
CHAMBERS GLOBAL PRACTICE GUIDES

Investment Funds 2026

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Switzerland: Law and Practice & Trends and Developments
François Rayroux, Olivier Stahler, Patrick Schärli and Anna Beck
Lenz & Staehelin



SWITZERLAND



Law and Practice

Contributed by:

François Rayroux, Olivier Stahler, Patrick Schärli and Anna Beck
Lenz & Staehelin

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Authors



François Rayroux is a partner at Lenz & Staehelin and co-head of asset management in Geneva.



Patrick Schärli is a partner at Lenz & Staehelin and co-head of asset management in Zürich.



Olivier Stahler is a partner at Lenz & Staehelin and co-head of asset management in Geneva.



Anna Beck is a senior associate at Lenz & Staehelin based in Geneva.

Lenz & Staehelin

Route de Chêne 30
CH-1211 Geneva 6
Switzerland

Tel: +41 584 507 000
Email: geneva@lenzstaehelin.com
Web: www.lenzstaehelin.com



1. Market Overview

1.1 State of the Market

Swiss collective investment schemes (CIS) have maintained their strong focus on domestic institutional investors, reflecting the absence of a “passport” for European Union (EU) distribution. However, the average size of the assets under management as compared to Luxembourg funds is significantly higher due to the institutional nature of the funds, which mainly serve as pooling vehicles. That being said, the number of Swiss CIS remains comparatively modest relative to jurisdictions with established passporting regimes, notably Luxembourg. However, the asset management sector itself represents a substantial competitive advantage for Switzerland, particularly within the Zürich and Geneva financial centres, which benefit from a robust macroeconomic, financial and regulatory framework.

Recent data published by the Asset Management Association Switzerland indicate that the Swiss fund market continued to grow in 2025, with total fund volume reaching around CHF1.666 trillion by the third quarter, driven by both net new money and equity market returns.

The acquisition of Credit Suisse by UBS has also resulted in measurable structural changes within the Swiss market environment, contributing to a consolidation of UBS’s already dominant position within the Swiss asset management landscape.

2. Alternative Investment Funds

2.1 Fund Formation

2.1.1 Fund Structures

Governing Legal Framework

Swiss investment funds (so-called collective investment schemes or CIS) are constituted and operated pursuant to the Federal Act on Collective Investment Schemes of 23 June 2006 (CISA) and its implementing ordinances, the Ordinance on Collective Investment Schemes of 22 November 2006 (CISO) and the Ordinance of the Swiss Financial Market Supervisory Authority on Collective Investment Schemes of 27 August 2014 (CISO-FINMA). The marketing of Swiss

CIS within Switzerland is governed by the Federal Act on Financial Services of 15 June 2018 (FinSA) and its implementing ordinance (FinSO). Fund management entities and collective asset managers fall within the regulatory scope of the Federal Act on Financial Institutions of 15 June 2018 (FinIA).

Classification Framework

Swiss CIS may be organised as either open-ended or closed-ended vehicles (Art. 7 para. 2 CISA). The fundamental distinction relates to the redemption flexibility afforded to investors. Open-ended fund structures grant investors the right to redeem their interests at net asset value (NAV) (Art. 8 para. 2 and 78 para. 2 CISA), with redemption costs borne by the collective assets. By contrast, closed-ended fund structures do not provide such redemption rights (Art. 9 para. 2 CISA).

Alternative investment funds (AIFs) may take the form of either open-ended or closed-ended vehicles, although the use of Swiss CIS for alternative strategies remains rather limited in practice.

A. Open-ended funds

Open-ended CIS may take two legal forms: the contractual investment fund (CIF) or the investment company with variable capital (SICAV) (Art. 8 para. 1 CISA).

Open-ended vehicles are divided into different categories depending on their investment policy: securities funds (Art. 55 et seq CISA), real estate funds (Art. 58 et seq CISA), funds for traditional investments (Art. 70 CISA) and so-called “other funds for alternative investments” (Art. 71 CISA). Redemption frequency for open-ended CIS must be at least on a quarterly basis (Art. 109 para. 1 CISO).

1. Contractual investment fund

A contractual investment fund (CIF) is established through a three-party contractual arrangement involving investors, the fund management company and a custodian bank (Art. 25 CISA). The fund contract is subject to certain requirements (Art. 26 para. 3 CISA; Art. 35a et seq CISO) and must be approved by the Swiss Financial Market Supervisory Authority (FINMA) (Art. 26 para. 1 CISA). Under this set-up, the fund management company manages the collective assets

independently, in its own name, and in accordance with the investment fund contract. Investors participate proportionally to their unit holdings (Art. 25 para. 1 CISA). The custodian bank is responsible for safeguarding the collective assets, issuing and redeeming units, and managing payment transactions (Art. 73 para. 1 CISA).

