



# Implementation at **compenswiss**

14 juin 2019

**compenswiss** 

Ausgleichsfonds **AHV/IV/EO**  
Fonds de compensation **AVS/AI/APG**  
Fondi di compensazione **AVS/AI/IPG**  
Fonds da cumpensaziun **AVS/AI/UCG**



Association of Corporate Treasurers – Suisse Romande



## CURRENCY MANAGEMENT AT COMPENSWISS

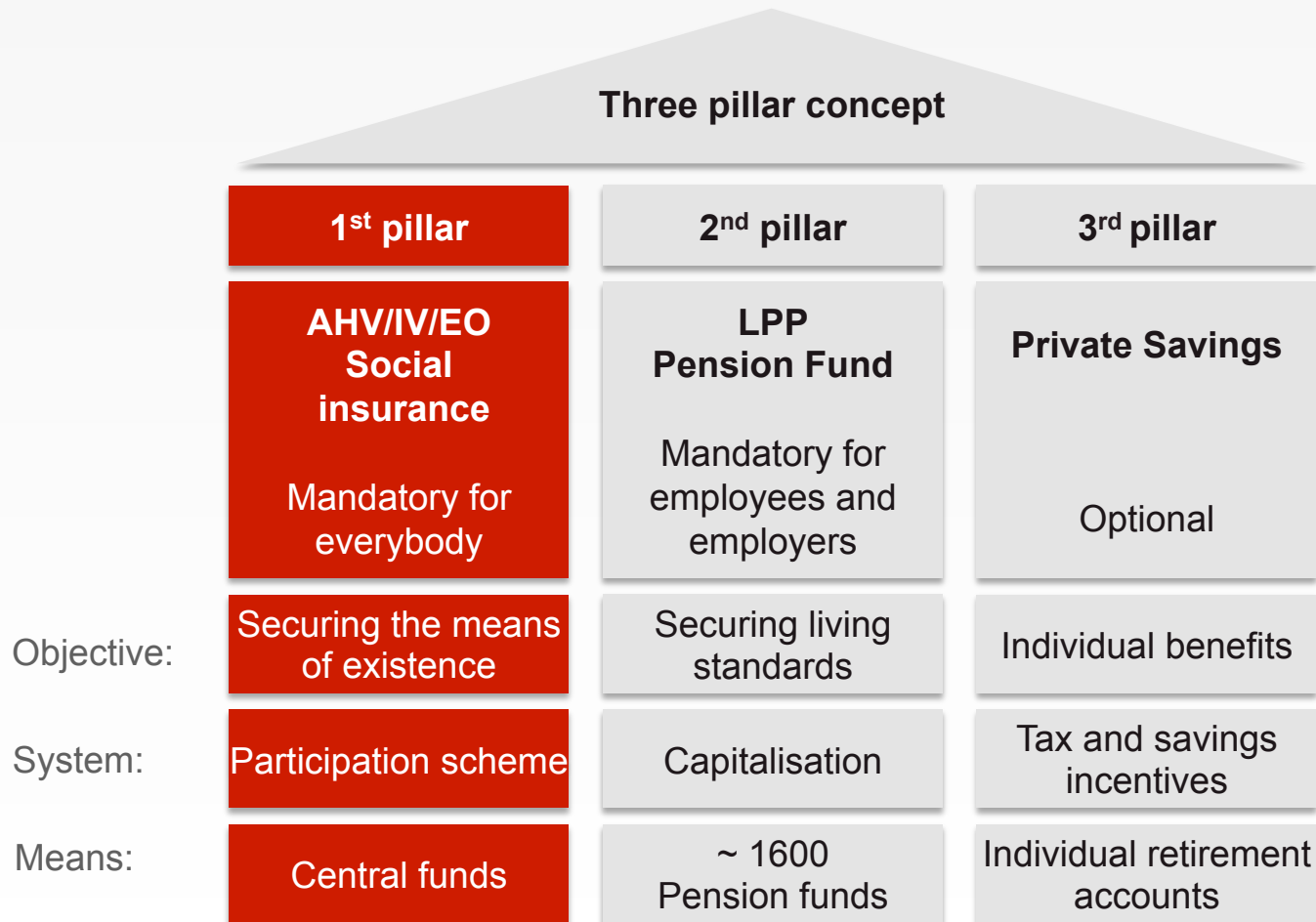
- compenswiss: who we are
- Our FX activities
- Why the FX Global Code is important for us

## FX GLOBAL CODE

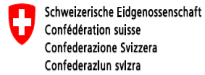
- What it is
- Promotion within Switzerland: FX committee
- Implementation process at compenswiss

# Structure and organisation

The overall picture of the Swiss Social Security System



# Mission



**Loi fédérale**  
**sur l'établissement chargé de l'administration des fonds**  
**de compensation de l'AVS, de l'AI et du régime des APG\***  
(Loi sur les fonds de compensation)

du 16 juin 2017

<sup>4</sup> Les actifs des fonds de compensation doivent être exploités de manière à garantir un rapport optimal entre la **sécurité** et l'obtention d'un **rendement conforme aux conditions du marché**, en adéquation avec le profil de placement et de risque du fonds de compensation.

<sup>5</sup> Pour chaque fonds de compensation, des **liquidités suffisantes** doivent être conservées en tout temps pour pouvoir:

- verser aux caisses de compensation les soldes de comptes en leur faveur; et
- accorder aux caisses de compensation les avances nécessaires à la fourniture des prestations légales de l'AVS, de l'AI et du régime des APG.

