

Foreign Banking in Switzerland

1) Swiss banking legislation subjects the admission of a foreign bank to the warranty of reciprocity by the country in which the foreign founders or the persons or companies controlling it are domiciled (principle of reciprocity). Furthermore, the foreign bank shall not use any style that could point to a Swiss character of the bank. It has to commit itself vis-a-vis the Swiss National Bank to respect existing credit and monetary regulations. There are no further restrictions on admission.

Also in the most recent past, foreign banks have established themselves in Switzerland. In 1975 they numbered five, in 1976 four and in the first half of 1977 two. Admittedly, some foreign banks also had to close down because of financial difficulties. From the end of 1971 to the end of 1976 the overall number of banks in Switzerland declined by 36 to 490, whereas the group of foreign banks showed an increase by one to 98 during the same period.

2) Swiss regulations on the interest ban and negative interest are not discriminatory to foreign banks. Foreign banks in Switzerland have to abide by these measures - which are motivated purely by monetary and not by structural reasons - in exactly the same way as Swiss-controlled establishments. The restrictions apply to Swiss franc accounts maintained in Switzerland by non-residents, and this quite

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irrespective of the origin and nationality of the foreign depositors.

It is easy to prove that the Swiss measures for the protection of the currency, which have been in force since mid-1972 (with certain interruptions and modifications) do not prejudice the foreign banks in their business activities. With the inclusion of funds held on trust, the business volume of the foreign banks increased from the end of 1972 to the end of 1976 by 55.3 percent. The corresponding figure for the overall number of banks in Switzerland, however, was 46.3 percent only.

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