This structure offers significant flexibility, allowing it to adapt easily to specific investment strategies. It avoids the corporate governance complexities found in company forms and generally involves less administrative work, making it efficient and straightforward to manage. However, it also presents some drawbacks. In particular, the title on the assets is held by the management company, which accordingly keeps the authority on all key decisions. The fund lacks legal personality, limiting its ability to enter into contracts directly. Its operation relies on contractual arrangements between multiple parties, which can increase complexity. In addition, transferring interests or planning succession can be more difficult compared to corporate structures.

2. Investment company with variable capital

A *société d'investissement à capital variable* (SICAV) is defined under CISA as a company whose capital and number of shares are not fixed in advance, divided into company and investor shares, and whose liabilities are limited to its own assets. Its exclusive purpose is collective investment (Art. 36 CISA). Structurally, the SICAV is incorporated as a Swiss public limited company (SA/AG) under the Swiss Code of Obligations (CO), subject to specific rules under CISA and CISO, including in particular exemptions from CO rules on contributions in kind, acquisitions in kind, and special privileges (Art. 37 CISA). The SICAV can be structured as a SICAV which delegates the administration to a management company or as a self-managed SICAV, but self-managed SICAVs are rare in practice due to concerns of the regulator.

As an open-ended CIS, the SICAV allows continuous issuance and redemption of shares at NAV (Art. 78 para. 2 CISA), subject to permitted restrictions such as temporary suspension. Shareholders are granted economic rights including profit participation (Art. 78 para. 1 lit. b CISA) and liquidation proceeds

proportional to holdings (Art. 97 para. 2 CISA), as well as redemption rights (Art. 80 CISA).

Governance is shareholder-based: each share typically grants one vote (Art. 47 para. 1 CISA), with entrepreneurial shareholders retaining exclusive competence over dissolution decisions of the SICAV or its sub-funds (Art. 41 para. 2 CISA). Shareholders have statutory information rights (Art. 84 para. 1-2 CISA) and may seek judicial remedies including special audits or restitution actions for misappropriated assets (Art. 84 para. 3 CISA; Art. 85 CISA).

A SICAV requires FINMA authorisation as an institution and approval of its founding documents (articles of association and investment regulations). For umbrella SICAVs, each sub-fund must receive separate approval. Any material amendments to investment regulations – such as changes to investment policy or risk limits – require prior FINMA approval under CISA and CISO.

Every open-ended SICAV must appoint a custodian bank responsible for safekeeping assets, managing share transactions and executing payments. Both the SICAV and its custodian must comply with CISO requirements on eligible assets, diversification, leverage control, liquidity management, stress testing and crisis planning according to the relevant fund category (eg, securities fund, other fund for traditional or alternative investments).

This structure offers several advantages. The key advantage is that the ultimate governance and powers lie with the board of directors, which can include representatives of the investors. Further, it has full legal personality, allowing it to own property and enter into contracts directly. Its corporate governance framework is familiar to institutional investors and provides transparent shareholder rights, including voting and access to information. It is also considered more credible and marketable with certain investor groups and allows for umbrella fund set-ups with multiple sub-funds. However, it involves higher complexity and cost. Establishing the structure requires corporate documents such as articles of association and investment regulations. It is subject to stricter governance duties, more detailed reporting obligations and greater

regulatory oversight, leading to higher ongoing compliance and administrative costs.

Other funds for alternative investments

“Other funds for alternative investments” is an open-ended category of CIS that can be established either as a contractual fund or a SICAV (Art. 8 para. 1 CISA), and is defined as funds whose investments, structures, techniques and restrictions exhibit a risk profile that is typically “alternative” (Art. 71 para. 1 CISA).

Other funds for alternative investments may invest in a very broad range of assets, including securities, precious metals, real estate, commodities, derivatives, units of other CIS, money market instruments and short-term deposits up to 12 months (Art. 69 CISA; Art. 99 para. 1 CISO; Art. 100 para. 1 CISO). They may also pursue investments that are illiquid, highly volatile, poorly diversified or hard to value, and use techniques such as short selling and significant borrowing, so that the overall profile is characteristic of “alternative” strategies (Art. 71 para. 1 CISA; Art. 100 para. 2 CISO).

Under CISO, these funds may: (i) borrow up to 50% of net assets; (ii) pledge or collateralise up to 100% of net assets; (iii) incur an overall exposure of up to 600% of net assets; and (iv) engage in short selling, with the nature and extent of short selling disclosed in the regulations (Art. 100 para. 2 and 3 CISO). The detailed borrowing, collateral and exposure limits, and the requirement to set them out explicitly in the fund regulations, are key distinguishing features compared with securities funds and “other funds for traditional investments” (Art. 99 para. 2 and Art. 100 para. 3 CISO).