«Market-oriented» performance

Objective:

Security



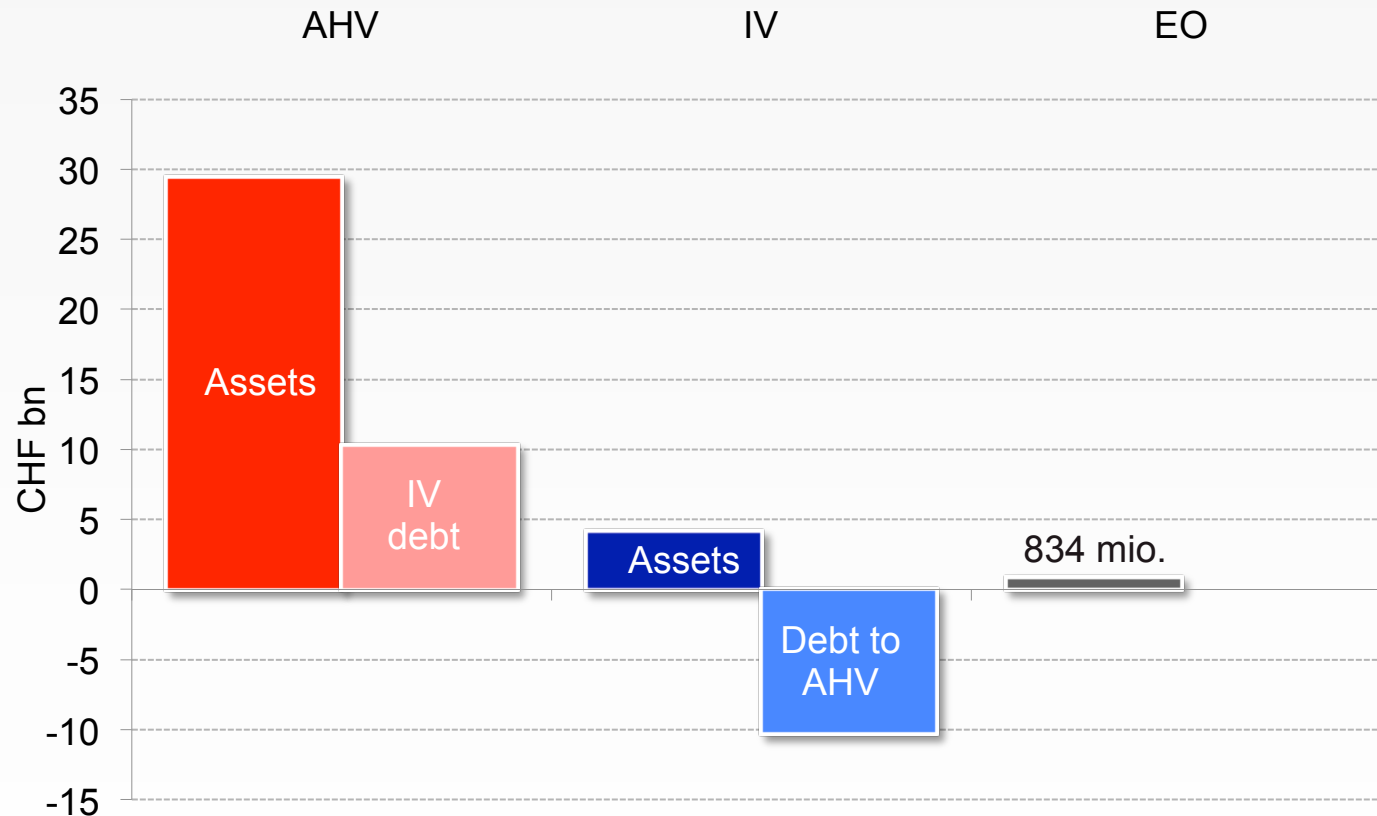
Liquidity

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# 3 Compensation Funds – 2 major differences

1<sup>st</sup> difference: 3 fortunes



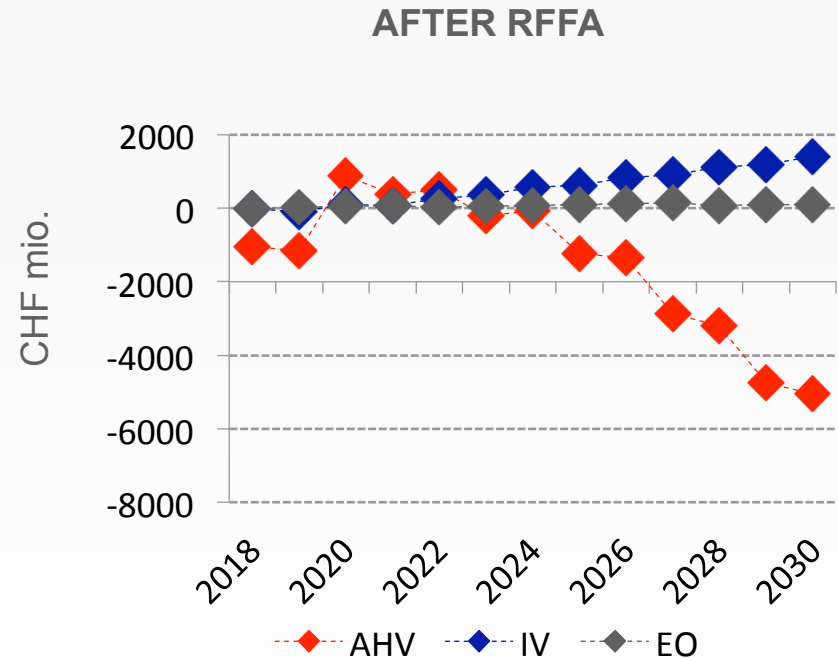
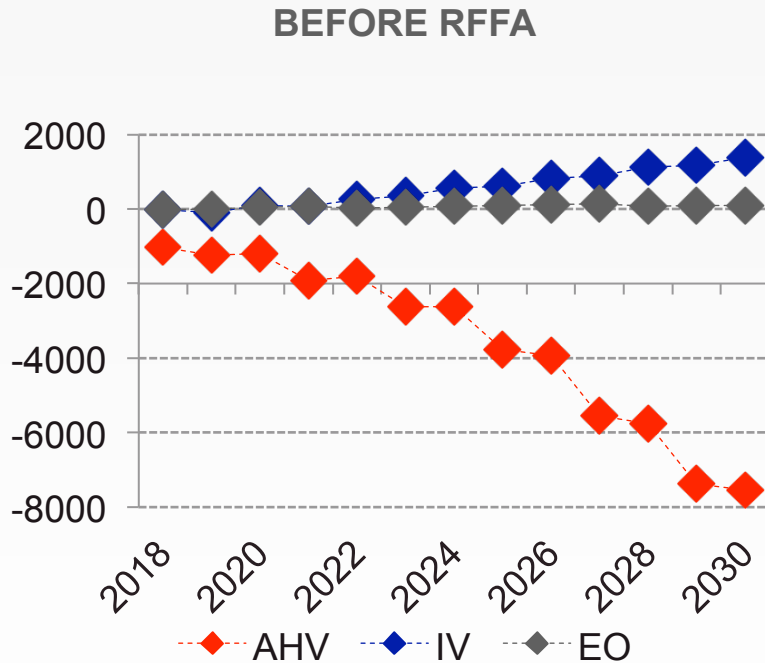
As of 31.12.2018

