

Dear Fred,

It was nice talking with you yesterday.

The framework for international finance has drastically changed and has significantly affected the business model of Swiss banks. All the large banks have adopted new business models and the smaller ones are either able to cope with the new standards or are being merged with larger banks.

Globally speaking the Swiss banks have proven very resistant to these fundamental changes. The largest Swiss private bank – Pictet & Cie SA – has even been able to increase its assets under management in the year 2014 by CHF 44 billion with net new money of CHF 17 billion.

The most fundamental changes affecting the Swiss financial markets are the following ones:

- On August 1, 2014, a new ordinance with respect to administrative assistance in tax matters has been adopted. According to this new act, Swiss authorities will grant administrative assistance to requests presented on the basis of a fraudulent pattern used by a group of persons without specifying the identity of any suspected person.

- Switzerland has declared that it accepts the OECD standards concerning automatic exchanges of information in tax matters. It is expected that the new legislation will be effective as of January 1, 2018. Banking secrecy will not exist anymore in tax matters for all the countries which will have signed a treaty for mutual exchange of information on tax matters with Switzerland. The first treaties to be signed will be with the neighboring countries of Switzerland.

- On December 12, 2014, the Swiss Parliament has amended the money-laundering legislation. The new money-laundering legislation, which is expected to be promulgated on July 1, 2015, will increase transparency, especially with respect to Swiss companies controlled by bearer shareholders. The companies will have to keep a registry mentioning the bearers of the shares. Furthermore, the new legislation introduces a new tax crime subject to prosecution under art. 305bis of the Swiss criminal code, which is the key disposition of criminal law relating to money-laundering. Tax evasion bearing on an amount above CHF 300'000 during a fiscal period is considered to be a tax crime subject to criminal prosecution. Based on this disposition, Switzerland will be able to grant judicial assistance in large tax evasion cases.

- It is expected that the code of conduct of Swiss banks, which is setting the rules of diligence of Swiss banks when accepting money from clients, will be amended on January 1, 2016 and incorporate the new GAFI standards.

As a result of these fundamental changes – which are in the process of being enforced in Switzerland – the business model of the banks is changing towards more transparency on tax matters.

The level of cooperation on tax matters with foreign jurisdictions is about to increase significantly. The banking industry has, to a large extent, anticipated these changes.

The prosecution of ordinary criminal conduct has not fundamentally changed. International cooperation is effective since long ago and prosecution of financial criminal activity is working very effectively, even where relatively small amounts are at stake.

I would be glad to supply you more information, when I find time to do so.

Best regards.