As open-ended CIS, these funds must appoint a Swiss custodian bank (Art. 72 and 73 CISA). For directly investing alternative funds FINMA may, however, authorise the use of a prime broker for settlement services in place of a Swiss custodian bank (Art. 71 para. 5 CISA). Operationally they function like other open-ended funds (regular NAV calculation and issue/redemption of units at NAV, subject to possible limitations), but with enhanced risk-management, leverage and disclosure requirements reflecting their alternative

character (Art. 71 para. 3 and 95 para. 1 CISA; Art. 95-100 CISO).

B. Closed-ended funds

Closed-ended CIS may take the form of either a Swiss limited partnership for collective investments (LPCI) or an investment company with fixed capital (SICAF) (Art. 9 para. 1 CISA).

1. Swiss limited partnership for collective investments

A limited partnership for collective investments (LPCI) is a closed-ended Swiss CIS which takes the form of a special limited partnership for collective investment, in which at least one Swiss general partner bears unlimited liability and is responsible for management, while the qualified-investor limited partners are liable only up to their committed amount and have no redemption right (Art. 98 para. 1-3 and Art. 110 para. 1 CISA).

The LPCI is based on the ordinary limited partnership under the Swiss Code of Obligations (Art. 594 et seq CO) but supplemented by the specific rules of CISA. The LPCI is a partnership without legal personality that may nevertheless acquire rights, incur obligations and sue or be sued in its own name (Art. 99 CISA in conjunction with Art. 602 CO). It typically involves a promoter, a Swiss AG acting as general partner with unlimited liability and at least CHF100,000 paid-up capital (Art. 118 para. 2 CISO), and one or more limited partners who provide capital and bear liability only up to their commandite (Art. 98 para. 1 CISA).

Only qualified investors within the meaning of Art. 10 CISA may invest in LPCIs (Art. 98 para. 3 CISA), reflecting the significant risks and commitments of hedge-fund, private-equity and similar alternative strategies. Investors have no direct or indirect right to redeem units at NAV (Art. 110 para. 1 CISA). A maximum term is typically set in the partnership agreement (Art. 102 para. 1 lit. e CISA), and the general partner incurs unlimited liability while limited partners' liability is confined to their commitments, subject to additional contractual obligations such as capital calls and claw-backs (Art. 98 para. 1 and Art. 102 para. 1 CISA).

LPCIs may invest in risk capital, construction and real estate, infrastructure projects, alternative invest-

ments and other or mixed forms of such asset classes (Art. 118 para. 1 CISO), allowing broad use for illiquid alternative strategies. They are not subject to specific statutory borrowing limits and are not required to appoint a custodian bank, although custody and payment services can be used if provided for in the partnership agreement (Art. 102 para. 1 lit. j CISA).

An LPCI requires FINMA authorisation as an institution and approval of the product (the partnership agreement and related documents), and any subsequent changes affecting the authorisation or product also need prior FINMA approval (Art. 13, 15, 18 and 20 CISA; Art. 5 CISO).

The general partner manages and represents the LPCI externally (Art. 98 para. 1 CISA; Art. 598 and 600 CO), while limited partners have no management powers and only limited information and control rights under the CO and CISA (Art. 600 and 601 CO; Art. 106 CISA). Economic rights (distributions, waterfalls, fees, capital call mechanics, clawbacks) and any enhanced governance rights for limited partners are largely contractual and set out in the partnership agreement, making that document central to how the LPCI functions in practice (Art. 102 para. 1 CISA).

The LPCI is established pursuant to Art. 98-109 CISA and represents to a certain extent the Swiss equivalent of the English-law limited partnership structure, adapted specifically for collective investment purposes (Art. 99 CISA). It was designed primarily for private equity and alternative investments but may accommodate other asset classes including real estate and infrastructure projects, as reflected in the broad catalogue of eligible investments listed in Art. 118 para. 1 CISO.

This structure is well suited to illiquid and long-term alternative investments. Limited partners benefit from restricted liability, and the partnership allows flexible profit-sharing and compensation arrangements. It can also offer favourable tax treatment for foreign investors and has a strong record in private equity and venture capital settings. However, it comes with certain drawbacks. Limited partners have very limited rights to information and control. Because the structure is closed-ended, investors cannot redeem their inter-

ests. The partnership agreements are often complex, involving detailed capital call and distribution terms, and the general partner carries unlimited liability for the partnership's obligations.

2. Investment company with fixed capital

A *société d'investissement à capital fixe* (SICAF) is a closed-ended Swiss CIS set up as a non-listed limited company (AG/SA) whose sole purpose is collective investment, with fixed capital and fully paid-up shares, and investor liability limited to their contributions (Art. 110 para. 1 and Art. 111 para. 1 CISA).