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# 3 Compensation Funds – 2 major differences

2<sup>nd</sup> difference: Perspectives and their variability

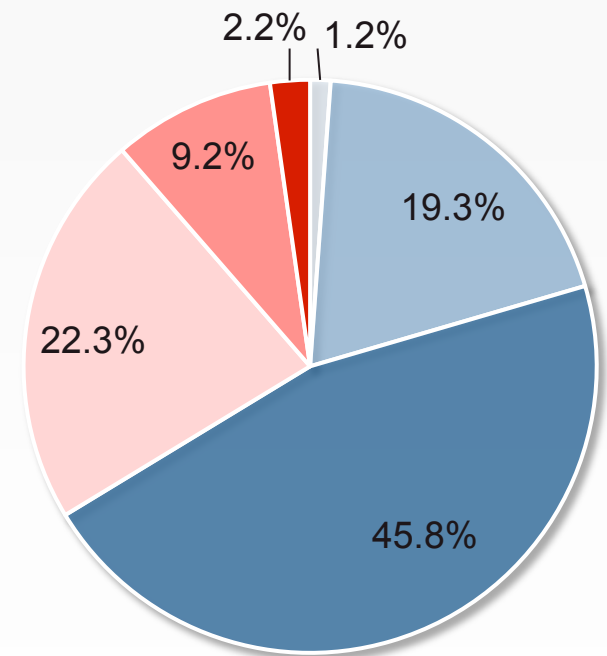
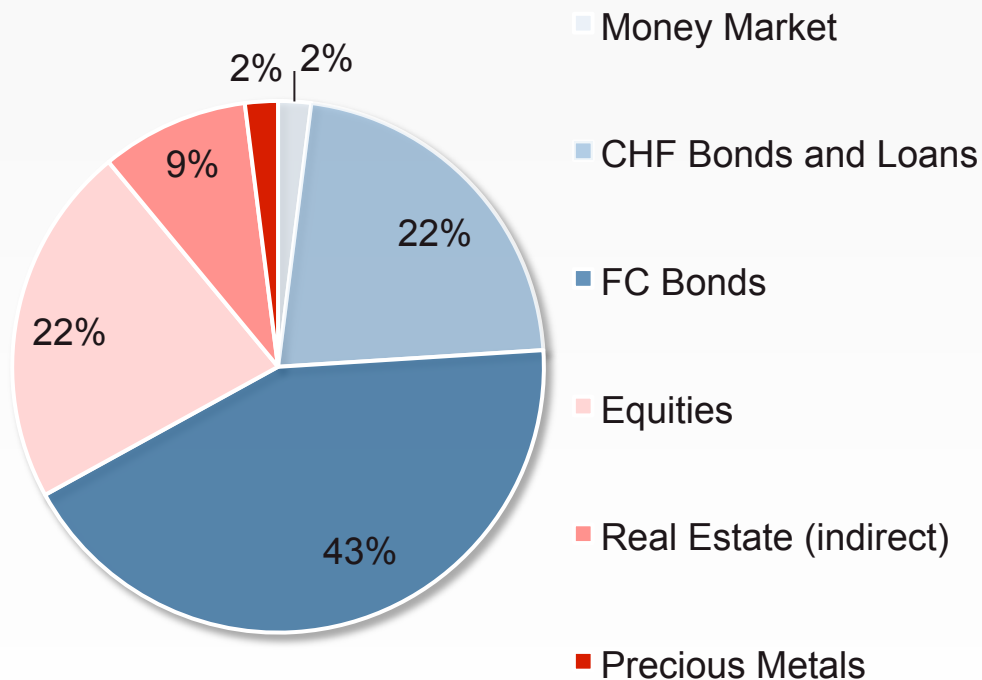


Source: BSV Perspectives June 2018, with and without RFFA  
EO contribution rate: 0.5% since 2011, 0.45% since 2016

