

# Switzerland as a location for financial services

## Figures



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Swiss Confederation

**Federal Department of Finance FDF**

# Number of banks, insurance companies and pension funds

**There is a considerable difference between the number of banks and insurance companies and the number of pension funds**

	2004	2005	2006	2007	2008
Banks	338	337	331	330	327
Insurance companies <sup>1</sup>	263	263	262	260	256
Pension funds <sup>2</sup>	2,935	2,770	2,669	2,543	--

Sources: Swiss National Bank (SNB), The Banks in Switzerland; Swiss Financial Markets Supervisory Authority (FINMA), Annual Reports; Swiss Federal Statistical Office (SFSO), statistics on pension funds.

<sup>1</sup> Including branches of foreign companies.

<sup>2</sup> Includes registered and non-registered pension funds (only registered pension funds may implement the BVGA mandatory insurance benefits).

# Added value

The share of value added of the financial sector to the Swiss economy amounts to 11.4 per cent

<b>Added value of the financial sector (at current prices), in CHF million</b>				
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Financial companies	37,457	40,735	45,146	42,980
Insurance companies and pension funds <sup>1</sup>	14,792	16,717	17,728	17,464
<b>Total number of financial intermediaries</b>	<b>52,249</b>	<b>57,451</b>	<b>62,874</b>	<b>60,444</b>
<b>Added value as a percentage of GDP</b>	<b>11.3</b>	<b>11.8</b>	<b>12.3</b>	<b>11.4</b>
GDP Switzerland	463,139	487,041	512,142	532,149

Source: SFSO / SECO, Annual aggregates of GDP, production approach.

<sup>1</sup> Including health insurance funds and the Swiss National Accident Insurance Organisation (SUVA).

## **Note concerning the value added data**

The system of National Accounts in Switzerland underwent a partial revision in 2007. This revision has made it possible to integrate new information, as well as new methods of estimation, into the sector of finance companies. The estimation of the FISIM (interest differential) was revised for financial intermediaries in order to make allocation possible to the various consuming sectors of the economy. New data has been evaluated and these new estimates have led to a reduction in production value, and consequently, in the level of value added of financial intermediaries. This effect has been reinforced by the new treatment of the Swiss National Bank, which rests on the sum of the costs.

In the case of insurance companies and pension funds, the exclusion of subsidiaries abroad of reinsurance companies, the integration of data from the revised statistics from pension funds and the new method of making a book entry of profit-sharing by policy holders, have led to a fall in production value and value added.

# Employment

**About six per cent of the workforce in Switzerland is employed in the financial sector – without taking into account indirect employment in the other sectors**

<b>Employment in the Swiss financial sector (full-time) <sup>1</sup></b>				
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Banking industry	109,700	114,300	119,800	121,200
Insurance sector <sup>2</sup>	49,400	47,800	47,300	47,700
Activities linked with the banking and insurance industry	22,400	23,000	26,000	26,700
<b>Financial sector total</b>	<b>181,400</b>	<b>185,100</b>	<b>193,100</b>	<b>195,600</b>
<b>as a percentage of overall employment</b>	<b>5.8</b>	<b>5.8</b>	<b>5.9</b>	<b>5.8</b>
Overall employment (second and third sector)	3,122,800	3,168,300	3,259,600	3,351,600

Source: SFSO, Company Census 2005 (extensive survey), employment statistics (remaining years: estimate on the basis of sample surveys).

<sup>1</sup> The full-time equivalent figures are taken from September in each year and should not be regarded as annual mean values.

<sup>2</sup> Including pension funds and health insurance funds.

# Asset management

The high number of bank securities holdings reflects the prominent role of asset management in the Swiss financial sector

<b>Securities holdings in customer accounts in banks (Swiss and foreign custody account holders), in CHF billion</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Swiss custody account holders	1,777	1,993	2,163	1,657
<i>Of which the following are institutional investors</i>	<i>1,017</i>	<i>1,160</i>	<i>1,293</i>	<i>1,040</i>
Foreign custody account holders	2,554	2,872	3,072	2,190
<i>Of which the following are institutional investors</i>	<i>1,418</i>	<i>1,691</i>	<i>1,803</i>	<i>1,386</i>
<b>Total number of securities holdings in customer accounts</b>	<b>4,331</b>	<b>4,865</b>	<b>5,235</b>	<b>3,847</b>

Source: SNB, June 2009 Monthly Bulletin.