Although legally available for both retail and qualified investors, subject to product approval (Art. 110 para. 1 CISA), no SICAFs have been registered in Switzerland under CISA, mainly because of their less favourable tax treatment and comparatively heavy regulatory regime. Fund sponsors therefore tend to prefer other forms such as foreign vehicles, SICAVs, contractual funds or LPCIs for alternative strategies.

3. Limited Qualified Investor Fund

Introduced by the March 2024 revision of CISA, a Limited Qualified Investor Fund (L-QIF) is a Swiss CIS reserved exclusively for qualified investors, which may take the legal form of a contractual fund, a SICAV or an LPCI, and which is not subject to FINMA product approval or supervision but must be administered by a FINMA-supervised institution (Art. 118a para. 1 and 118c para. 1 CISA).

The L-QIF is not a new legal type but a regulatory "label" that can be applied to existing Swiss CIS forms with the exclusion of self-managed SICAVs, ie, contractual investment fund, SICAV or LPCI (Art. 118c para. 1-2 CISA). CISA provisions generally apply, with targeted carve-outs, in particular the exemption from FINMA authorisation/approval and ongoing product supervision, while FinSA/FinIA still govern the licensed institutions that manage or administer the L-QIF (Art. 118a para. 1 lit. d, 118b and 118g-118h CISA; Art. 2-5 FinSA; Art. 2-4 FinIA).

L-QIFs may only be offered to qualified investors as defined in CISA/FinSA (eg, institutional/professional clients, certain opted-out high net worth (HNW) individuals and advised retail clients) (Art. 118a para. 1 lit.

a and 10 para. 3-3ter CISA; Art.4-5 FinSA). Although the fund itself is unsupervised, it must be managed and administered by specific FINMA-authorized entities (typically a fund management company, manager of collective assets or comparable foreign manager), and it must be audited by a FINMA-approved audit firm, providing indirect supervisory safeguards (Art. 118c para. 1, 118g-118h and 118f CISA; Art. 126h and 126g CISO).

L-QIFs benefit from broad flexibility in terms of permissible investments, risk diversification and techniques, and may pursue both traditional and alternative strategies with relatively few statutory investment limits (Art. 118d CISA; Art. 126o-126z CISO). Where an L-QIF pursues alternative investments, the fund name, contractual documents (fund contract, investment regulations or partnership agreement) and advertising must clearly highlight the specific alternative-investment risks, and for funds in contractual/SICAV form this must include a concise warning clause on the first page (Art. 118n para. 2 CISA; Art. 126p para. 3 and 126z CISO).

This regime offers an efficient option for sophisticated investors. It provides a simplified regulatory process, lower ongoing compliance and greater investment flexibility. The reduced regulatory costs and shorter approval timelines make it an attractive and practical solution for fund launches targeting qualified investors. However, it has certain limitations. It is restricted to qualified investors and does not permit retail access. The absence of FINMA product supervision requires stronger internal governance, and the structure still faces Swiss withholding tax constraints and lacks an EU passport. Despite lighter regulation, a FINMA-supervised Swiss administrator remains mandatory, and some structural restrictions, such as limits on leverage and side pockets, continue to apply.

Entities used for investment management services provided to Swiss AIFs

Investment management services for Swiss AIFs are typically provided by the following authorized entities:

- managers of collective assets authorized under FinIA (asset managers of CIS);

- Swiss fund management companies (for contractual funds and SICAVs), which may perform portfolio management directly or delegate it to a licensed manager of collective assets or (within de minimis limits) a licensed portfolio manager; and
- foreign managers of collective assets authorized in their home state and recognized by FINMA, where the Swiss AIF or L-QIF delegates portfolio management to such a foreign entity in line with CISA/FinIA delegation rules.

2.1.2 Common Process for Setting Up Investment Funds

The establishment process for Swiss AIFs involves multiple stages, including regulatory approvals, documentation preparation and registration requirements.

The main Swiss AIF structures (contractual funds, SICAVs and LPCIs) all require FINMA product and/or institution authorization, except when structured as L-QIFs reserved to qualified investors. The process is generally standardized and not excessively long or costly for plain-vanilla strategies, but timing and expense increase with fund complexity and the need for bespoke structuring.

For Contractual Investment Funds

The fund management company and custodian bank must both be authorized by FINMA (Art. 13 para. 2 lit. a CISA; Art. 72 para. 1 CISA). The fund contract, which is subject to certain requirements, must be approved by FINMA before units can be offered (Art. 15 para. 1 lit. a CISA; Art. 8, 25 et seq CISA).

In addition to the fund contract, the key documentation to be provided as part of the authorization process includes the constitutive and organizational documents of the fund management company and custodian bank, a prospectus and, where required, a key information document (KID) for retail authorization.