# Asset allocation

Strategic Asset Allocation

Update as of 31.12.2018

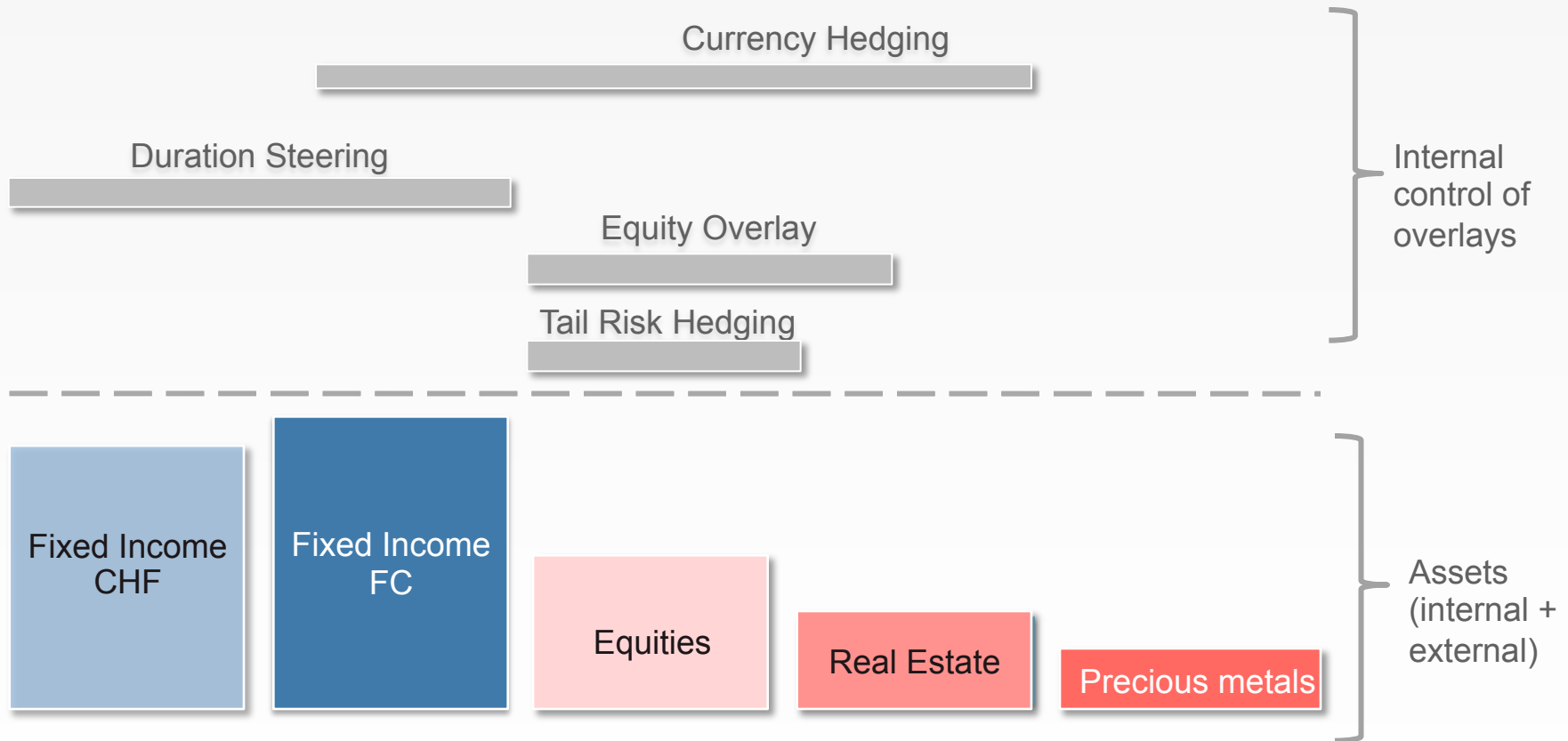


Approximately 90% of Real Estate allocation is in indirect listed instruments

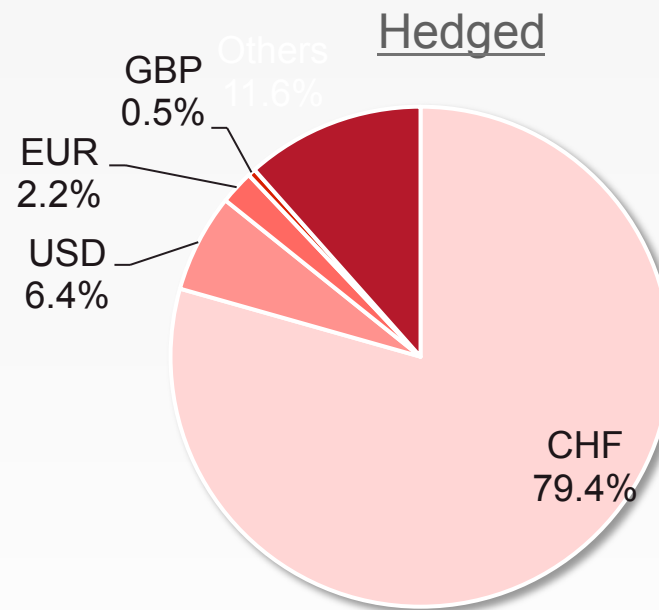
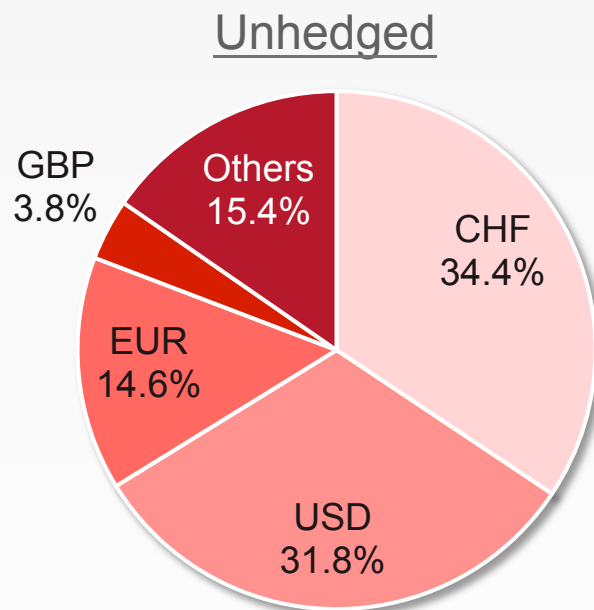
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# Overlay Management



# Currency exposure as of 31.12.2018



Currency	CHF	USD	EUR	GBP	Others
Market value in CHF millions	11'802	10'937	5'013	1'315	5'279
Total: 34'346					

Currency	CHF	USD	EUR	GBP	Others
Market value in CHF millions	27'266	2'187	752	171	3'970
Total: 34'346					

As of 31.12.2018

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# Experience in Overlay Management

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**STARTING  
POINT**

- Passiv FX Hedging
- Universe: Developed Currencies
- $\frac{3}{4}$  external (3 Currency Overlay Managers),  $\frac{1}{4}$  internal

**2007  
2008**

- **Secure operationnal Risk**
- CLS Implementation (Continuous Link Settlement to reduce Settlement risk)
- SWIFT Implementation (Market Standard)

**2010**

- **Hedge Emerging Market FX risk**
- Objectiv: Reduce Value at Risk
- EM FX risk managed internally

