FEDERAL LAW ON BANKS AND SAVINGS BANKS
of November 8, 1934 (Incorporating Last Amendment under Date of April 22, 1999)

The Federal Assembly of the Swiss Confederation, based upon Articles 34 ter , 64 and 64 bis of the Federal Constitution, after examination of the message of the Federal Council of February 2, 1934, resolves

SECTION I – SCOPE OF THE LAW

Art. 1
1 The present Law shall apply to banks, private bankers (individual proprietorships, general and limited partnerships) and savings banks, hereinafter referred to as banks.

2 Natural persons and legal entities, which are not subject to this law, may not accept deposits from the public on a professional basis. The Federal Council may foresee exceptions so long as the protection of the depositors is assured. The issue of bonds is not deemed to be the acceptance of deposits on a professional basis.

3 The present Law does not apply to:

a. stock exchange agents and stock exchange firms trading in securities and transactions which are directly related thereto, provided they do not engage in regular banking business;

b. trustees, notaries and business agents who simply manage their customers' funds and who do not engage in regular banking business.

4 The term bank or banker, alone or in combination with other words, may only be used in the company name, designation of the business purpose or advertising, in the case of institutes which have obtained a licence from the Federal Banking Commission (Banking Commission). Art. 2 par. 3 shall take precedence.

5 The Swiss National Bank and the central mortgage institutions are governed by the provisions of the present Law to the extent expressly stated.

Art. 2

1 The provisions of the present Law shall apply by analogy to the offices, branches, agencies and permanent representatives of foreign banks in Switzerland.

2 The Banking Commission shall issue the necessary directives. It may, in particular, require that these unincorporated entities are adequately capitalised and that guarantees are provided.

3 The Federal Council is empowered, on the basis of reciprocal recognition of equivalent rules over banking activities and equivalent measures in the field of banking supervision, to enter into treaties with states which grant the possibility for banks from the contracting states to open a branch, agency or representation without the permission of the Banking Commission.

SECTION II – LICENCE TO ENGAGE IN BANKING BUSINESS

Art. 3

1. Banks are required to obtain a licence from the Banking Commission prior to engaging in business operations; they may not register with the Register of Commerce before such licence has been granted.

2. a. licence will be granted if:

a. the articles of association, by-laws, company contracts and business rules of the bank provide for a clear definition of the scope of business and establish an adequate organisation corresponding to the proposed business activities; where the scope or the importance of the business activities is significant, the bank must create separate bodies for the management on the one hand and for the direction, supervision and control on the other. The authorities of these bodies must be segregated in a manner so as to ensure the effective supervision of the bank's management;

b. the bank discloses the minimal fully paid-in share capital as determined by the Federal
Council;

c. the persons charged with the administration and management of the bank enjoy a good
reputation and thereby assure the proper conduct of the business operations;

c bis . natural persons or legal entities, which directly or indirectly participate in at least 10 percent of the capital or voting rights of a bank or otherwise whose business activities are such that they may influence the bank in a significant manner (qualified participation), guarantee that their influence will not have a negative impact on a prudent and solid business activity;

d. the persons entrusted with the management of the bank have their domicile in a place where they may exercise the management in a factual and responsible manner.

3. The bank shall file its articles of incorporation, by-laws, company contracts and internal regulations with the Banking Commission and notify that body of all subsequent amendments concerning the business purpose, the scope of business, the capital or the

internal organisation of the bank. Such amendments may not be registered with the Register of Commerce unless they have been approved by the Banking Commission.

4. repealed

5. Each natural person or legal entity shall notify the Banking Commission prior to acquiring or selling directly or indirectly a qualified participation as defined in par. 2 lit. c bis in a bank organised in accordance with Swiss law. This duty to notify also exists whenever a qualified participation is increased or decreased in such a manner that the threshold of 20, 33 or 50 percent of the capital or voting rights is reached or exceeded or declines thereunder.

6. The bank shall make notification of those persons who fall under the requirements of par. 5 as soon as it has knowledge thereof, at least however once a year.

7. Banks organised under Swiss law shall notify the Banking Commission before they establish a subsidiary, branch, agency or representation abroad.

Art. 3a

A bank which is constituted in the form of an establishment or limited-liability company on the basis of a Cantonal legal ordinance shall be deemed to be a Cantonal bank. The Canton must hold a participation of more than one third of the capital and possess more than one third of the voting rights. The Canton may guarantee, either in full or in part, for the liabilities of the bank.

Art. 3 bis

1. The licence to establish a bank which is to be organised in accordance with Swiss law, but in whose case a controlling foreign influence exists, as well as the licence to establish an office, a branch or an agency of a foreign or foreign-controlled bank and the licence to appoint a permanent representative of a foreign bank is to be subjected additionally to the following conditions:

a. the country of residence of the foreign bank or of the foreign controlling corporate or
individual shareholder shall guarantee reciprocity, as long as no contradictory commitments exist;

b. the corporate name of the foreign controlled Swiss bank shall in no way indicate or suggest that the bank is Swiss controlled;

c. repealed

1 bis

If a bank forms part of a group which operates in the field of finance, the licence may be given subject to it submitting to appropriate consolidated supervision by foreign supervisory authorities as well as their approval to operate the business.

2. The bank must inform the Swiss National Bank of the scope of its business activities and its relations with other countries.

3. A bank organised under Swiss law falls under the provisions of par. 1 whenever a foreigner with a qualified participation directly or indirectly holds more than 50 percent of the voting rights in the bank or a significant influence on it is exercised in another manner.

A foreigner is deemed to be:

a) natural persons who are neither Swiss citizens or do not possess an establishment permit in Switzerland;

b) legal entities and partnerships who have their registered office abroad or, if they have their registered office in Switzerland, are controlled by persons defined under a).