FINMA aims to approve complete filings within about two months (Art. 17 CISO), but in practice the process for a new Swiss AIF often takes about three to six months depending on the complexity and completeness of the file. Regulatory fees for a standard contractual AIF are considered moderate in an

institutional/alternative context as they range from CHF1,000-10,000.

For SICAVs

A SICAV must be authorised by FINMA as an institution (Art. 13 para. 2 lit. b CISA). FINMA must approve the articles of association and the investment regulations, which are subject to certain CISA/CISO requirements. Each sub-fund of an umbrella SICAV requires separate product approval (Art. 15 para. 1 lit. b and para. 2 CISA).

In addition to the articles of association and the investment regulations, the key documentation to be provided as part of the authorisation process includes the documentation relating to organisational rules, board composition and risk management, as well as the offering documents (prospectus and, if offered to non-qualified investors, KID).

For straightforward SICAV AIFs, overall timing of the authorisation process is comparable to contractual funds, whereas complex multi-compartment or alternative strategies can lead to processes of beyond six months. FINMA fees typically range between CHF4,000 and CHF30,000.

For LPCIs

The LPCI itself must be authorised by FINMA as an institution (Art. 13 para. 2 lit. c CISA). The partnership agreement must be submitted to FINMA for approval as the constituting document (Art. 15 para. 1 lit. c CISA).

In addition to the partnership agreement, which must specify investment policy, governance, capital commitments and investor rights, the key documentation to be provided as part of the authorisation process includes corporate documents of the general partner, internal policies for risk management valuation and conflicts of interest, as well as the offering documentation (private placement memorandum or prospectus) tailored to qualified investors.

The authorisation process is similar to the one applicable to SICAVs. FINMA fees depend on the complexity of the specific project.

For L-QIFs

L-QIFs do not require FINMA authorisation or product approval but must ensure that administration is conducted by FINMA-regulated entities and comply with auditing requirements (Art. 118a et seq CISA).

2.1.3 Limited Liability

Investor liability in Swiss CIS is generally limited to the amount invested, with specific rules depending on the legal form of the fund.

In Swiss open-ended CIS, investor liability is limited to their capital contribution. Investors in contractual funds are only exposed up to the value of their units pursuant to the fund contract, which must provide for segregation of the fund's assets from those of the fund management company and the custodian bank (Art. 25 para. 1, Art. 26 para. 3 lit. a CISA; Art. 35a et seq CISO). In the case of SICAVs, shareholders are liable only up to the amount of their shares; the SICAV's obligations are limited to its net assets (Art. 36 para. 1 lit. c, Art. 39 para. 1 CISA; Art. 77 et seq CISO). For umbrella structures with several sub-funds, the law and the constitutive documents must ensure segregation of assets and liabilities between sub-funds so that the liabilities of one sub-fund are borne only by the investors of that sub-fund and not by investors of other sub-funds (Art. 39 para. 3, Art. 92 para. 2 CISA; Art. 95, 96 CISO).

By contrast, for LPCIs, the limited partners (investors) are liable only up to the amount of their committed capital, subject to any additional funding and claw-back obligations agreed in the partnership agreement (Art. 98 para. 1, Art. 100 para. 2 CISA). The general partner must be a Swiss corporation and bears unlimited liability for all obligations of the partnership.

2.1.4 Disclosure Requirements

Swiss AIFs (Swiss-domiciled contractual funds, SICAVs and LPCIs that are not authorised for retail distribution) are subject to the general disclosure and reporting regime for CIS in CISA/CISO, with content and frequency largely aligned with retail funds but with more flexibility at the level of product design and risk profile (Art. 35, 52-71, 89-90 CISA; Art. 98-106 CISO).

Disclosure Requirements (Prospectus/Fund Documents)

Swiss AIFs must publish a prospectus or equivalent founding documents. These documents can include a fund contract, investment regulations or a partnership agreement. They must contain all essential information about the fund. This includes the legal structure, investment policy and techniques (such as leverage and short selling), risk profile and factors, fees and costs, valuation rules, and the terms for subscription and redemption. They must also describe any AIF-specific restrictions (Art. 35, 69-71 CISA; Art. 98-100 CISO).

For offers to qualified investors, the focus is on the disclosure required under CISA and CISO, and on the contractual documentation agreed with those investors (Art. 35, 58-59 FinSA; Art. 10, 35 CISA).

Periodic Reporting (Annual and Semi-Annual)

Swiss AIFs must publish an audited annual report within four months after the financial year ends and an unaudited semi-annual report within two months after mid-year (Art. 89-90 CISA; Art. 104-106 CISO).

The annual report must include audited financial statements, a detailed list of assets, and information on performance. It must also include, where relevant, benchmark comparisons, important changes during the year, and other information required by the ordinance (Art. 89 CISA; Art. 104-105 CISO).

