Finance and business transactions

Updates edition 2022 – June 2024

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Swiss Banking

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Technical revision: Expert committee for learning media Swiss Banking
Design and layout: icona basel gmbh
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Printing: Edubook AG, Merenschwand

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Realisation: Christoph Gütersloh and Thomas Hirt, Compendio Bildungsmedien AG
Editorial support with updates: Remy Gerspacher, Compendio Bildungsmedien AG et al.

Article number: Update
Edition: 2nd edition 2024
Legal deposit: 02U24
Language: EN
CYP

This book was printed in Switzerland using a climate-neutral process. The printing firm, Edubook AG, has undergone a climate audit focused primarily on the avoidance and reduction of CO_2 emissions. The company offsets any remaining emissions by purchasing CO_2 certificates from a Swiss climate protection project.

Corrections and new content (June 2024)

The banking world is changing continually, meaning that the content of the material in BankingToday (BT) also changes from year to year. It is a key objective that the content of BT is always up-to-date.

This is why Compendio Bildungsmedien publishes an updated and corrected version of BankingToday each year.

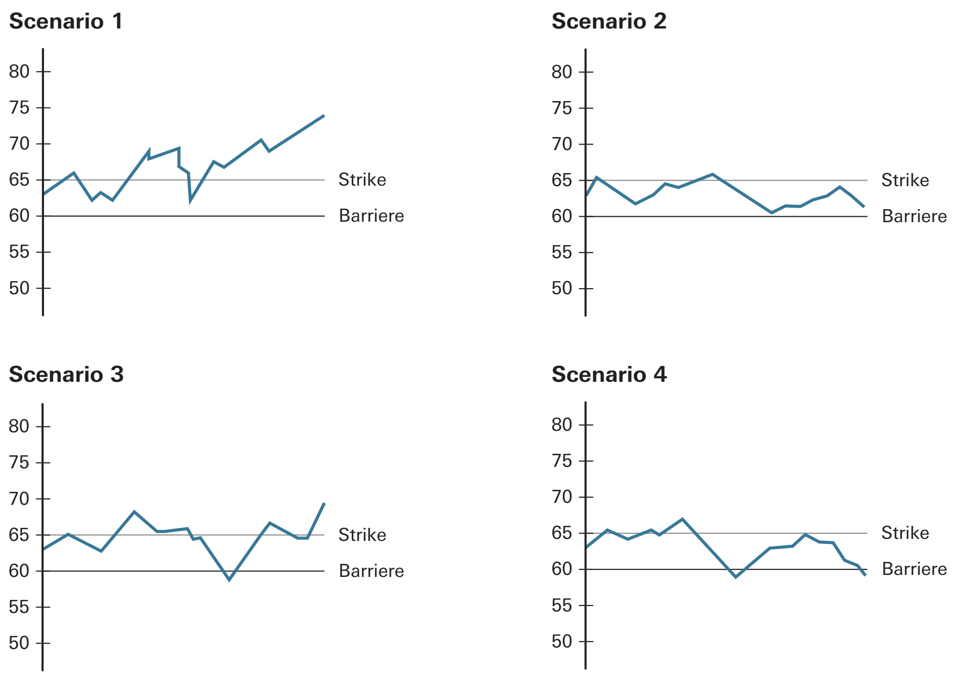
This update ensures that purchasers of the 2022 edition have up-to-date information in each case:

- This update is supplemented at the beginning of June for three consecutive years and published on www.compendio.ch/bankingtoday
- This ensures that all amendments and additions to the teaching material are familiar for preparing the final examinations in summer or in spring.

Tip: We recommend noting the amendments and additions contained in the update in the teaching material early in the preparation phase or transferring them to the teaching material. This allows you to benefit from a repetition effect that cannot be underestimated.

Section	Investing 1: Overview and equity securities
All chapters	No corrections identified.