Art. 3 ter

1. An additional licence within the meaning of Article 3 bis must be obtained by any bank which falls under foreign control.

2. A new additional licence must be obtained, if a foreign controlled bank experiences a change of its foreign shareholders holding a qualified participation.

3. The members of the Board and the management of a bank are to notify the Banking Commission of all matters which may lead one to conclude that the bank is foreign-controlled or that there has been a change in foreigners holding qualified participations.

Art. 3 quater

1. The Federal Council is empowered through treaties with other states, to declare the particular requirements of Art. 3 bis and Art. 3 ter as totally or partially inapplicable if citizens of a contracting state as well as legal entities with registered office in a contracting state establish or take over a bank organised under Swiss law or acquire a qualified participation therein. In so far as no international commitments to the contrary exist, the Federal Council can subject this to the existence of reciprocity in the contracting state.

2. Should the legal entity on its part be controlled directly or indirectly by citizens of a third state or by legal entities with registered office in a third state, the afore-mentioned provisions are applicable.

SECTION III – EQUITY, LIQUIDITY AND OTHER REQUIREMENTS RELATING TO BUSINESS OPERATIONS

Art. 4

1. Banks must provide for an adequate relationship between:

a) their equity and their total liabilities;

b) their liquid assets and their easily marketable assets on one hand and their short-term
liabilities on the other hand.

2. The Implementing Ordinance establishes the directives to be observed in this respect under normal circumstances, taking into consideration the kind of business and the type of bank; it shall define the terms of own funds, liquid assets, easily marketable assets and short-term liabilities.

2bis. The qualified participation of a bank in an enterprise outside the fields of finance or insurance may not exceed the equivalent of 15 percent of its equity. The total of such participations may not exceed 60 percent of equity. The Federal Council decides upon exceptions.

3. In special cases the Banking Commission is authorised to permit less stringent application of the guidelines or to seek enforcement of more stringent provisions.

4. repealed

Art. 4 bis

1. The loans of a bank to any single customer, as well as the participation in any single company, must bear an appropriate relationship to the bank's equity.

2. The Implementing Ordinance establishes the lending limits with special consideration given to loans to public authorities and to the type of security furnished.

3. repealed

Art. 4 ter

1. Credit may be granted to the bank's governing bodies and controlling shareholders, as well as to related persons and companies, only in conformity with generally accepted principles of the banking profession.

2. repealed

Art 4 quater

Both in Switzerland and abroad, banks shall abstain from misleading or obtrusive publicity of their Swiss domicile or Swiss traditional practices or institutions.

Art 4 quinquies

1. Banks, whose parent companies are supervised by banking or financial market supervisory authorities, may transmit information or documents not publicly available to their parent companies which are necessary for the purpose of consolidated supervision, in so far as:

a. such information is used exclusively for internal control or direct supervision of banks or other financial intermediaries subject to licence;

b. the parent company and the supervisory authorities responsible for consolidated supervision are bound by official or professional secrecy;

c. this information may not be transmitted to third parties without the prior permission of the ank or on the basis of a blanket permission in a state treaty.

2. In cases where doubt exists regarding the transmission of data pursuant to par. 1, banks may emand a directive from the Banking Commission to allow or forbid the transmission of information.

Art. 5

1. Banks shall transfer at least one twentieth of their yearly net profits into a reserve fund designated to cover losses and to permit write-offs. The transfers have to be effected until this fund amounts to one fifth of the paid-in capital or, in the case of banks which have no paid-in capital, to one twentieth of the deposits.

1bis The following shall be allocated to reserve funds even after these have reached the statutory level:

a. any proceeds exceeding the nominal value of share issues or issues of stock certificates after covering the issue costs;

b. one tenth of the amounts which are distributed from the net profits after regular allocations to the reserve fund and after a dividend or interest on stock certificates of 5 % has been paid to the parties entitled to such a share in earnings.

2. This article shall not be applied to private bankers which do not publicly solicit deposits from the public.

SECTION IV – ANNUAL FINANCIAL STATEMENTS AND BALANCE SHEETS

Art. 6

1. Banks shall prepare for each business year an annual report consisting of annual financial statements and a business report. The Federal Council determines those cases where consolidated financial statements are to be prepared in addition.

2. The annual report is to be drafted in accordance with the provisions of the Code of Obligations pertaining to companies limited by shares and with this law. Whenever general conditions require it, the Federal Council may permit departures therefrom. Such a decision of the Federal Council is to be published.

3. The Federal Council determines which banks are to prepare interim financial statements.

4. Single-company, consolidated and interim financial statements are to be published or made available to the public.

5. The Federal Council lays down the classification rules for single-company, consolidated and interim financial statements and lays down in which form and to which extent and within which deadlines they are to be published or made available to the public.

6. Paragraphs 3 and 4 do not apply to private bankers who do not publicly solicit customer deposits.

SECTION V – THE RELATIONSHIP BETWEEN BANKS AND THE SWISS NATIONAL BANK

Art. 7

1. Banks shall submit their annual financial statements to the Swiss National Bank.

2. Whenever the size of a bank or the nature of its business activities warrant it, the Swiss National Bank may, in addition, require the submission of detailed semi-annual balance sheets and quarterly or monthly interim balance sheets.

3. The National Bank may demand from the banks additional disclosures concerning these balance sheets. It can, moreover, request other kinds of information, but these must

be for the sole purpose of facilitating the task of the National Bank as defined in Art. 2 of the National Bank Law of December 23, 1953.

4. The National Bank establishes the reporting procedure after consultation with the banks; in particular, it may prescribe the use of standard forms.