The semi-annual report must include interim financial statements and a list of assets at the half-year date. This report gives investors an updated view of the portfolio and key figures (Art. 90 CISA; Art. 106 CISO).

Ongoing Information and Change Disclosures

Managers of Swiss AIFs must act with loyalty, care and transparency. They must keep investors informed about important facts and changes that affect the fund (Art. 20-24 CISA; Art. 31-34 CISO).

They must notify investors of major changes, such as amendments to the fund contract, investment regulations or partnership agreement. They must also inform investors about changes in the fund management company or custodian bank, or other significant

events. Some of these changes must be approved by FINMA and published in the official form (Art. 27-29, 35, 41 CISA; Art. 27-30, 98-99 CISO).

Recent CISO amendments also require managers to publish and report certain “active investment breaches” to the audit firm when investors are not compensated. This rule increases transparency about breaches and how they are handled (Art. 20 CISA; Art. 31-34 CISO).

Risk, Leverage and Liquidity-Related Disclosures

As Swiss AIFs often use complex investment strategies, their documents must clearly describe investment techniques, leverage (including maximum levels and how it is measured), use of derivatives and short selling, and the related risks. This helps investors understand the fund’s risk/return profile (Art. 69-71 CISA; Art. 98-100 CISO).

The revised CISA rules require SICAVs and fund management companies to have liquidity-risk management and crisis plans. They must also perform regular stress tests. Key elements of these processes must appear in internal documents and, when relevant, be included in investor disclosures (Art. 78a CISA; Art. 108a CISO).

2.2 Fund Investment

2.2.1 Types of Investors in Alternative Funds

Swiss AIFs do not benefit from the European passporting regime and thus only target Swiss-domiciled investors.

Further, since AIFs are in principle designed for qualified investors, retail investors have limited access to AIFs. Under CISA, qualified investors are typically financial intermediaries (such as banks, securities firms, fund management companies, managers of collective assets, asset managers, trustees), insurance companies, central banks, national and supranational public entities, pension funds and companies with professional treasury operations, as well as managed and advisory retail clients without an “opt-in” declaration and HNW retail clients and private investment structures created for them having declared that they wish to be considered as professional clients (HNW individuals (HNWIs) with opting-out).

Please refer to **2.2.3 Restrictions on Investors** for more details.

2.2.2 Legal Structures Used by Fund Managers

Please refer to **2.1.1 Types of Investors in Alternative Funds**, noting that fund managers use the same legal structures for retail and alternative funds.

2.2.3 Restrictions on Investors

Whereas LPCIs as well as L-QIFs are only available to qualified investors (Art. 98 para. 3, 118a para. 1 (a) CISA), open-ended funds are as a rule available to both qualified and non-qualified investors (ie, retail investors). This being said, most AIFs limit themselves to qualified investors, in light of the exemptions from FINMA which are available to them under CISA if they do. Further, for L-QIFs which invest directly in real estate, additional restrictions apply as HNWI with opting-out and the private structures created for them are prohibited to invest (Art. 118a para. 1 (b) CISA).

In this context, the following investors in particular characterise as qualified investors under CISA (considering that all other types of investors characterise as non-qualified investors under CISA):

- supervised financial intermediaries, ie, banks, securities firms, fund management companies, managers of collective assets and asset managers, as well as foreign financial intermediaries subject to similar prudential supervision abroad;
- Swiss and foreign insurance companies;
- central banks;
- public entities, institutions and foundations with professional treasury operations;
- occupational pension schemes with professional treasury operations and other occupational pension institutions with professional treasury operations;
- companies with professional treasury operations;
- large companies (ie, companies which exceed two of the following criteria: (i) balance sheet total of CHF20 million; (ii) turnover of CHF40 million and (iii) capital equity of CHF2 million);
- private investment structures with professional treasury operations created for HNWI retail clients;
- HNWI with opting-out (as defined in **2.2.1 Types of Investors in Alternative Funds**);

- managed and advisory retail clients without an “opt-in” declaration; and
- Swiss and foreign CIS and their management companies which are not already deemed to be institutional clients within the meaning of FinSA that have declared that they wish to be treated as institutional clients.

2.3 Regulatory Environment

2.3.1 Regulatory Regime

Swiss AIFs are subject to the rules on “other funds for alternative investments” and, when applicable, the L-QIF regime. These rules define the main investment limits (Art. 71, 118a-118p CISA; Art. 96, 99-101, 126f-126s CISO). AIFs for qualified investors can use a wider range of investments and techniques than traditional funds. However, they are still subject to certain requirements on leverage, counterparty risk, concentration risk and liquidity management. These limits must be reflected in the fund documents and the fund’s risk management system (Art. 71 para. 1-3 CISA; Art. 96, 99-101 CISO).

