTI can cover up to 50% of the total cost. This service is completed with assistance in raising risk capital thanks to CTI Invest, a private independent association.

www.kti-cti.ch

www.cti-invest.ch

6.8 OTHER PUBLIC FUNDING FOR INNOVATION

In addition to the federal program, other specialized public funds exist for venture capital and start-up financing. These are usually only applicable to companies located in certain cantons.

The canton of Valais (CCF Valais) offers seed capital in return for a financial interest (shares) in the company at the start of operations. A maximum of SFr 50,000 per project is made available, though exceptional projects may be granted up to SFr 100,000. In addition, CCF launches initiatives for the promotion of entrepreneurship.

www.ccf-valais.ch

The Foundation for Technical Innovation (FIT) in the canton of Vaud supports hi-tech projects in the start-up phase by backing them until they reach technical and economic maturity (such as realizing a first industrial prototype). This foundation provides loans of up to half the total budget, with a limit of SFr 100,000, for up to three years.

www.fondation-fit.ch

In canton Neuchâtel, this service is offered by Finergence.

www.finergence.ch

Venture Capital Fribourg supports technological start-ups and growing companies with a view to promoting research in new technologies and create jobs. Venture Capital Fribourg takes minority holdings and grants stockholder loans to innovative companies during set-up or expansion phases.

www.promfr.ch

In addition to public programs, there are many private or semi-private venture capital companies in Switzerland represented by the Swiss Private Equity & Corporate Finance Association (SECA). Members include equity investment companies, banks, corporate finance advisors, auditing companies, management consultants, lawyers, private investors and Business Angels.

www.seca.ch

Ecllosion helps entrepreneurs to bridge the gap between the research phase and the stage where their start-up can reasonably attract risk capital. This fund helps convert innovation into a realistic venture through growth. Moreover, Ecllosion invests up to SFr 2 million of private funds as seed capital for new innovating companies which offer high potential in the life sciences area. This sector particularly covers the pharmaceutical, biotech and medtech areas.

www.ecllosion.com

6.9 VENTURE CAPITAL PROGRAMS IN THE GGBa

Some of the venture capital companies active in the GGBa are listed below:

Jade Invest is a Swiss venture capital firm investing in leading-edge technologies, with a particular emphasis in micro-nanotechnologies. Jade Invest was formed by three prestigious partners: CSEM (Swiss Center for Electronics and Microtechnology), Absolute Private Equity and Groupe Delarive. In addition to making capital contributions, Jade Invest supports start-up companies with strong growth potential by providing strategic guidance.

www.jade-invest.ch

The Foundation for technological innovation (STI) located at Berne University of Applied Science (capital of SFr 3.5 million) supports innovative start-ups with interest-free loans.

www.sti-stiftung.ch

Polytech Ventures is a new technology seed fund launched by parties with strong ties to EPFL (Swiss Federal Institute of Technology, Lausanne). The fund is capitalized with approximately SFr 20 million and will invest primarily in early-stage technology companies located in Western Switzerland. Polytech Ventures bridges a gap in the financing value chain between seed financing and venture capital.

www.polytechventures.ch



Vinci Capital is a leading Swiss private equity firm with more than SFr 200 million under management. Since 1998 the company has provided equity to more than 30 Swiss technology and industrial companies to finance innovation, growth and succession buyouts.

www.vincicapital.ch

Index Ventures is dedicated to working with entrepreneurs who have the drive and ability to build world-class technology companies that can become global.

www.indexventures.com

Endeavour Vision combines a team of experienced venture capital professionals responsible for investments in more than 70 technology and life science companies in 12 countries since 1989.

www.endeavourvision.com

6.10 OPENING A BANK ACCOUNT

Any adult may open a Swiss bank account. Owing to very strict procedures concerning the opening of accounts, irrespective of the domicile of the customer, and in line with Swiss laws governing due diligence, the bank must verify the identity of the customer on the basis of an official document. The bank may also ask for documentation that can prove the origin of funds, such as the contract for a house sale, a statement from a foreign bank, a receipt from the sale of securities, etc. The account may be in US dollars, Euros or other currencies besides Swiss francs.

Companies may open a Swiss bank account irrespective of whether their registered office is in Switzerland or abroad. Companies are subject to the same rules as individuals.

6.11 SIX SWISS EXCHANGE

The SIX Swiss Exchange is also engaged in very successful joint ventures with Europe's leading index provider, STOXX, as well as Swiss Fund Data.

The SIX Swiss Exchange operates several trading platforms and is the marketplace for various types of securities such as domestic shares, franc-denominated bonds, multiple-currency international bonds, ETFs, ETSFs and Swiss-franc repurchase agreements ("repos"). Since August 1996, trading on SIX Swiss Exchange has been conducted solely on an electronic basis.

Moreover, the SIX Swiss Exchange performs regulatory tasks in Switzerland; within the scope of self-regulation as prescribed by law, it determines the requirements for listing and maintaining the listing of securities on the SIX Swiss Exchange. The SIX Swiss Exchange is subject to Swiss law (the Federal Act on Stock Exchanges and Securities Trading (SESTA) and is supervised by the Swiss Financial Market Supervisory Authority (FINMA). As an independent supervisory authority, FINMA protects the clients of financial markets, namely creditors, investors and insured persons, thereby strengthening confidence in the smooth functioning, competitiveness and integrity of Switzerland's financial center.

GREATER GENEVA BERNE area
Economic Development Agency

World Trade Center
Avenue de Gratta-Paille 2
PO Box 252
1000 Lausanne 22

Tel. +41 21 644 00 90
Fax +41 21 644 00 99

info@ggba-switzerland.ch
www.ggba-switzerland.ch



GREATER GENEVA BERNE area is an initiative of the cantons of Berne, Fribourg, Vaud, Neuchâtel, Geneva and Valais