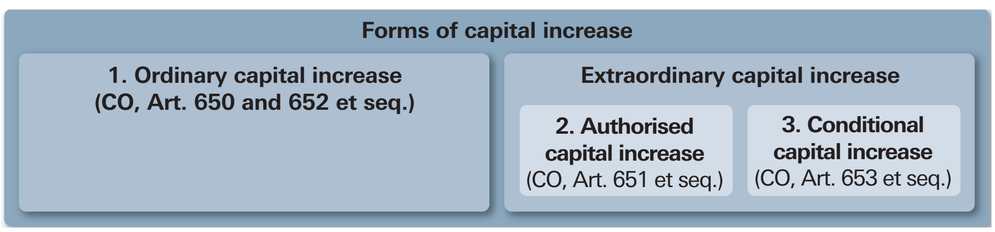
Section	Investing 2: Bonds, money market instruments and investment funds
1.3.7 Sustainable Bond	New chapter on sustainable bonds: Bonds can also be subdivided based on their approach to sustainability. In the case of traditional bonds, sustainability considerations do not play any particular role. Sustainable bonds can be further broken down into four categories: • **Green bond** • **Social bond** • **Sustainability bond** • **Sustainability-linked bond** The key difference between these types of sustainable bond is to do with the specific purpose of the issue proceeds. For the first three categories, the bond proceeds may only be used for sustainable projects, whereas bonds in the fourth category are not restricted in the same way. Instead, the sustainability aspect comes in the form of clauses in the bond conditions, e.g. paying a higher interest rate if sustainability targets are met. Green bonds are primarily focused on the “E” element of ESG, while social bonds prioritise the “S” element. The term “sustainability bond” is used where both environmental and social concerns are addressed.
Chapters 2 + 3	No corrections identified.

Section	Investing 3: Forward transactions, structured products and alternative investments
Chapters 1 + 2	No corrections identified.
3.3 Yield enhancement products	Adjustment of Fig. 38 Possible scenarios 1-4 for barrier reverse convertible: 
Chapter 4	No corrections identified.

Section	Investment advisory and portfolio management
1.2.4 Sustainability	New chapter on sustainability as an additional investment objective: Sustainability considerations are increasingly gaining in importance within investment objectives. They are often referred to collectively as the ESG (environmental, social and governance) profile. Certain groups of investors specifically look for ESG criteria. For some, this focus is so important that they are willing to accept a somewhat lower return, while others will only consider ESG investments if they can be achieved without compromising on other aspects. The investor's profile must be established without value judgements, and it is possible that an investor might pay no heed at all to ESG considerations.
Chapters 2 - 5	No corrections identified.
6.2.1 The first pillar – State insurance (AHV and IV)	**New pension figures** will apply from **2023:** The **maximum AHV pension** for single people will amount to CHF 2,450, for married or common law couples CHF 3,675 and for widowed persons CHF 1,960.
6.2.1 The first pillar – State insurance (AHV and IV)	Adjustment due to the "AHV21" reform: With the "AHV21" reform, which came into force on 1 January 2024, the ordinary retirement age is now known as the **reference age** and is **65 years** for both men and women. As average life expectancy has risen sharply in recent decades, the question of whether the reference age should be raised even further will continue to be discussed in the future.
6.2.2 Second pillar – Occupational pension schemes (BVG)	**New pension figures** will apply from **2023:** Only people whose annual salary exceeds a **minimum amount (CHF 22,050 in 2023)** are insured with mandatory occupational pension schemes. Mandatory insurance extends only up to a **maximum amount (CHF 88,200 in 2023).**
6.2.3 Third pillar – Private pensions	**New pension figures** will apply from **2023:** Maximum annual contribution for employees **with pension fund CHF 7,056** and for self-employed persons with **no pension fund CHF 35,280.**
Solution exercise 14	**New pension figures** will apply from **2023:** Maximum annual contribution for employees **with pension fund CHF 7,056** and for self-employed persons with **no pension fund CHF 35,280.**

Section	The Stock Exchange
All chapters	No corrections identified.

Section	Foreign exchange and precious metals
All chapters	No corrections identified.

Section	Investment banking
Chapters 1 - 3	No corrections identified
4.1.2 Forms of capital increase	Companies contemplating a capital increase must ask the following questions: • What is the current **market receptiveness?** In other words, what are the current interest rates and stock market climate? • Is there any **dilution risk** (see section 4.1.4, p. 33)? How will earnings per share (EPS) be affected? • At what **price** is the company able to issue equity? • Does the company truly need **additional equity capital,** and if so, why? • What should be the **amount of the increase?** How much money does the company need? • What **form of capital increase** should the company choose? The Swiss Code of Obligations (CO) distinguishes three forms of capital increase.
	Fig.4-2 Legal forms of capital increase 
	Ordinary capital increase The general meeting votes in favour of a capital increase and entrusts it to the board of directors. This form of capital increase may be decided upon at any time, and is **not contingent on a particular purpose.** • An **ordinary capital increase** must be executed within **six months.** • The **total amount of the capital increase** may be **freely** determined.
	Capital band It is similar to the ordinary capital increase. The AGM can vote on an increase at any time and authorise the board of directors to carry it out. The difference to the ordinary increase lies mainly in the time limit and the amount of capital (capital band). With the capital band, the share capital can also be reduced. • The **capital band** is more flexible in terms of time. The board of directors can flexibly change the capital within a bandwidth (capital band) of **five years.** • However, the **amount of the increase (capital band)** is limited to a **maximum of 50%** of the previous equity capital.
	The **purpose** can be arbitrary. As a rule, it is for the acquisition of participations, mergers or large investments.
	Conditional capital increase A conditional capital increase is used for a specific purpose, principally for the purpose of using equity to hedge the conversion of convertible bonds or the exercise of an option. • There is **no execution period.** The **total amount of the capital increase** cannot exceed **50%** of existing equity.