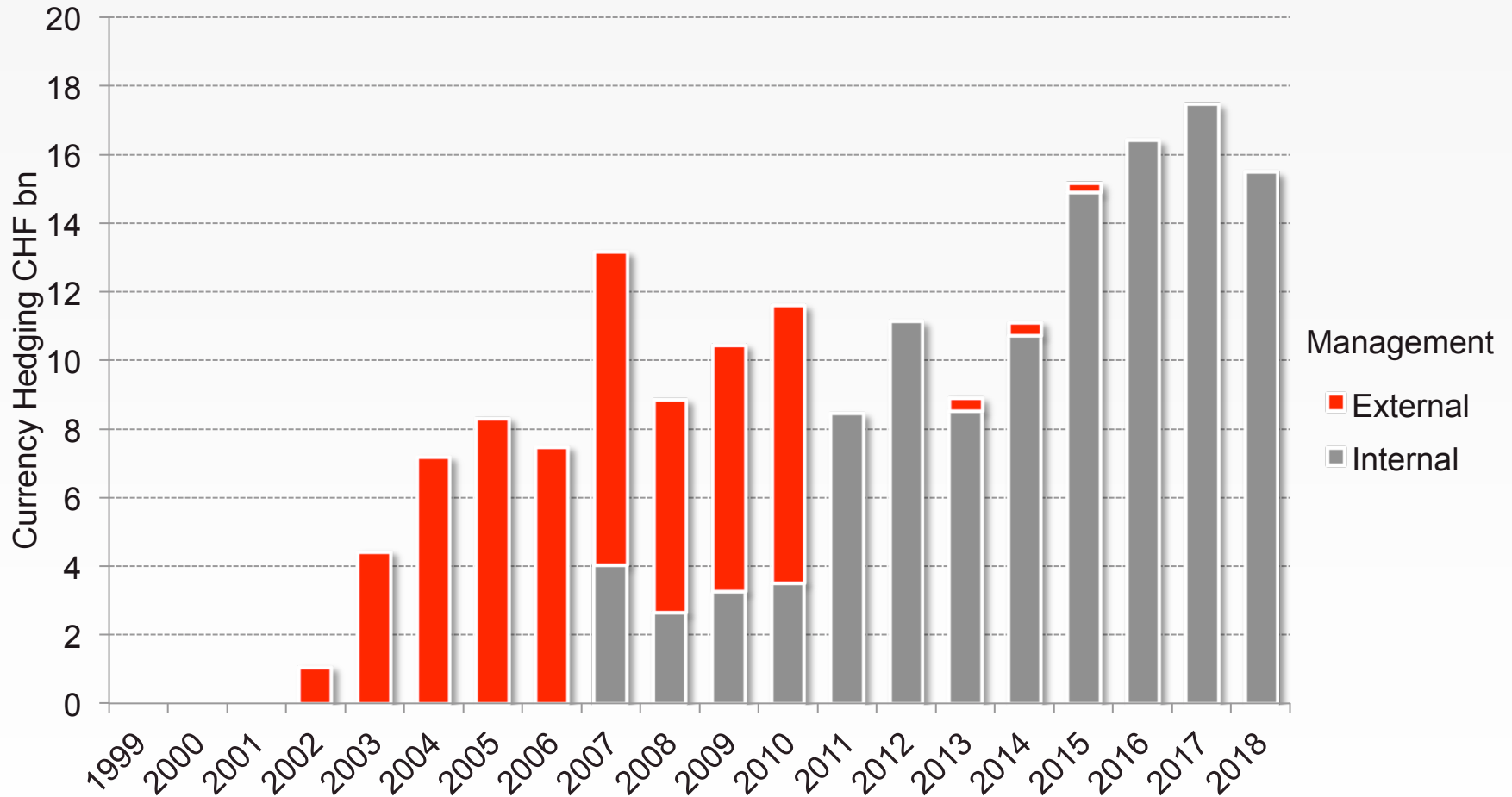
**2011  
2012**

- **Internalize Developed Currencies FX risk**
- Introduce semi-dynamic hedging process
- Develop counterparties network

**TODAY**

- Semi-dynamic FX hedging
- Universe: Developed and Emerging Currencies
- 100% internal

# Currency hedging



# Implementation: attention to details pays off



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# Why do we care about the Code?

By familiarising with and adhering to the Code, compensswiss

- Is better prepared to engage in a much more qualified dialogue with counterparties on best practices (education)
  - Put ourselves in a legitimate position to set similar expectations on counterparties as to what is acceptable and non-acceptable behaviour (guide for behaviour)
  - Sends a powerful signal to the market and business partners, that compensswiss is an informed and responsible party in the FX market (signal)
-  supports and promotes the integrity and effective functioning of the FX market

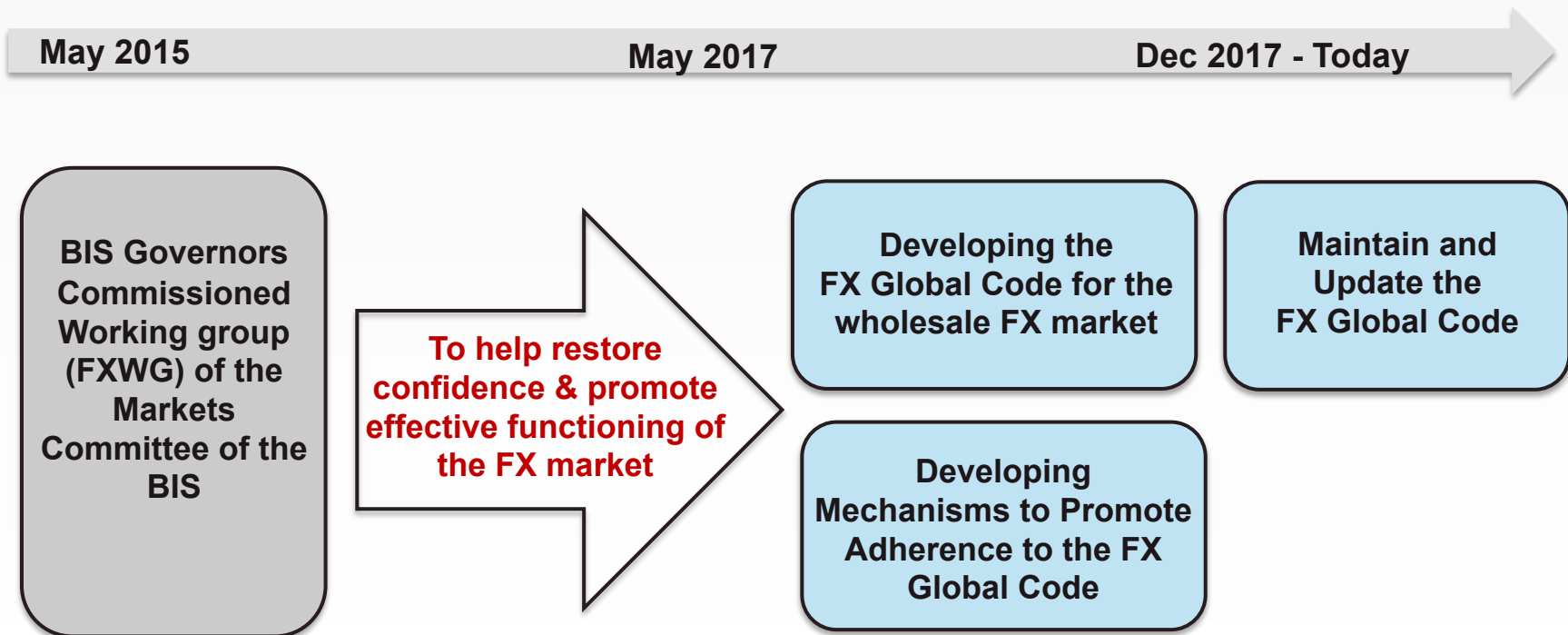
# What is the FX Global Code

- 55 principles generally recognized as best practices
- Annex with illustrative examples + Glossary
- Clear and simple language
- Principles apply globally to all FX Market participants
- **Voluntary principles-based approach**: each market participant decides whether and to what extent it applies the principles (voluntary nature).
- **Principle of proportionality**: each participant makes its decision according to the importance and nature of its activities in the field of foreign exchange (proportionality).