5. The National Bank takes the necessary measures to be able to supervise the development of Swiss-franc markets.

Art. 8

1. In the case of short-term exceptional capital outflows, which may seriously endanger Swiss monetary and currency policy, the Federal Council may order that banks shall obtain permission of the Swiss National Bank prior to concluding or participating in one of the following transactions:

a. the placement or underwriting of bonds, rescriptions and other debenture bonds, which are issued in the name of a debtor with domicile or registered office abroad or of rights not evidenced by certificate with similar function (book-entry securities) or instruments derived therefrom (derivatives);

b. the constitution, purchase or distribution of book receivables of all types for debtors with domicile or registered office abroad.

2. The National Bank can deny permission or make permission conditional whenever necessary in order to conduct an appropriate monetary and currency policy. The evaluation of the risks inherent in a transaction are not the responsibility of the National Bank.

3. The National Bank may, if applicable, issue implementing provisions to the Ordinance of the Federal Council.

Art. 9

1. The Swiss National Bank shall keep secret all reports and information received.

2. The National Bank publishes statistics where annual financial statements, interim balance sheets and notifications from banks are listed as totals or by groups.

Art. 10

repealed

SECTION VI REDUCTION OF CAPITAL; SPECIAL PROVISIONS FOR CO-OPERATIVE

BANKS

Art. 11

1. The reduction of capital of banks which are organised as companies limited by shares or limited partnership corporations is governed by the relevant rules of the Code of Obligations, without prejudice, however, to the following provisions:

a. the general meeting may not vote a reduction of the capital unless a special audit report
shows that the creditors' claims are fully covered, despite a reduction of capital, and that the liquidity remains assured;

b. the reduction of the capital may be carried out at the expiry of a two month period from the day the resolution, together with the notice to creditors, was published according to the by-laws of the bank, and after the creditors who filed their claims within that period have been paid or secured;

c. the book profit which may result from the reduction of the capital stock must be transferred to the reserve fund unless it is needed for write-offs of doubtful assets or for provisions for such assets.

2. The provisions of paragraph 1 apply by analogy to the reduction of the authorised capital of a limited liability company or the reduction or cancellation of participation certificates in a co-operative company.

Art. 12

1. Banks that are organised as co-operatives may not redeem the participation certificates of retiring co-operative members before the annual financial statements of the fourth business year after the resignation has been approved. Every other form of invalidation of the membership is equal to a resignation.

2. The participation certificates of retiring co-operative members remain pledged for the commitments of the co-operative bank until their redemption.

3. The redemption may only take place if the creditors' claims remain covered and liquidity is assured.

Art. 13

1. New commercial banks may not be constituted as co-operative banks.

2. Where an existing co-operative bank subsequently becomes a commercial bank, the Banking Commission will fix a time limit for the conversion into a joint stock company, a limited partnership corporation or a limited liability company.

3. In case of doubt, the Banking Commission shall decide whether an institution falls under the classification of commercial banks.

Art. 14

1. In order to avoid liquidations, the Federal Council is authorised to issue provisions facilitating in general or special cases the conversion of a co-operative bank into a company limited by shares or a limited partnership corporation. After due consideration of the interests of the co-operative members and creditors, the Federal Council may depart from the provisions of the Code of Obligations and the Federal Debt Collection and Bankruptcy Act.

2. The shares that are issued after the conversion of the participation certificates are exempt from the issue duty of Articles 18-20 of the Federal Stamp Duty Law of October 4, 1917, provided that it has already been paid on the converted participation certificates, that the shares are distributed only among the former co-operative members, and that the par value of the shares does not exceed the capital paid in on the converted participation certificates.

3. No Federal or Cantonal change of ownership or registration duty may be charged for the transfer of the co-operative assets to the joint stock company.

4. The provisions of paragraphs 1, 2 and 3 apply by analogy to the conversion of a co-operative bank into a limited liability company.

SECTION VII – SAVINGS AND CUSTODY DEPOSITS

Art. 15

1 Deposits referred to as savings in any combination of words whatever may only be accepted by banks publishing annual financial statements. All other types of companies are not authorised to accept savings deposits and they may not use in their company name, or in the designation of their business purpose or in their advertising the term "savings" in connection with the money deposited with them.

2 repealed

3 repealed

Art. 16

Valuables in safekeeping accounts within the meaning of Art. 37b of the Law are deemed to be:

1. Movable goods and securities of the depositing customer;

2. Movable goods, securities and claims which the bank holds on a fiduciary basis for the depositing customer;

3. Freely available delivery claims of the bank from third parties from spot transactions, completed forward transactions, collateral transactions or issues for the account of the depositing customer.

SECTION VIII – PLEDGE CONTRACTS

Art. 17

1. A bank that wants to reserve itself the right to repledge or to give a pledge as replacement, must be authorised by the pledgor in a special deed.

2. The bank may not repledge or give the pledge as replacement for an amount exceeding its own claim against the pledgor. The bank must ascertain that no other rights exceeding that amount accrue in favour of third persons.

SECTION IX – SUPERVISION AND AUDIT

Art. 18

1. Each year, banks must submit their annual financial statements to audit by an external auditor.

2. repealed

Art. 19

1. The auditor must examine the annual financial statements to ascertain whether they comply with the requirements of the law, the by-laws and regulations as regards form and content. The auditor must also ascertain that the provisions of the present Law and its Implementing Ordinance, as well as any possible Cantonal provisions concerning statutory liens in favour of savings deposits and the requirements for holding a banking license, have been adhered to.

2. Banks must at any time make available to the auditor their books, records and other supporting documents which are customary in Swiss banking circles in order to ascertain and value assets and liabilities as well as any other information needed by the auditor to accomplish his duties.

3. If a bank has a professional internal audit department, their report must be submitted to the external auditor. Duplication of auditing efforts shall be avoided as far as possible.

Art. 20

1. In order for an auditing firm to perform bank audits within the meaning of the Law, it must be recognised as a bank auditor. The Implementing Ordinance determines the conditions for recognition. The Banking Commission decides in each individual case.