“Other funds for alternative investments” can invest in many types of assets and strategies. These may include hedge-fund-style portfolios, private equity, venture capital, infrastructure, commodities, precious metals, real estate, derivatives, structured products, securities lending, repos and other CIS. Investments must be measurable in value, and the portfolio must remain diversified to limit risk (Art. 71 para. 1 CISA; Art. 96, 99-101 CISO).

The law allows borrowing, short selling and derivative use within set limits. Leverage and collateral must stay within the levels allowed by CISO and the fund’s own rules. Counterparty exposure must be monitored, and overall market exposure (including derivatives) cannot exceed the allowed multiples (Art. 71 para. 2-3 CISA; Art. 96, 99-101 CISO).

Under the L-QIF regime, many product-level investment restrictions are lifted, giving managers more flexibility. However, the L-QIF must still follow basic principles of risk spreading, appropriate leverage and collateralisation. Open-ended and real-estate L-QIFs must also meet specific limits and diversification rules in CISO (Art. 118a-118p CISA; Art. 126f-126s CISO).

Across all AIF structures, investment limits apply in addition to managerial duties such as risk management, liquidity management and managing conflicts of interest. These safeguards ensure that complex strategies do not create excessive or unclear risks for investors or the market (Art. 20-28, 71, 118 et seq CISA; Art. 12-18, 96, 99-101 CISO).

2.3.2 Requirements for Non-Local Service Providers

Fund management companies, SICAVs, LPCIs and managers of collective assets of Swiss AIFs must be authorised by FINMA and be subject to its prudential supervision (Art. 5 para. 1 FinIA; Art. 13 para. 2 CISA). Certain tasks may be delegated to third parties that have the necessary skills, knowledge and experience, and are authorised accordingly (Art. 14 para. 1 FinIA).

As regards custodians, only Swiss banks authorised by FINMA may act as custodian banks for Swiss AIFs (Art. 72 (1) CISA). Foreign custodians are not permitted except in limited circumstances:

- For “Other Funds for Alternative Investments” investing directly, FINMA may permit use of prime brokers for settlement services instead of a Swiss custodian bank (Art. 71 (5) CISA).
- For L-QIFs, administration requirements are more flexible, potentially accommodating foreign custodians under specific conditions.

As regards auditors of Swiss funds, these must be authorised Swiss auditors or foreign auditors subject to equivalent standards. For L-QIFs, they must be specifically approved by FINMA.

2.3.3 Local Regulatory Requirements for Non-Local Managers

Non-Swiss managers cannot directly manage Swiss AIFs. However, investment decisions may be delegated to non-Swiss fund managers subject to certain requirements. In particular, the delegating institution must ensure proper selection, instruction, supervision and monitoring of the delegated entity. Delegated entities must have the necessary professional skills, knowledge and organisational resources (Art. 14 para. 1 FinIA). They must hold the necessary authorisation under the law of their home jurisdiction and be subject

to prudential supervision that is at least equivalent to Swiss standards (Art. 24 FinIA in conjunction with Art. 40 para. 1 FinIO).

Further, the delegation of investment decisions is part of the organisation of the delegating Swiss fund manager (fund management company, SICAV or LPCI general partner) subject to FINMA approval under Art. 13 and Art. 18 CISA. This must be reflected in the fund’s organisational regulations and constitutive documents (eg, fund contract, investment regulations) (Art. 26, 35 and 51 CISA). Where investment decisions are delegated to an entity abroad, FINMA can make such delegation conditional on the existence of an agreement on co-operation and exchange of information between FINMA and the foreign supervisory authority, if such an agreement is required by the foreign jurisdiction (Art. 14 para. 2 FinIA).

Delegation agreements must clearly define the scope of delegated tasks, decision-making parameters, reporting lines and rights of instruction (Art. 14 FinIA; Art. 20 CISA; Art. 12, 18 CISO). The delegating Swiss fund manager retains ultimate responsibility for portfolio management and investor protection, as well as for compliance with the investment guidelines (Art. 14 para. 2 and 4 FinIA; Art. 20 para. 1 CISA).

This framework enables Swiss funds to have recourse to specialised foreign investment expertise while maintaining Swiss regulatory oversight. Common scenarios include the delegation of specific asset class mandates (eg, high-yield credit, infrastructure, hedge strategies) to specialised foreign managers, the sub-delegation of portfolio management for emerging market or real estate exposure, or the use of foreign prime brokers for derivative trading (with custodian exemption where applicable).

For L-QIFs, the requirements applicable to the delegation of investment decisions to foreign managers are less strict.