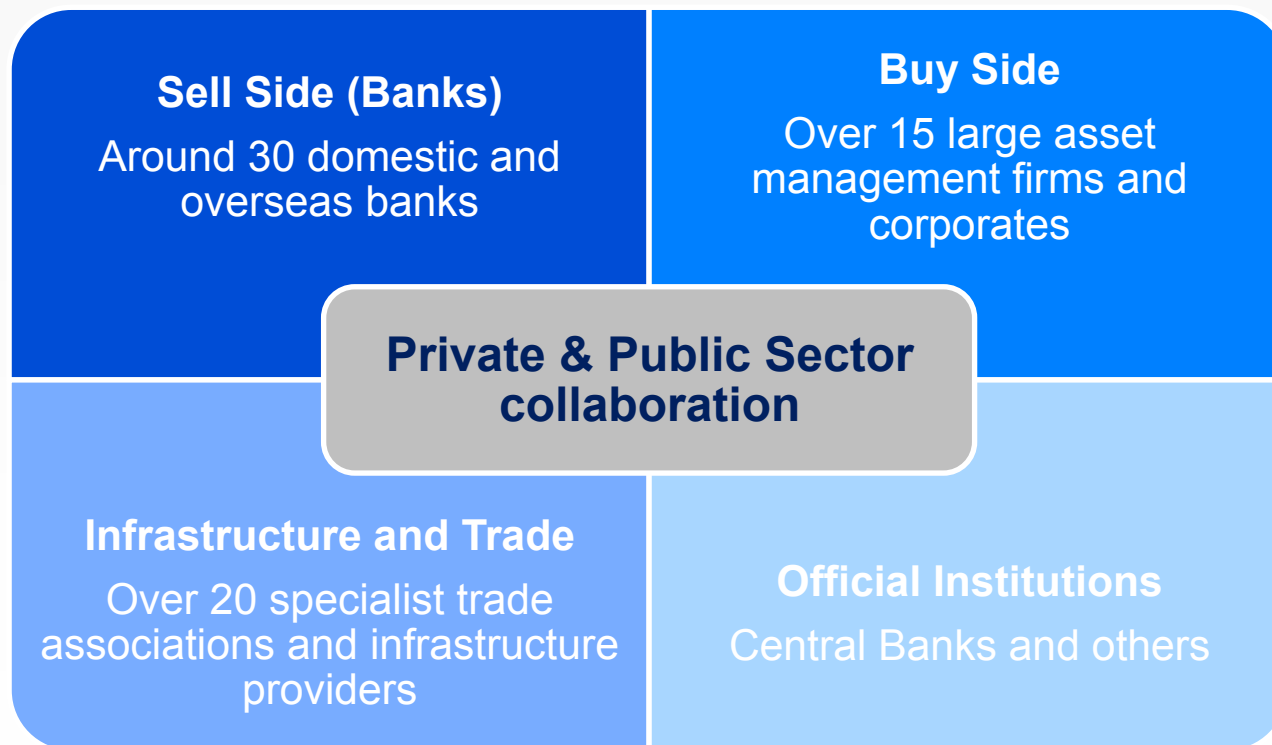
# A well-functioning foreign exchange market – in the interest of all market participants

- FX industry has been suffering from a lack of trust in its functioning
- „In a globalised world, the FX market is one of the most vital parts of the financial plumbing“ – Guy Debelle - Reserve Bank of Australia, 17 May 2016



# Who participated in developing the Code?

- The FX Global Code was developed by a partnership between Central Banks & Market Participants from 16 jurisdictions



# Strong Involvement of Central Banks

Participation of central bank counterparties

Membership of the foreign exchange committee (sponsored by central banks)

## Swiss National Bank commits to FX Global Code and supports establishment of foreign exchange committee

The Swiss National Bank (SNB) has signed a Statement of Commitment to the FX Global Code (“Code”), thereby demonstrating that its internal processes are consistent with the principles of the Code. It also expects its regular counterparties to adhere to the Code and comply with the agreed rules of conduct.

Published on 25 May 2017, the Code outlines principles of good practice developed by central banks and market participants from the main foreign exchange trading centres between 2015 and 2017.

Furthermore, the SNB supports the establishment of a foreign exchange committee in Switzerland. The Swiss Foreign Exchange Committee is intended to be a forum between banks and other foreign exchange market participants in Switzerland and Liechtenstein as well as the SNB. In addition, the Committee will be a member of the Global Foreign Exchange Committee (GFXC), which maintains and updates the principles of the FX Global Code and promotes its dissemination.

