

Protection of the Swiss stockexchange infrastructure: SBA supports Federal Council's measure

Basel, November 30, 2018 – Starting on 1 January 2019, a recognition obligation will be in place for foreign trading venues that wish to admit Swiss shares to trading. In the event that stock exchange equivalence expires, the EU trading venues will be denied this recognition on the grounds of the resulting discrimination against the Swiss stock exchanges.

In such a case, Swiss shares may no longer be traded on EU trading venues starting on 1 January 2019. At the same time, the Federal Council's protective measure also ensures that the Swiss stock exchange remains the reference market for Swiss shares. EU market participants can continue to trade Swiss shares on Swiss stock exchanges. The SBA supports the resolute course of action taken by the Federal Council to preserve a viable Swiss stock exchange infrastructure. The Federal Council's measure will only come into effect if the EU does not extend stock exchange equivalence by the end of the year. In the SBA's view, Switzerland meets all of the requirements for unlimited recognition of stock exchange equivalence by the EU. Open and efficient capital markets are in the interests of all concerned.

With the adoption of the new Ordinance, the Federal Council is ensuring that EU market participants may continue to trade Swiss shares on Swiss stock exchanges, also in the event of a discontinuation of stock exchange equivalence. The ordinance will come into force on 30 November 2018, and will take effect starting on 1 January 2019. The SBA welcomes the Federal Council's measure. Herbert J. Scheidt, Chairman of the SBA, has a positive and clear statement regarding the course of action taken by the Federal Council: "With this measure, the Federal Council is protecting the Swiss stock exchange infrastructure, which is of key importance to the Swiss economy. With today's announcement, the Federal Council is creating clarity and the greatest possible security for markets and market participants in a timely manner."

For the Swiss banks, the objective of an unlimited extension of the recognition of equivalence remains a priority. "Switzerland meets all requirements for the unlimited recognition of stock exchange equivalence. Corresponding political recognition by the European Commission would be welcome and beneficial for all", says Herbert J. Scheidt. "Switzerland has the fourth largest stock exchange in Europe. Open and free capital markets are of great international importance and in the mutual interest of the EU and Switzerland."

Viability of the Swiss capital market remains protected

As a result of the Federal Council's measure, EU securities traders can continue to trade Swiss shares on Swiss stock exchanges. This preserves the viability of the Swiss capital market and ensures that all market participants can continue to trade Swiss shares on the markets with the best liquidity and biggest order books, and as a result, at the best possible price. This viable financial centre infrastructure is in the interests of the economy as a whole.

Banks given clarity on actions required of them

The protective measure is directed exclusively at trading venues. Banks, on the other hand, are not explicitly mentioned. However, in accordance with the ordinance, banks must, for example, redirect their trade orders to trading venues that are compliant with Swiss law. The protectionary measure must be implemented within one month (30 November 2018 until 31 December 2018). It can be assumed that technical feasibility is given. The direct technical administrative costs are negligible, as the banks' trading systems are already prepared for such trading venue changes for other reasons. Indirect costs exist, among other factors, as a result of the fact that the distribution of the trading volume between the trading venues will change. The costs arising from the loss of this freedom of choice cannot be assessed definitively at this time.

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