# Foreign trade contribution

**About 40 per cent of Switzerland's current account surplus is generated by the financial sector**

<b>Financial service exports as a proportion of Switzerland's current account surplus nominal, in CHF billion</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007p</b>
Current account surplus	58.2	63.0	70.6	68.3
Financial service exports (banks) <sup>1</sup>	13.2	16.2	18.7	22.4
Financial service exports (insurance companies) <sup>2</sup>	4.7	3.8	4.2	5.2
<b>Total (banks and insurance companies)</b>	<b>17.9</b>	<b>20.0</b>	<b>22.9</b>	<b>27.6</b>
Financial service exports as a proportion of Switzerland's current account surplus in percentage terms	30.8	31.7	32.4	40.4

Source: SNB, Balance of payments.

p: provisional

<sup>1</sup> Net exports of financial services by banks newly comprise, in addition to transactions based on commission, also those financial services remunerated indirectly via interest payments. This applies retroactively for all years.

<sup>2</sup> Figures for financial service exports by insurance companies are shown less commissions paid, taking effect retroactively from 2005.

# Insurance companies and pension funds as institutional investors

**Swiss insurance companies and pension funds are equally important as institutional investors**

<b>(a) capital investments of Swiss life insurers, non-life insurers and reinsurers on the basis of investment category, in CHF billion</b>				
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Land, buildings	37.0	37.1	36.7	40.4
Mortgages	27.7	27.3	27.2	26.9
Shares, participations, investment funds	114.0	121.9	134.4	140.2
Fixed-interest securities	206.3	216.9	236.2	250.7
Notes payable, debt register claims	22.7	26.9	28.6	28.4
Other investments	102.9	115.6	108.2	116.8
<b>Total</b>	<b>510.6</b>	<b>545.7</b>	<b>571.3</b>	<b>603.4</b>

Source: FINMA, Private insurance institutions in Switzerland.

<b>(b) capital investments of Swiss pension institutions on the basis of investment category, in CHF billion</b>				
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Cash and cash equivalents, short-term investments	44.5	46.2	44.7	49.1
Investments with employers	18.1	15.1	12.0	11.0
Bonds, medium-term notes	175.7	203.2	217.8	223.9
Mortgages	18.2	16.8	16.8	16.7
Shares	131.3	152.4	169.7	168.2
Property	69.7	76.6	83.0	87.5
Alternative investments	13.4	19.8	26.7	37.1
Mixed assets	5.2	5.0	4.9	4.3
Miscellaneous	8.1	7.5	7.7	7.7
<b>Total <sup>1</sup></b>	<b>484.2</b>	<b>542.6</b>	<b>583.3</b>	<b>605.5</b>
<i>Of which collective assets</i>	<i>120.1</i>	<i>158.0</i>	<i>197.5</i>	<i>224.5</i>

Source: SFSO, pension fund statistics.

<sup>1</sup> Not including assets/liabilities from insurance contracts.

# SIX Swiss Exchange

In the bond market, foreign issuers play an important role, in trading Swiss shares dominate

<b>(a) Capitalisation on the SIX Swiss Exchange, in CHF billion</b>				
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Companies in the Swiss Performance Index	1,021.1	1,222.0	1,186.8	774.2

Source: SNB, June 2009 Monthly Bulletin.

<b>(b) Primary market: Net borrowing in the form of publicly issued bonds and shares in Swiss francs, in CHF billion</b>				
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
CHF bonds of Swiss borrowers, issuing value	21.9	21.9	22.8	21.1
Redemptions of CHF bonds of Swiss borrowers	22.8	24.8	23.5	26.0
CHF bonds of foreign borrowers, issuing value	55.0	62.4	57.8	49.6
Redemptions of CHF bonds of foreign borrowers	39.2	37.9	36.1	36.0
<b>Total net issuing value</b>	<b>15.0</b>	<b>21.5</b>	<b>21.0</b>	<b>8.8</b>

Source: SNB, June 2009 Monthly Bulletin.

<b>(c) Secondary market: Securities turnover on the SIX Swiss Exchange, in CHF billion <sup>1</sup></b>				
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<i>Swiss securities:</i>				
Shares	1,092.4	1,606.9	2,125.2	1,619.1
Bonds <sup>2</sup>	79.8	75.1	74.1	111.5
Derivatives <sup>3</sup>	26.0	48.1	75.4	60.4
Investment funds <sup>4</sup>	13.1	22.2	32.5	43.4
<b>Total</b>	<b>1,211.3</b>	<b>1,752.3</b>	<b>2,307.1</b>	<b>1,834.4</b>
<i>Foreign securities:</i>				
Shares	32.5	127.0	122.6	9.6
Bonds	94.6	99.3	98.0	89.6
<b>Total</b>	<b>127.1</b>	<b>226.3</b>	<b>220.6</b>	<b>99.2</b>
<b>Total of foreign and Swiss securities</b>	<b>1,338.5</b>	<b>1,978.6</b>	<b>2,527.7</b>	<b>1,933.5</b>

Source: SNB, June 2009 Monthly Bulletin.

<sup>1</sup> As of November 2005 including foreign currencies.

<sup>2</sup> Until the end of 2007: only derivatives of banks and insurance companies; from 2008 on: including derivatives of all sectors.

<sup>3</sup> Swiss and foreign derivatives.