# Swiss FX Committee

Financial markets	
Monetary policy operations	+
Primary market for Swiss Confederation bonds	+
Swiss Reference Rates	
US dollar auctions	
Events	+
NWG on Swiss Franc Reference Rates	+
Swiss Foreign Exchange Committee	—
Overview	
Membership	
Documents	

## Swiss FX Committee members as of April 2019

Marcel Zimmermann

**Swiss National Bank**

(Public Sector Co-chair)

Ernst Lienhardt

**Swiss Re**

(Private Sector Co-chair)

### «Sell-side»

Eric Vauthey  
**Banque Cantonale Vaudoise**  
 Jean-Marc Guillot  
**Edmond de Rothschild**  
 Luca Luisoni  
**EFG Bank**  
 Walter Inauen  
**LGT Bank**  
 Alex Maillard  
**UBS**  
 Bernd Roth  
**Zürcher Kantonalbank**

### «Buy-side»

Pawel Skala  
**ABB**  
 Frank Rust  
**Burcher Industries**  
 Gaëlle Barlet  
**compenswiss**  
 André Siegrist  
**Publica**  
 Thomas Suter  
**QCAM Currency Asset Management**  
 Cédric Gumy  
**Suva**

Benjamin Anderegg – **Swiss National Bank**  
 Carlo Kölzer – **360T Group / Deutsche Börse Group**

### Observers:

Barbara Döbeli – **Swiss National Bank**  
 Andreas Keller (Legal Expert) - **UBS**