2. Recognised bank auditors must restrict their activities exclusively to auditing and immediately related professional services such as reviews, liquidations and financial restructuring. They may not engage in actual banking transactions or in trust operations. The Banking Commission will issue directives on the auditing firms' scope of activity.

3. The auditing firm shall be independent of the board and management of the client bank.

4. The audit must be performed with the care of a properly qualified auditor.

5. Except vis-à-vis the responsible governing bodies of the client bank and the Banking Commission, the auditors must keep secret all facts of which they received knowledge during the audit.

Art. 21

1. The auditors shall report on the results of the examination made pursuant to Article 19, paragraph 1. The report must clearly show the relation between investments and credits abroad on the one hand and the balance sheet total on the other hand. The Implementing Ordinance shall determine the details of the contents of the audit report.

2. The auditing report shall be communicated to the body responsible for the direction, supervision and control according to the law, the by-laws, the articles of incorporation or the regulations. Where the bank is organised as a legal entity, the auditing report shall be submitted to the statutory auditors as defined by the Swiss Federal Code of Obligations.

3. In the event that the audit reveals either the violation of a legal provision or any other irregularity, the auditing firm shall set an appropriate time limit for the bank to take corrective action. The auditing firm must inform the Banking Commission if the correction is not carried out within the prescribed time limit.

4. Where the setting of a time limit within the meaning of paragraph 3 appears of no use, or if the auditing firm discovers a criminal offence, serious violations, or losses reducing the capital funds by 50%, or other irregularities jeopardising the security of the creditors, or if it can no longer confirm that the claims of the creditors are still covered by the assets, the Banking Commission shall be informed without delay.

Art. 22

1. The auditing fees shall be borne by the client bank. The level of fees is established in accordance with the scale approved by the Banking Commission.

2. Repealed.

SECTION X – THE FEDERAL BANKING COMMISSION

Art. 23

1. The Federal Council shall elect a Federal Banking Commission consisting of seven to eleven members, and appoint its Chairman and the Deputy Chairman (or chairmen). Sole responsibility for the supervision of the banking system, investment funds, stock exchanges, the disclosure of significant participations and public take-over bids will be transferred to this commission. The Commission shall maintain a permanent secretariat.

2. The Commission, which may be subdivided into several chambers, shall issue regulations governing its own organisation and management which shall require the approval of the Federal Council.

3. Annually, the Banking Commission reports to the Federal Council on its activities. It communicates with the Federal Council via the Federal Department of Finance.

4. The expenses of the Commission and its secretariat shall be covered by emoluments charged. The details thereof shall be fixed by the Federal Council.

5. The members of the Commission must be experts. They may not be the chairman, vice-chairman, delegated member of a Board with executive responsibilities ("Delegierter") or member of the Executive Committee of the Board nor member of the Management of a bank, a fund manager, a stock exchange, a security dealer nor of a recognised auditing firm.

Art. 23 bis

1. The Banking Commission issues the decisions necessary to enforce the present law and supervises compliance with the legal requirements.

2. The Banking Commission may demand from the auditors as well as the banks any information or document its needs to fufill its duties; it is authorised to demand reports from the auditing firm, in particular the auditing report on a bank, and it may retain the services of an auditing firm to perform a special review.

Art. 23 ter

1. In all cases where the Banking Commission is informed of violations of the law or of other irregularities, it shall issue the necessary decisions to restore the rightful conditions and remove the abuses.

1bis In implementation of Art. 3 par. 2 lit. c bis and 5 of this law, the Banking Commission can, in particular, suspend the voting rights connected to shares or stock which are held by shareholders or partners with a qualified participation.

2. Where an enforceable decision of the Banking Commission is not implemented within the prescribed time limit after prior warning, the Banking Commission may itself execute the action that was ordered, at the expense of the delinquent bank.

3. In case of non-compliance with enforceable decisions, the Banking Commission may also publish these in the Swiss Commercial Gazette or announce them in some other manner. Formal notice must be given before such a measure can be taken.

4. Where the Banking Commission is apprised of violations of Articles 46, 49 and 50 of the present Law, it informs the Federal Department of Finance without delay. It informs the competent Cantonal authorities of violations of Articles 47 and 48 of the present Law or of common Law felonies or misdemeanours.

Art 23 quater

1. The Banking Commission may delegate an expert to act as its observer in a bank if because of misdemeanours, the claims of the creditors appear seriously jeopardised. An auditing firm recognised under the banking law may be entrusted with this task. The costs are borne by the bank.

2. The observer supervises the activities of the bank's senior officers, particularly the enforcement of the measures ordered by the Banking Commission, which he keeps constantly informed. For this purpose, the observer is granted the unrestricted right to investigate the conduct of business operations and examine the books and the records of the bank, but is not permitted to intervene in the business activities.

3. repealed

Art. 23 quinquies

1. The Banking Commission shall withdraw the licence to conduct business operations from banks that no longer meet the conditions necessary for such licence or that grossly violate their legal duties.

2. As a result of a decision to withdraw the licence, legal entities and general or limited partnerships shall be liquidated and their registration removed from the Register of Commerce. The Banking Commission designates a liquidator and supervises his activities.

Art. 23 sexies

1. The Banking Commission may, in implementation of this law, request information or documents from foreign bank and financial market supervisory authorities.

2. The Banking Commission may only transmit information and documents not publicly available to foreign bank and financial market supervisory authorities, in so far as these authorities:

a. will use such information exclusively for the direct supervision of banks and other financial intermediaries requiring authorisation;

b. are bound by official or professional secrecy; and

c. will not transmit this information to competent authorities or bodies which are entrusted with supervisory activities in the public interest without the prior consent of the Banking Commission or on the basis of a blanket permission contained in a treaty with a contracting state. The transmission of information to penal authorities is not permitted whenever legal assistance in penal matters would be excluded. The Banking Commission decides after consulting with the Federal Office of the Police.

