

### **Department III**

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MO, HG, SSZ

### **Insurance companies as new participants in the repo system Equal treatment with regard to withholding tax**

Dear Sir/Madam

Since 1 January 2010, domestic insurance companies subject to FINMA oversight and which meet certain requirements have been admitted to off-exchange markets operated by Eurex Zurich Ltd (the repo market, in particular). These insurance companies are also admitted by the Swiss National Bank (SNB) as counterparties to monetary policy operations. The SNB hopes that in expanding the list of participants, the further development of the secured money market can be encouraged, and thereby the stability and resilience of the financial system increased. In order to create favourable conditions to achieve these goals, all repo transactions settled via the Eurex Zurich Ltd electronic trading platform must have equal tax treatment.

The SNB requested that the Swiss Federal Tax Administration (SFTA) change the current administrative practice with regard to withholding tax on repo transactions with domestic insurance companies subject to FINMA oversight. The SFTA approved this change on 1 April 2010 with the following wording:

“Repo transactions with domestic insurance companies subject to FINMA oversight, conducted in domestic and foreign currency, settled via the Eurex Zurich Ltd electronic trading platform and cleared via SIX SIS Ltd are exempt from withholding tax, irrespective of whether the insurance company acts as a cash provider or a cash taker, whether the insurance company's counterparty is a bank or a non-bank or whether the insurance company is subject to withholding tax for any other type of transaction.”

, 29 April 2010

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The SFTA authorised the SNB to communicate this change in administrative practice to the insurance companies affected as well as to the participants in the repo system. For participants based abroad who act as cash takers, the legislation on withholding tax of the country in question shall apply.

Please do not hesitate to contact us should you have any questions.

Yours sincerely  
Swiss National Bank

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Alternate Member of the  
Governing Board

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