Section	Investment banking
	Fig. 4-3 Forms of capital increase: overview

	Ordinary capital increase (CO, Art. 650 and 652 et seq.)	**Capital Band (CO, Art. 653s)**	**Conditional capital increase (CO, Art. 653 et seq.)**
Decision	The general meeting **orders** the board of directors to execute a capital increase for a **specified amount.**	The Board of Directors may **flexibly** change the capital within a range of +/- 50% of the registered share capital (capital band) and within **five years.**	The general meeting **authorises** the board of directors to execute a capital increase **for a specific purpose** and **up to a specified maximum amount.**
Purpose	**Unspecified**	**Unspecified (most often for the acquisition of a company)**	**Hedging of conversion or option rights**
Execution period	**Six months**	**Five years**	**Unlimited**
Total amount	**Freely determined**	**Maximum 50% of existing share capital**	**Maximum 50% of existing share capital**
Contributions	Cash contributions or contributions in kind (e.g. property or machines)	Cash contributions or contributions in kind (e.g. property or machines)	Cash contributions
Number of stages in capital increase	One	The Board of Directors determines any increase steps within the capital band.	Shares are continuously issued (depending on the conversion or option concerned).
Preferred subscription rights for existing shareholders	• Shareholders have preferred subscription rights. • The general meeting can not eliminate preferred subscription rights except on justifiable grounds.	• Shareholders have preferred subscription rights. • The general meeting can not eliminate preferred subscription rights except on justifiable grounds.	• Shareholders have no preferred subscription rights. • Although the bonds issued are linked to option or conversion rights, they are nevertheless offered first to existing sharehold-

<table>
<tr><th>Section</th><th>Investment banking</th></tr>
<tr><td>4.1.3 Capital increase: Procedure</td><td>Correction: A company has six months after from the resolution of the Annual meeting to carry out an ordinary capital increase:
Fig. 4-4 Procedure for an ordinary capital increase
<table>
<tr><td>1. Decision</td><td>The board of directors suggests increasing the equity capital of the company. At the general meeting, shareholders vote to accept this proposition and order the board of directors to execute the ordinary capital increase within a period of six months.</td></tr>
<tr><td>2. Examination of the application and creation of an underwriting syndicate</td><td>Examination of the application; formation of an underwriting syndicate if necessary; and
allocation of participations.</td></tr>
<tr><td>3. Placement price</td><td>The company determines the issue price.</td></tr>
<tr><td>4. Underwriting agreement</td><td>The issuer and lead bank sign the underwriting agreement.</td></tr>
<tr><td>5. Issue prospectus and subscription</td><td>Issue prospectus. The bank or issuer publishes the issue prospectus and the key information document for private clients.
Subscription. Existing shareholders generally have preferred subscription rights
(see chap. 4.1.4, p. 38).</td></tr>
<tr><td>6. Trading starts</td><td>Existing shareholders can exercise their preferred subscription rights, sell them on the stock exchange, or buy more subscription rights. New shareholders can acquire subscription rights on the stock market.</td></tr>
<tr><td>7. Allotment</td><td>The new shares are allocated to the individuals who hold the subscription rights to them.</td></tr>
<tr><td>8. Payment</td><td>Investors pay for their shares. Once paid, the securities are physically handed over or booked to their safekeeping account at a bank.</td></tr>
<tr><td>9. Booking and delivery</td><td>The company receives the booking and delivery from the bank it regularly deals with.</td></tr>
<tr><td>10. Admission on the stock exchange</td><td>Since existing shares are already listed, a trading authorisation is delivered by SIX – The Swiss Exchange. New shares are admitted to trading alongside existing shares.</td></tr>
<tr><td>11. Modification of memorandum and articles of association; entry on trade register</td><td>A corporation must disclose in its memorandum and articles of association the nominal amount of its share capital as well as its share allocation. Therefore, any modification to capital always entails a modification of the memorandum and articles of association.
A capital increase is only valid once entered onto the trade register and published in the Swiss Official Gazette of Commerce.</td></tr>
</table></td></tr>
<tr><td>Chapter 5</td><td>No corrections identified.</td></tr>
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