3. In so far as the information to be transmitted by the Banking Commission concerns individual customers of the bank, the Federal Law on Administrative Procedures is applicable.

Art. 23 septies

1. In enforcement of this law, the Banking Commission may itself undertake direct inspections in foreign establishments of banks for whose consolidated supervision it is responsible within the framework of home country control, or entrust auditing firms to perform such work.

2. The Banking Commission may permit foreign banking and financial market supervisory authorities to carry out direct inspections at Swiss establishments of foreign banks insofar as these authorities:

a. are responsible for the consolidated supervision of the banks subject to audit within the
framework of home country control;

b. shall use the information obtained exclusively for the direct supervision of banks and other financial intermediaries requiring authorisation;

c. are bound by official or professional secrecy; and

d. will not transmit this information to competent authorities or bodies which are entrusted with supervisory activities in the public interest without the consent of the Banking Commission. The transmission of information to penal authorities is not permitted whenever legal assistance in penal matters would be excluded. The Banking Commission shall decide after consulting with the competent authority.

3. During the conduct of cross-border direct inspections, only data necessary for a consolidated supervision over banks or financial intermediaries may be investigated. This shall encompass in particular data as to whether a bank or financial intermediary throughout the group:

a. is appropriately organised;

b. appropriately identifies, limits and monitors risks inherent in its business activity;

c. is managed by persons who offer guarantees for the proper conduct of business activities;

d. complies with capital-adequacy and risk-diversification provisions on a consolidated basis; and

e. adequately complies with its reporting duties vis-à-vis the supervisory authorities.

4. Insofar as foreign banking and financial-market supervisory authorities during their direct inspections within Switzerland wish to gain access to information which directly or indirectly relates to asset management or deposit activities for specific customers, the Banking Commission shall gather the information itself and shall transmit it to the authorities requesting it. The procedure shall follow the Law on Administrative Procedure.

5. The Banking Commission may accompany the foreign banking and financial-market supervisory authorities during their direct inspections within Switzerland or charge a Banking-Law audit firm to do so. The bank in question may demand that they be accompanied.

6. Establishments within the meaning of this article are deemed to be:

a. subsidiary companies, branches or representative offices of banks;

b. other enterprises, provided that their activity is included in the consolidated supervision by a banking and financial-market supervisory authority.

7. Establishments organised in accordance with Swiss law are to provide foreign supervisory authorities of banks and financial intermediaries and the Banking Commission with information necessary for the carrying out of direct inspections or

administrative assistance by the Banking Commission and grant access to their books and records.

Art. 24

The decisions of the Banking Commission can be appealed to the Federal Court according to Chapter V of the Federal Law of December 16, 1943 concerning the Federal Jurisprudence.

SECTION XI – POSTPONEMENT OF MATURITY

Art. 25

1. Banks that are exposed to continued and excessive withdrawals may ask the Federal Council to grant them a postponement of maturity.

2. The postponement of maturity can be granted only where it is established by a special audit report that the creditors' claims are fully covered and that the payment of interest can be maintained during the postponement.

Art. 26

The postponement of maturity can be granted for all liabilities of the bank or for certain kinds only with the exception of the interest on funds deposited by third persons; the postponement can be granted either for the total or partial amount of the liabilities.

Art. 27

The Federal Council decides on the postponement of maturity alter consultation with the National Bank and the Banking Commission. The necessary measures are taken on a case-by-case basis by applying Articles 29-35 in an analogous manner. The duration of the postponement must be limited.

Art. 28

Where it appears subsequently that the bank no longer fulfils the conditions for the postponement, the Federal Council will annul the postponement; the bank can initiate proceedings under Article 29 or Article 35, paragraph 2.

SECTION XII – MORATORIUM

Art. 29

1. If a bank is no longer in a position to meet its commitments in a timely manner, this bank may ask the competent court that it be granted a moratorium. The request must be accompanied by a statement showing the current status, the available annual financial statements as well as the annual reports and the audit reports of the last five years.

1bis The court appoints a provisional commissioner who has the same powers as the regular commissioner until the court has passed a decision on the request or until bankruptcy proceedings have begun. An auditing firm recognised by banking law may be designated as provisional commissioner. Legal transactions carried out by the bank between the closing of its offices or in the period between the filing of the application and the appointment of the provisional commissioner are not valid in respect to its creditors.
1ter Where a bank has filed a request for moratorium, the bankruptcy court suspends the adjudication of bankruptcy until such time as this application has been processed.

2. The court grants the moratorium for one year if the current status report proves that the bank can meet its liabilities. When required by the circumstances, the moratorium can be extended for another year.

3. The moratorium must be published and communicated to the Office for Bankruptcy Proceedings, to the Court for Bankruptcy Cases and to the Banking Commission.

4. The Cantonal governments must designate one single Cantonal authority for moratorium cases.

Art. 30

1. If the court grants the moratorium, it appoints one or more qualified persons as commissioner of the bank. A legal entity, in particular a bank or a trust company, may also be nominated as commissioner.

2. The commissioner is placed under the supervision of the court and can be removed by it for important reasons.

3. The creditors and the bank can lodge an appeal with the court against illegal orders of the commissioner; the complaint must be filed in writing within 10 days after the interested party has received knowledge of the order. The decision on the complaint can be appealed in the Federal Court.

Art. 31

Immediately upon his appointment the commissioner must assess the financial situation of the bank in collaboration with the auditing firm and must report it to the court and to the bank; he takes the steps that are necessary to maintain the bank's activities.

