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Money Market and Foreign Exchange

Insurance companies as participants in the repo system

Equal treatment with regard to withholding tax

Dear Sir/Madam

Since 1 January 2010, the Swiss National Bank (SNB) has allowed domestic insurance companies which are subject to FINMA oversight and which meet certain requirements to participate in monetary policy operations. As of 2 May 2014, the SNB has conducted its monetary policy operations via a new electronic trading platform operated by SIX Repo Ltd (SIX). The new platform has meant that the insurance companies are now admitted to off-exchange markets operated by SIX. The admission of the insurance companies is designed to promote liquidity on the secured money market and thereby increase the stability and resilience of the financial system. To create the conditions favourable to achieving this, all repo transactions settled via the SIX electronic trading platform must have equal tax treatment.

In 2010, the Swiss Federal Tax Administration (SFTA) approved changes to the administrative practice on withholding tax with regard to repo transactions conducted via the then trading platform with domestic insurance companies subject to FINMA oversight. The adjustment in the wording necessitated by the change to the new trading platform was approved by the SFTA and reads as follows:

“Repo transactions with domestic insurance companies subject to FINMA oversight, conducted in domestic and foreign currency, settled via the SIX Repo 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.”

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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