# FX Global code: implementation at compensswiss

Identify  
compenswiss'  
procedures  
adressing each  
principle

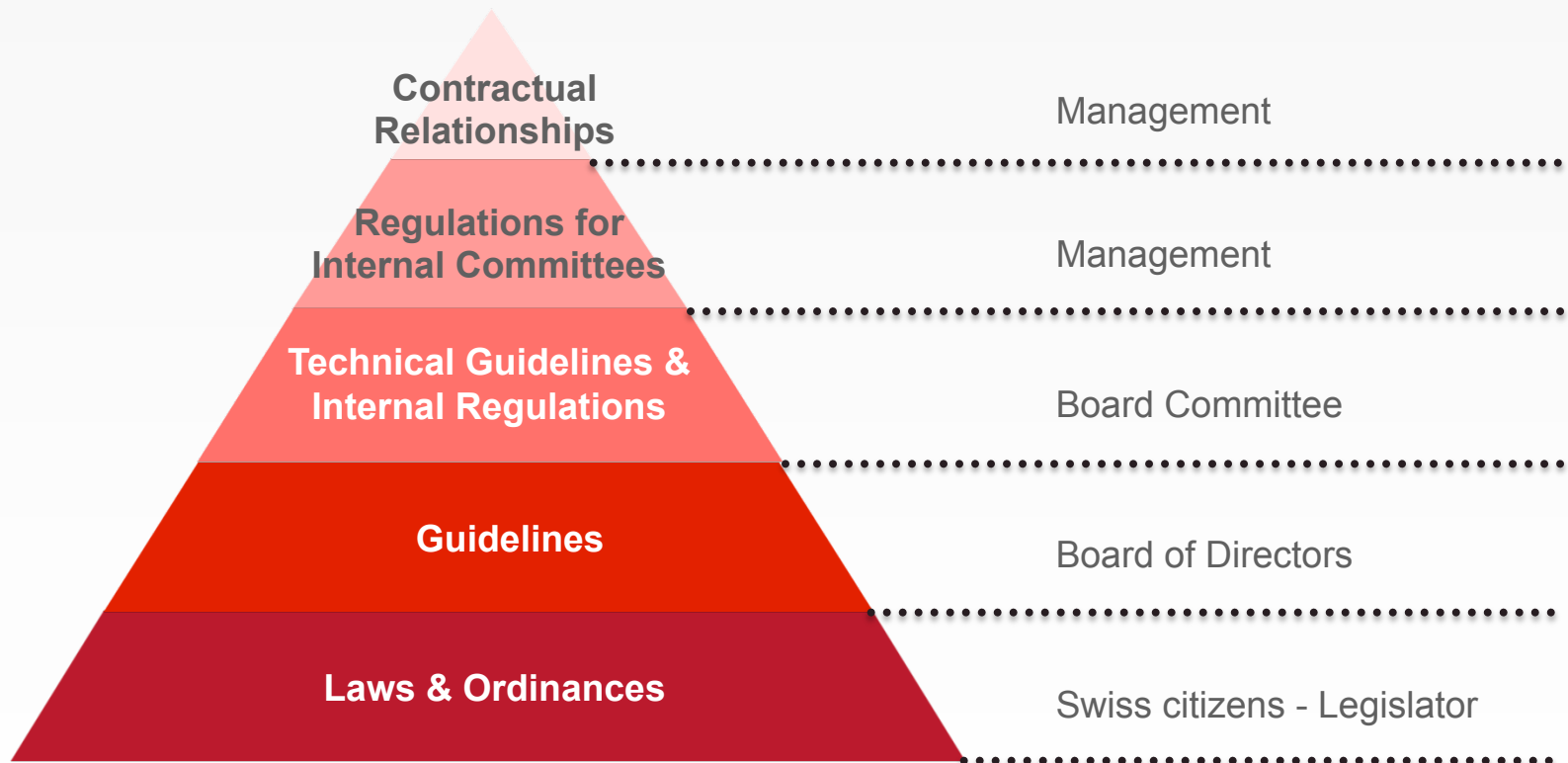
Conduct GAP  
analysis

Train FX-  
related  
people

Sign  
adherence to  
the code

Ensure  
long-term  
commitment

# Hierarchy of norms & rules

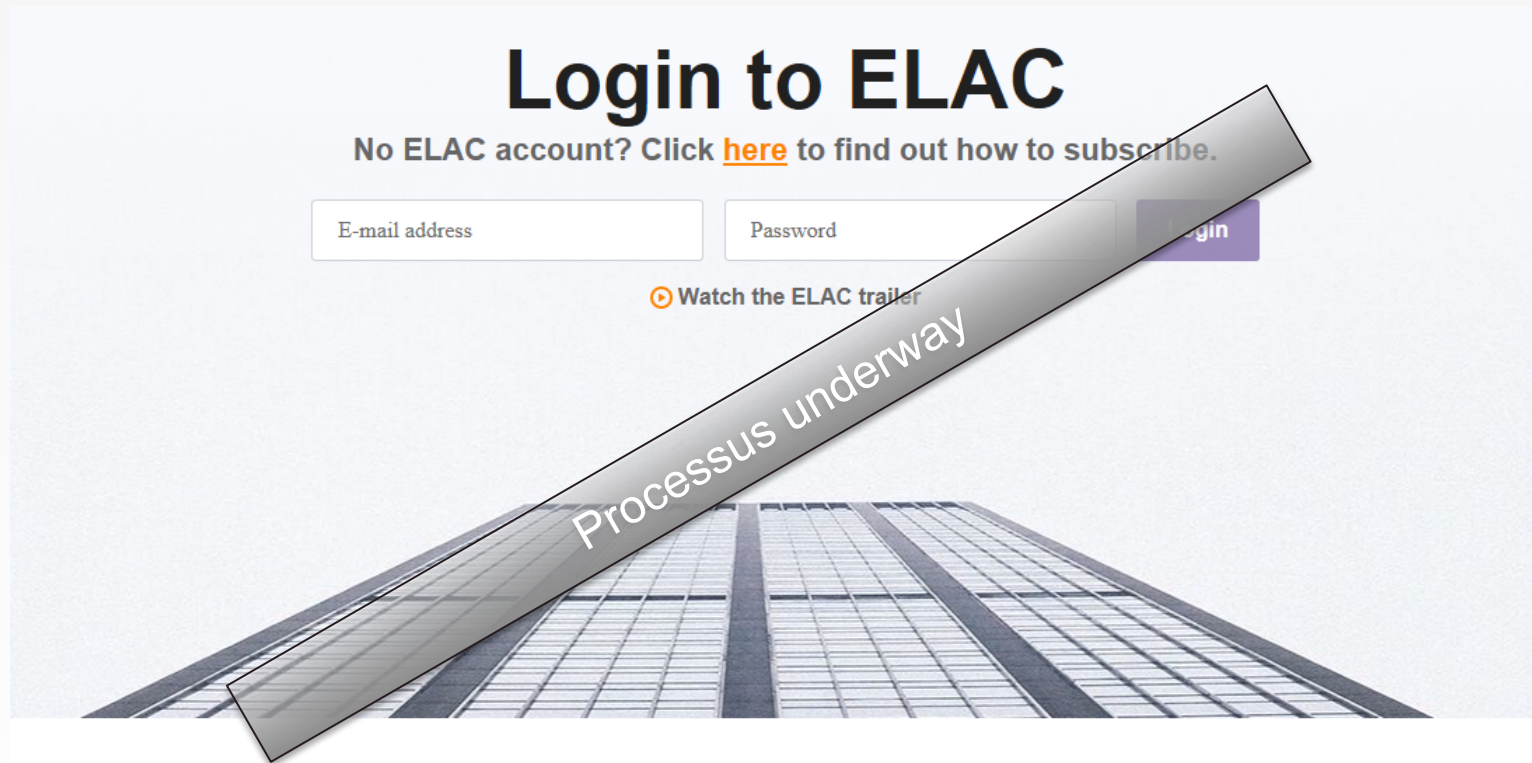


# Gap analysis

Principle	Description	Compliant (YES/NO)	Comment
1	Market Participants should strive for the highest ethical standards	YES	Règlement 1200 - Code d'éthique et de conduite des affaires
2	Market Participants should strive for the highest professional standards	YES	One of the company value is "Excellence"
3	Market Participants should identify and address conflict of interest	YES	Règlement 1200 - Code d'éthique et de conduite des affaires
4	The body, or individual(s), that is ultimately responsible for the Market Participant's FX business strategy and financial soundness should put in place adequate and effective structures and mechanisms to provide for appropriate oversight, supervision, and controls with regard to the Market Participant's FX Market activity	YES	Système de Contrôle Interne (SCI) spécifique aux activités FX Annexe 1.4: Description de la Gouvernance
5	Market Participants should embed a strong culture of ethical and professional conduct with regard to their FX Market activities	YES	Règlement 1200 - Code d'éthique et de conduite des affaires
6	Market Participants should have remuneration and promotion structures that promote market practices and behaviours that are consistent with the Market Participant's ethical and professional conduct expectations.	YES	To be reviewed
7	Market Participants should have appropriate policies and procedures to handle orders and to potentially improper practices and behaviours effectively.	YES	<b>Règlement 2130 - Règlement du risk Management opérationnel</b>
8	Market Participants should be clear about the capacities in which they act.	YES	Applicable to sell side only
9	Market Participants should handle orders fairly and with transparency in line with the capacities in which they act.	N/A	Applicable to sell side only We do manage orders fairly for the 3 entities for which we work. Process in place to split the impact of FX hedging programs within our 3 assurances
10	Market Participants should handle orders fairly, with transparency, and in a manner consistent with the specific considerations relevant to different order types.	N/A	Applicable to sell side only

- Principles applicable to sell-side only: 10
- Principles not applicable to us given our activity: 3
- ✓ Principles with a specific procedure in place: 37
- Principles with an action needed: 5

# Training



## Ethical Behaviour in the Financial Markets Moving from Industry to Profession

*ELAC, a true state-of-the-art continuous e-learning, attestation and certification portal  
that brings codes to life.*

# Statement of Commitment

## SoC signed by Corporates

Market participant name	Date of Statement	Public register
Airbus	18.05.2018	EACT
The Travelers Companies, Inc	12.07.2018	EACT
Air Liquide Finance SA	20.07.2018	EACT
Bayer AG	22.11.2018	EACT
Daimler AG	17.10.2018	EACT
Financière Remy Cointreau SA	13.07.2018	EACT
PUMA SE	23.04.2019	EACT
RTL Group SA	28.06.2018	EACT
Shell Treasury Center Limited	13.03.2018	EACT
Siemens AG	14.07.2017	EACT
SITA SCRL	31.07.2018	EACT
Tesco plc	26.02.2019	EACT
TOTAL SA	03.05.2018	EACT

## SoC signed in Switzerland

Market participant name
Bank Julius Baer
Banque Cantonale Vaudoise
Credit Suisse
EFG Bank
LGT Bank
QCAM Asset Management
Suva
Swiss National Bank
Swiss Re
UBS
Zürcher Kantonalbank
Baloise Asset Management
Bank J.Safran Sarasin
Banque Pictet & Cie
compenswiss
Edmond de Rothschild
Publica

# Additional information

The Code of Conduct is available in various languages at [https://www.globalfxc.org/fx\\_global\\_code.htm](https://www.globalfxc.org/fx_global_code.htm)

The report on the number of adherents to the code is available at [https://www.bis.org/mkctc/fxwg/adherence\\_report.pdf](https://www.bis.org/mkctc/fxwg/adherence_report.pdf)

The PDF file of the statement of commitment can be downloaded from the website [https://www.globalfxc.org/statement\\_of\\_commitment.htm](https://www.globalfxc.org/statement_of_commitment.htm)

The press release with the list of public registers is available at <https://www.globalfxc.org/press/p180416.htm>

# Thank you for your attention