Art. 32

1. The moratorium has the effects described in Article 297 of the Federal Law on Debt Collection and Bankruptcy.

2. During the moratorium the bank continues to do business under the supervision and in accordance with the instructions of the commissioner; it shall not, however, perform legal acts which would prejudice the legitimate interests of the creditors or give advantage to individual creditors at the expense of the others. Payments to creditors must be approved by the commissioner. He is authorised to order, at his discretion, payments up to a specified amount, to creditors with due claims, in which connection he shall take into due consideration the interests of creditors with claims privileged by legal act or the law and the interests of the small creditors. These payments may not exceed half of those amounts that are secured according to the commissioner's assessment of the financial situation.

3. During the moratorium the court can at any time take the additional measures it deems necessary, on account of the situation, to protect the interests of the bank or the creditors. It can, in particular, submit to the approval of the commissioner the decision as to the validity of the conclusion of new business transactions, the sale of real estate, the creation of pledges or the issuance of a guarantee; measures to this effect must be published.

4. The bank must make its books and documents available to the court and the commissioner, and must furnish all information that may be required. The commissioner must be invited, in due time, to every meeting of the board of management of the bank; he can personally call such meetings.

Art. 33

1. If the bank wishes to proceed to an extra judicial reorganisation, or to conclude an arrangement with its creditors, the commissioner must give his expert opinion on the propositions to the bank's authorities, to the creditors or to the authority that decides on such arrangements.

2. Where the commissioner deems that the moratorium is no longer necessary, the court may, upon his request, revoke the moratorium; this decision must be published.

Art. 34

1. On request of the commissioner or of one of the creditors, the court must revoke the moratorium and publish this decision:

a. if the bank has obtained the moratorium on the basis of incorrect statements;

b. if the bank does not comply with the commissioner's instructions, if it prejudices the legitimate interests of the creditors or if it gives an unfair advantage to certain individual creditors at the expense of the other creditors.

Art. 35

1. The court may, as an exception, extend the moratorium for another six months, if it becomes obvious during the moratorium that the bank can achieve an extra judicial reorganisation.

2. Where it becomes evident during the moratorium that the assets of the bank no longer cover its liabilities, or that it will not be able to meet its liabilities in time after the expiration of the moratorium, or that it will not be able to achieve an out-of-court reorganisation, the court instructs the commissioner to demand that the bankruptcy court immediately open the bankruptcy proceedings, unless the bank petitions for an arrangement with the creditors. A postponement of the bankruptcy proceedings pursuant to Article 725, paragraph 4, and Article 903, paragraph 5, of the Swiss Federal Code of Obligations is not admissible.

3. In bankruptcy proceedings, the commissioner functions as receiver in bankruptcy; in proceedings for an arrangement with creditors, he fulfils the obligations of the receiver .

SECTION XIII – SPECIAL PROVISIONS FOR BANKRUPTCY AND ARRANGEMENTS WITH CREDITORS

Art. 36

1. In the bankruptcy procedure, a receiver in bankruptcy is appointed unless a commissioner has already been appointed to this effect.

2. The receiver in bankruptcy exercises all powers, including those of the meeting of creditors. Appeals against his orders can be lodged with the bankruptcy court as sole Cantonal authority within 10 days alter the interested party has received knowledge of the order. The decision taken on the complaint can be appealed to the Federal Court.

3. Claims contained in the bank's books of account are considered as registered.

4. The Cantonal governments must designate one single Cantonal authority as bankruptcy court.

5. The Federal Court can issue additional regulations for the bankruptcy proceedings which may deviate from the Federal Law on Debt Collection and Bankruptcy.

Art. 37

1. When a bank files an application for proceedings for a moratorium, the competent authorities shall appoint a provisional receiver who exercises the same powers as the regular receiver until a decision has been made in respect to the application or until adjudication in bankruptcy has taken place. An auditing firm, recognised under the banking laws, may be designated as provisional receiver. In the event a commissioner,

according to Article 30, has already been appointed, the latter becomes the provisional receiver. Legal transactions carried out by the bank after closing of its offices or in the period between the filing of the application for a moratorium and the appointment of the provisional receiver are not valid in respect of its creditors.

1bis Where a bank has filed a request for proceedings for a moratorium, the bankruptcy court suspends the adjudication of bankruptcy until such time as the application has been processed.

1ter If the application for a moratorium is approved by the competent authorities, a regular receiver is appointed, unless a commissioner has already been appointed for such purpose.

2. Appeals against the receiver's orders can be lodged, within ten days after the interested party has received knowledge of the order, with the authorities for such proceedings which is the sole Cantonal authority. The decision taken on the complaint can be appealed to the Federal Court.

3. In the case of proceedings for arrangements with creditors, payment is deferred for a period of six months; if necessary it can be extended for another six months.

4. Claims contained in the books of the bank are considered to have been registered.

5. There is no meeting of the creditors. Once the arrangement with creditors has been drafted, and has been made accessible for inspection, the creditors must be publicly invited to raise their objections.

6. The moratorium shall be approved only if the requirements of Article 306 of the Federal Law on Debt Collection and Bankruptcy are met, and if examination of all the circumstances establishes that the interests of all creditors are better served by a moratorium than by bankruptcy proceedings.

7. The moratorium can grant an adequate deferral of the payment of claims that are secured by pledges.

8. The Cantonal government must designate one single Cantonal court as the competent authority.

9. The Federal Court can issue additional regulations relating to moratorium proceedings which may deviate from the Federal Law on Debt Collection and Bankruptcy.

Art. 37a

1. In bankruptcy and moratorium proceedings with assignment of assets, the claims of creditors are ranked subject to the following particular provisions pursuant to Art. 219 of the Federal Law on the Collection of Debts and Bankruptcy.

