

Treasury Management in Switzerland

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Switzerland Overview

Switzerland is a small, politically neutral European country surrounded by France, Italy, and Germany.

The unit of currency is the Swiss Franc (CHF). It is divided into 100 centimes and commonly referred to as the Franc. The Franc is freely traded on the foreign exchange market with its value determined by market conditions.

The Swiss National Bank (also called the Schweizerische Nationalbank, Banque Nationale Suisse, Banca Nazionale Svizzera, and Banca Nazionale Svizzera) is the central bank and regulates the payment mechanisms in the country. Central bank and other government reporting requirements have almost no impact on cash management activity and the regulatory environment is open.

There is one clearing system serving two payment systems that relate to cash and treasury management in Switzerland. An additional system operated by the Swiss Post also offers effective commercial payments solutions.

1. The Swiss Interbank Clearing (SIC) is owned and operated by a private company called Telekurs SIC which in turn is owned by the major banks and operated under the supervision of the Swiss National Bank. The SIC is used as a Real Time Gross Settlement (RTGS) system for high value Interbank payments and as a Real Time Net Settlement System (RTNS) for DTA (Datentraegeraustausch, a Data Exchange system), Direct Debits (LSV) and checks cleared through Telekurs. High value payments are effected on line and settled immediately through designated SIC accounts at the Swiss National Bank. Payments exceeding the SIC account balance are queued for release when funds become available. There is no minimum or maximum value for RTGS transactions through the SIC. Low value payments effected by check settle on the business day following presentation at the SIC.
2. The Swiss Post is owned and operated by the Swiss government and provides an extensive array of payment and clearing services for banks, companies, and individuals who maintain accounts with the Swiss Post. Domestic transactions within the Swiss Post network settle immediately and domestic transactions between the SIC and the Swiss Post settle on the next business day. The Swiss Post also handles international transactions through other post offices and SWIFT.

For tax purposes, a company is considered resident in Switzerland if it is incorporated in Switzerland or if management and control are exercised from Switzerland. Resident companies are taxed on global earnings excluding income generated by foreign permanent establishments and losses not deducted by the foreign permanent establishment. Non resident companies are subject to tax on earnings from their Swiss permanent establishment. Switzerland is a confederation so taxes are levied at the

Weblinks

Background information from the [US CIA](#), the [US State Department](#), and the [US Department of Commerce](#)

Country profile information from [Ernst & Young](#)

Summary tax information from [DTT World Tax](#)

News and policies of the [Swiss National Bank](#)

Government sites of the [Swiss Federal Banking Commission \(EBK\)](#) and the [Swiss Post](#)

Association websites of the [Swiss Bankers Association](#) and the [Swiss-American Chamber of Commerce](#)

Clearing house company websites of [Telekurs Holdings](#), [Telekurs SIC Ltd](#), [Payserv](#),

federal, cantonal (state), and communal (municipality) level. The federal tax rate is currently 8.5% on net income. Cantonal and communal tax rates vary considerably ranging from 6% to 33% making the effective tax burden roughly 14.5% to 41.5%.

Treasury Management

Switzerland has been an international banking center for centuries trading on its location, neutrality, and reputation for banking integrity and secrecy. Relative to other countries its size commercial flows within Switzerland are modest but its role as a center of financial activity mean that total money flows are quite large. Cash management within Switzerland is simple and efficient and the treasury management emphasis is on cross border activity.

All common treasury management techniques are permitted in Switzerland. Multilateral netting is permitted without restriction as is notional pooling and leading/lagging. Domestic treasury management is simplified by modern payment and clearing systems.

History and prudent management have ensured the prominence of the Swiss franc as an international currency. Along with the US dollar, Euro, Pound Sterling, and Japanese Yen the Swiss franc is often used in international transactions.

Multiple CHF accounts can be held to facilitate accounting objectives or as part of an overall treasury strategy. Sweeping (zero balancing) and concentration are permitted and are common business practice.

Accounts

The basic CHF operating account is referred to as a current account and may be held by resident or non-resident corporations. Overdrafts are permitted subject to mutual agreement between client and bank. Interest can be paid on current accounts.

Resident and non-resident corporations registered in Switzerland may hold accounts in Switzerland that are denominated in virtually any currency.

Overnight interest is available but withholding tax on this interest considerably diminishes the value received. Fiduciary deposits on the Euromarkets or sweeps from Switzerland to CHF accounts in other countries are a common way of avoiding this tax timing issue.

Overdrafts are permitted, with the amount and rate determined by each bank. Other sources of short term finance include term loans and the discounting of trade bills.

Payments and Receipts

Cash is commonly used for many transactions and the use of checks is declining. Direct debits and credits are efficient and inexpensive and are fast becoming the norm for settling retail obligations. Commercial obligations can also be settled in this way. Large value settlements can be made on a same day basis through the SIC.

Lockbox type arrangements are not prohibited but are not in common use because of the prevalence of non check payment methods.

[Swiss Euro Clearing Bank \(SECB\)](#), and [Eurex - The European Derivatives Market](#)

Equity market websites of the [Swiss Stock Exchange](#) and [SegalInterSettle AG](#)

Commercial banking websites of [Credit Suisse](#) and the [Union Bank of Switzerland](#)

Online news from [Welcome to Switzerland](#)

Software specialists [BBP - Software and Services](#) and [IHAG-Informatik AG](#)

Contact [Global Cash Management Ltd](#)

Controlled disbursement is possible but not used because of the prevalence of non check payment methods.

Technology and Marketplace

Switzerland has a highly developed telecommunications system which relies on fiber optic cable and digital switches. Bandwidth rates are relatively modest and bandwidth is freely available. Electronic banking products including access systems and balance reporting are available and commonly used.

Switzerland is a small country with more than 4,000 bank branches. The Swiss banking system itself consists of several types of financial institutions including the universal banks such as UBS and Credit Suisse, cantonal banks such as ZKB, and private banks which specialize in asset management for the wealthy. The Swiss Post provides excellent and inexpensive retail services which places further pressure on cash management banks to add value to their clients. Switzerland's role as a financial center means that most international banks maintain a presence - generally in Zurich or in Geneva. International banks offering electronic cash management services from Switzerland include Citibank, Bank of America, Deutsche Bank (DB Direct), and ABN-AMRO (BankStation).

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