<sup>4</sup> Including ETF (Exchange Traded Funds), Swiss and foreign investment funds.

# Direct investment

**Swiss foreign direct investment abroad is internationally comparatively high, about one fourth comes from banks and insurance companies**

<b>Capital stock of banks and insurance companies abroad, in CHF billion <sup>1</sup></b>				
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Capital stock of banks abroad	59	70	81	87
Capital stock of insurance companies abroad	87	96	97	84
<b>Total capital stock abroad</b>	<b>453</b>	<b>568</b>	<b>683</b>	<b>740</b>
Share of banks and insurance companies in total Swiss involvement abroad as a percentage	32.2	29.2	26.1	23.1

Source: SNB, June 2009 Monthly Bulletin.

<sup>1</sup> Revised

# Foreign assets

The net Swiss investment position abroad is larger than Switzerland's annual economic performance, measured in GDP terms

<b>International investment position, in CHF billion <sup>1</sup></b>				
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Swiss direct investments abroad	568	683	740	771
Swiss portfolio investments abroad	958	1,072	1,191	938
Derivates and structured products abroad	80	114	139	222
Other assets	1,090	1,120	1,481	1,097
Currency reserves	76	79	85	79
<b>Total assets abroad</b>	<b>2,772</b>	<b>3,068</b>	<b>3,636</b>	<b>3,108</b>
Foreign direct investments in Switzerland	224	323	380	398
Foreign portfolio investments in Switzerland	788	930	902	625
Derivates and structured products in Switzerland	60	71	76	207
Other liabilities	1,132	1,199	1,564	1,222
<b>Total foreign liabilities</b>	<b>2,204</b>	<b>2,523</b>	<b>2,922</b>	<b>2,452</b>
<b>Net international investments</b>	<b>568</b>	<b>545</b>	<b>714</b>	<b>656</b>

Source: SNB, June 2009 Monthly Bulletin.

<sup>1</sup> Revised

# Taxes

**At a conservative estimate, income tax and corporate tax from the financial sector amount to approximately 13 per cent of overall tax revenues**

<b>Switzerland's financial sector: taxes from individuals and companies, in CHF million</b>			
	<b>2002</b>	<b>2004</b>	<b>2006</b>
Taxes from individuals	2,641	2,517	3,027
Taxes from companies	2,478	4,329	5,918
Banks <sup>1</sup>	1,999	3,376	5,057
Insurance companies <sup>2</sup>	479	953	861
<b>Tax total from individuals and companies</b>	<b>5,119</b>	<b>6,846</b>	<b>8,945</b>
Taxes on income and assets at the level of the Confederation, the cantons and the communes <sup>3</sup>	59,658	60,272	67,228
<b>Proportion of tax revenues from the financial sector as a percentage of overall tax revenues</b>	<b>8.6</b>	<b>11.4</b>	<b>13.3</b>

Sources: Swiss National Bank, Swiss Federal Statistical Office, Swiss Financial Markets Supervisory Authority and the Federal Finance Administration (FFA).

<sup>1</sup> Please see the SNB publication: The Banks in Switzerland, table 40, profit and loss account.

<sup>2</sup> FINMA, Direct taxes (tax on profits and levy on capital). Not included are the health insurance funds subject to supervision by the Federal Office of Public Health, as well as the foreign subsidiaries of insurance companies in Switzerland.

<sup>3</sup> FFA, Tax revenues from the Confederation, cantons and communes. Income tax and wealth tax on individuals, and gains taxes and levies on capital concerning companies, including church tax.

# Remarks on the tax estimate

## **Taxes from individuals**

Federal Finance Administration estimate. On the annual gross wage (arithmetical method) according to branch of economic activity (NOGA 65-67: financial intermediation; insurance, weighted average) in accordance with the 2002, 2004 and 2006 Swiss Federal Statistical Office wage structure surveys, the Federal Tax Administration calculated the average tax burden for all of Switzerland (at the level of the Confederation, the cantons and the communes). The average burden obtained is multiplied by the total number of people in equivalent full-time employment in the financial sector (2002: 193,200; 2004: 184,500; 2006: 185,100; September figures of each year).

## **Taxes from companies**

Not covered are the health insurance funds under the supervision of the Swiss Federal Office of Public Health, together with the foreign subsidiaries of insurance companies in Switzerland. Equally not taken into account in this category are profit taxes and levies on capital of other financial service providers (e.g. independent asset managers, etc.), which do not belong to the banking and insurance sector but are registered as companies (NOGA 67: activities linked to financial intermediation and insurance).

## **Defining the taxes from the financial sectors**

Not taken into account are the financial sector dividends (banks 2002: CHF 6.5 billion; 2004: CHF 8.4 billion; 2006: CHF 9.3 billion), which the receiver is liable to pay tax on, together with stamp duty and withholding tax which are not regarded as taxes specific to the financial sector.