2. The following claims of a maximum amount of no more than SFr. 30,000 per creditor shall be allocated to a special class between the second and third class:

1. Receivables from accounts to which are transferred regularly income from employment, annuities or pensions from employers or maintenance or support amounts by virtue of Family Law;

2. Claims arising from savings, deposit or investment books or accounts or from medium-term notes ("Kassenobligationen") with the exception of deposits from other banks.

3. Should bearer shares be involved, paragraph 2 be only apply provided that they can be proven to have been already in the possession of the creditor at the time of the closure of the counter.

4. If several persons are entitled to the claim, the privilege may only be asserted once

5. The Federal Council may adapt the maximum amount as defined in paragraph 2 to changed monetary conditions.

Art. 37b

1. Valuables in custody accounts as defined in Art. 16 shall not be counted as part of the debtor's assets in the case of bankruptcy but shall be segregated subject to the total claims of the bank against the persons depositing the valuables in his/her favour.

2. Should the bankrupt bank have deposited itself valuables in custody accounts with a third party, the valuables in custody shall be assumed to be those of its own customers and segregated in accordance with Par. 1.

3. The legal administrator of the bank must fulfil their custodian obligations vis-à-vis a third party custodian arising from transactions in accordance with Art. 16 point 3.

SECTION XIV – LIABILITY FOR TORTS AND PENAL PROVISIONS

Art. 38

1. repealed

2. With regard to private bankers, the liability for torts is governed by the provisions of the Code of Obligations.

3. All other banks are subject to the provisions of Articles 39-45.

Art. 39

Whoever, on the occasion of the establishment of a bank or on the issue of shares, of authorised investment certificates, of participation certificates or of bank bonds has, in prospectuses, in circular letters or in similar documents, made or divulged untrue assertions or statements contrary to the requirements of the law, intentionally or negligently, shall be liable for the damages caused to each associate (shareholder, partners of limited liability companies, co-operative members) or bondholder.

Art. 40

Whoever co-operates in the establishment of a bank shall be liable for damages to the bank as well as to each associate or creditor:

a. if he has intentionally or negligently contributed to define incorrectly or incompletely, to conceal or to omit in the articles of establishment or in the by-laws, the paid-in capital or the assets taken over or the preferences given to individual associates or other persons or if he has in some other way disregarded the law on the occasion of the approval of such a measure;

b. if he has intentionally or negligently contributed to the entry of the name of the bank into the Register of Commerce on the basis of a certificate or document containing false statements;

c. if he has deliberately contributed to the acceptance of subscriptions from insolvent persons.

Art. 41

The persons entrusted with the management, direction, supervision and control of a bank are liable to the bank as well as to each associate, shareholder or creditor for the damage caused by the intentional or negligent violation of their duties.

Art. 42

Whoever as liquidator or commissioner of a bank intentionally or negligently violates the duties conferred on him by law or the by-laws shall be liable to the dissolved bank and the associates, shareholders and creditors for the damage caused by him in the same way as the governing bodies of the bank.

Art. 43

1. Insofar as the liability according to Articles 40-42 is concerned partners or creditors have been prejudiced only indirectly by the damage caused to the bank, the claim for the payment of damages only can be brought to the bank.

2. The right of action conferred upon the creditors can be invoked only after bankruptcy proceedings have been instituted.

3. In bankruptcy proceedings against a bank, the claims of the associates, shareholders and creditors are to be raised first by the receiver of the bankrupt bank's estate. If the receiver waives the action, each associate, shareholder or creditor is entitled to demand the assignment of the claim. The proceeds shall be distributed according to the provisions of the Bankruptcy Act.

4. The ratification of the governing bodies' acts by the General Meeting precludes the claim of the associate or shareholder based on responsibility, only if he has given his approval to the resolution or if he has become associated after the decision was taken, and with knowledge thereof, or if he has not brought action within six months alter the decision has been approved.

Art. 44

Where several persons are liable for the same damage they are jointly liable. The judge determines the right of recourse among the parties concerned according to the degree of their fault.

Art. 45

1. Damage claims based on Articles 39 to 42 are barred by the statutes of limitation within five years to be counted from the day the injured party received knowledge of the damage and of the person liable for it; they become barred in any case, however, within 10 years to be counted from the day the damaging act was committed.

2. Where the damage claim arises out of a criminal offence, which, according to the penal law, is submitted to a longer period of limitation, such period also applies to the civil claim.

Art. 46

1. Whoever intentionally:

   a. opens a bank, operates a registered office, branch or agency of a foreign bank or appoints a permanent representative therefor without having obtained a licence from the Banking Commission;

   b. fails to obtain the complementary licence prescribed for foreign controlled banks;

   c. violates the conditions attached to the licence;

d. uses the term bank, banker or savings as part of their company name, their designation of business purpose or in their business advertising without permission;

e. makes misleading statements in advertising or misuses the Swiss domicile of a bank or Swiss traditional practices and institutions;

f. who accepts deposits from the public or savings deposits without being authorised to do so;

g. repledges pledges in violation of Article 17 or gives them as replacement;

h. makes a business transaction subject to Article 8 without previous notice to the National Bank or in disregard of its refusal or conditions;

i. furnishes wrong information to the Banking Commission, the bank auditors or the National Bank;

k. as a recognised bank auditor in the performance of the audit, grossly violates the duties assigned to him by the present Law or Implementing Ordinance; in particular, whoever makes untrue statements in the audit report or omits essential facts or fails to request pertinent information from the client or fails to report his findings to the Banking Commission;

I. fails to keep books of account properly or does not retain account books and records in conformity with the regulations; shall be punished by a prison term not exceeding six months or a fine not exceeding SFr. 50,000.

2. If the act has been committed by negligence, the penalty shall be a fine not exceeding SFr. 30,000.

Art. 47

1. Whoever divulges a secret entrusted to him or of which he has become aware in his capacity as officer, employee, mandatory, liquidator or commissioner of a bank, as representative of the Banking Commission, officer or employee of a recognised auditing company and whoever tries to induce others to violate professional secrecy, shall be punished by imprisonment for not more than six months or by a fine of not more than SFr. 50,000.

2. If the act has been committed by negligence, the penalty shall be a fine not exceeding SFr. 30,000.

3. The violation of professional secrecy remains punishable even after termination of the official or employment relationship or the exercise of the profession.

4. Federal and Cantonal regulations concerning the obligation to testify and to furnish information to a government authority shall apply.

Art. 48

Whoever in full knowledge of the facts undermines or jeopardises the credit standing of a bank, the National Bank or the Central Mortgage Institutions by the assertion or dissemination of falsehoods, shall, upon indictment, be punished by a prison term or a fine.

Art. 49

1. Whoever intentionally:

a. fails to draw up and publish the annual accounts or interim balance sheets in accordance with the provisions of Article 6;

b. does not order the annual accounts to be audited by recognised bank auditors or fails to have an audit performed that was prescribed by the Banking Commission;

c. disregards the obligations towards the bank auditors;

d. fails to comply with the request of the Banking Commission to re-establish proper conditions and remove irregularities;

e. fails to submit the prescribed reports to the Banking Commission or the National Bank;

f. redeems investment trust certificates in violation of Article 12
shall be punished by imprisonment or a fine not exceeding SFr. 20,000.

2. If the offence has been committed by negligence, the penalty shall be a fine not exceeding SFr. 10,000.

Art. 50

Whoever, despite warning and after being specifically advised of the penalties implicit in this Article, nevertheless fails to comply with a provision of this Law or a related ordinance or an official order relating thereto will be fined up to SFr. 5,000.

Art. 50 bis

The special dispositions of the Federal Law on Federal Penal Administration (Articles 14-18) are applicable.

Art. 51

1. The general dispositions of the Swiss Penal Code are applicable to infractions of Articles 47 - 48.

2. The general dispositions of the Federal Law on Federal Penal Administration (Articles 2-13) are applicable to infractions of Articles 46, 49, 50 and 50 bis .

3. The prosecution of violations is subject to a five year period of limitation. This period of limitation may not be extended by more than one half through interruptions.

Art. 51 bis

1. The prosecution and judgement of violations of Articles 47 and 48 is the duty of the cantons.

2. Violations of Articles 46, 49, 50 and 50 bis shall be prosecuted and judged by the Federal Department of Finance in accordance with the Federal Law on Federal Penal Administration.

SECTION XV – TRANSITIONAL AND FINAL PROVISIONS

Art. 52
repealed

Art. 53

1. With the entry into force of the present law the following provisions are repealed:

   a. the Cantonal regulations concerning banks; without prejudice to the provisions for Cantonal banks, the provisions concerning the provisions concerning professional trading in securities as well as the provisions for the supervision of compliance with legal Cantonal regulations against interest rate abuses;

   b. Article 57 of the Final Title of the Civil Code.

2. The Cantonal provisions for a statutory lien in favour of savings deposits shall become void if they are not replaced by new regulations according to Articles 15 and 16 within three years of the coming into force of the present Law.

Art. 54

repealed

Art. 55

repealed

Art. 56

The Federal Council will fix the date when the present Law will enter into effect and it will set out the necessary guidelines to be followed. (Entry into force: March 1, 1935)

FINAL PROVISIONS TO THE CHANGES DATED MARCH 18, 1994

1. Natural persons and legal entities, who hold deposits from the public on the date the law takes effect in spite of the prohibition to do so set out in Art. 1 par. 2, have to repay these within two years of the effective date of implementation of the new law. The Banking Commission may extend or shorten this deadline on a case-by-case basis, whenever particular conditions exist.

2. Bank-like finance companies who are authorised by the Banking Commission to publicly solicit monies prior to implementation of the law, require no new permission to operate as a bank. They must adapt to articles 4 bis and 4 ter within one year from the date the law takes effect.

3. Banks must adapt to the provisions of art. 3 par. 2 lit. c bis and d as well as art. 4 par. 2 bis within one year of the effective date of the law.

4. Cantons have three years after the effective date of the law to ensure compliance with the provisions of Art. 3a par. 1 and Art. 18 par. 1. Should responsibility for supervision as per Art. 3a par.

2 be transferred to the Banking Commission prior to expiry of this deadline, the provisions of Art. 18 par. 1 must be complied with at the time of the transfer.

5. Each natural person and legal entity who at the date on which the law takes effect, holds a qualified participation in a bank according to Art. 3 par. 2 lit. c bis , must notify the Banking Commission to this effect within one year following the date when the change in the law takes effect.

6. Banks must make the annual notification as per Art. 3 par. 6 for the first time within one year following the date when the law takes effect.

7. Banks organised under Swiss law must inform the Banking Commission within three months following the date when the law takes effect of all subsidiaries, branches, agencies and representations abroad.

TRANSITIONAL PROVISIONS TO THE CHANGES DATED APRIL 22, 1999

1. In the case of Cantonal banks which are subject in full to the supervision of the Banking Commission at the time that this law takes effect, the license foreseen under Article 3 shall be deemed to have been granted.

2. For the Cantonal bank of the Canton of Zug, the requirement of the Canton to hold more than one third of the voting rights in accordance with Art. 3a par. 1 shall not apply, provided that the Cantonal guarantee and the exercise of the voting right is not modified by the Canton and that it remains certain that important resolutions cannot be adopted without the consent of the Canton.

3. In the case of the Cantonal bank of the Canton of Geneva, the participations in the capital held by the communes shall be deemed to be equivalent to the shareholding of the Canton as foreseen under Article 3a provided that the existing participation held by the Canton is not reduced.