2.3.4 Regulatory Approval Process

FINMA’s statutory decision timeline is two months from receipt of a complete filing (Art. 17 CISO). However, in practice, the timeline is often as follows:

- 1. Pre-Filing Consultation (2-4 weeks): exchanges with FINMA to discuss the fund concept, identify the applicable regulatory requirements and address potential issues
- 2. Documentation Preparation (4-8 weeks): draft complete application package incorporating FINMA feedback
- 3. Formal Application (2 weeks): submit to FINMA with all required documentation
- 4. FINMA Processing (2-12 months): regulatory assessment, potential information requests, approval decision
- 5. Post-Approval Set-Up (2-4 weeks): final registrations, service provider confirmations

Certain factors may impact the timing of FINMA's review. In particular, the overall timeline depends on the completeness and quality of the initial filing: if the documentation is deficient, the authority will issue requests for further information and each additional request can add up to several weeks to the process.

Further, the complexity of the investment strategy can also lengthen the review, as novel investment approaches or unconventional risk profiles usually require a more detailed assessment and may give rise to additional questions or clarifications.

Related-party transactions are another source of delay, since arrangements with connected parties such as the fund management company, the custodian bank or other group service providers are subject to particularly careful scrutiny, and the authority may require supporting materials such as transfer-pricing documentation.

Notwithstanding the above, well-prepared preliminary discussions with the authority generally facilitate a smoother formal application, and constructive pre-submission engagement tends to reduce friction and follow-up rounds once the application is formally submitted.

Finally, the authorisation status of key service providers is critical, as delays in licensing the fund management company or the custodian bank will directly extend the overall fund approval timeline, and newly established service providers must first complete their

own authorisation procedures before the product can be approved.

2.3.5 Rules Concerning Pre-Marketing of Alternative Funds

There is no legal concept of “pre-marketing” under Swiss law. “Pre-sounding”, “testing the water” or similar verifications aimed at assessing the interest of investors are not subject to any regulatory requirements provided that the information circulated is of a generic nature and does not constitute an “offer” or a “financial instrument” under FinSA.

That being said, it should be noted that the concept of “marketing” is rather broad under the Swiss regulatory framework and includes any activity which is aimed at the acquisition or disposal of a financial instrument (such as fund interests). A careful distinction must therefore be made between the conduct of “pre-marketing” and “marketing activities” as the latter trigger the application of a series of requirements. Please refer to **2.3.6 Rules Concerning Marketing of Alternative Funds** for the rules concerning marketing of alternative funds.

2.3.6 Rules Concerning Marketing of Alternative Funds Swiss AIFs

The marketing of Swiss AIFs in Switzerland is governed by FinSA and FinSO, which regulate “financial services” including the offer and distribution of CIS. Marketing does not in itself require a FINMA licence, but if it qualifies as a financial service, the provider must comply with the FinSA rules of conduct (information duties, appropriateness/suitability where applicable, documentation and accountability) and organisational requirements (Art. 7-21, 25 FinSA). Financial service providers targeting non-qualified clients must also be affiliated with a recognised ombudsman (Art. 74-77 FinSA).

Client advisers of Swiss financial service providers not subject to prudential supervision, and client advisers of foreign financial service providers, may operate in Switzerland only if registered in a client-adviser register (Art. 28 FinSA; Art. 29-31 FinSO). Prudentially supervised client advisers of foreign providers are

exempt from registration if they serve only qualified investors (Art. 28 para. 2 FinSA; Art. 31 FinSO).

Incidentally, under the new Berne Financial Services Agreement between the Switzerland and the UK, client advisers of non-Swiss financial service providers can benefit from an exemption from registration if they serve only a certain category of so-called “opted-out” qualified investors (ie, a specific category of HNWIs and private investment structures created for them), subject to certain additional requirements.

Foreign AIFs

Foreign AIFs may be offered to qualified investors without FINMA product approval (Art. 120 para. 4bis CISA). Where foreign AIFs are offered to so-called “opted out” qualified investors (ie, HNW retail clients and private investment structures without professional treasury operations created for them which would be deemed non-qualified investors by law, but have chosen to be treated as qualified investors), the AIF must appoint a Swiss representative and a Swiss paying agent (Art. 120 para. 4 CISA). In addition, the marketing of foreign AIFs must comply with the same FinSA financial-service rules that apply to Swiss AIFs (Art. 3, 7-21, 28, 74 et seq FinSA).

2.3.7 Marketing of Alternative Funds

Swiss AIFs can as a rule be marketed to both qualified and non-qualified investors in Switzerland. Please refer to **2.2.3 Restrictions on Investors** for more details.

2.3.8 Marketing Authorisation/Notification Process

No specific authorisation or notification is required prior to the marketing of Swiss AIFs in Switzerland.

2.3.9 Post-Marketing Ongoing Requirements

No post-marketing ongoing requirements apply to firms which have marketed AIFs in Switzerland.

2.3.10 Investor Protection Rules

The restriction of most AIFs to qualified investors represents the main investor protection mechanism, thus ensuring participation by financially sophisticated investors capable of understanding and bearing associated risks.

2.3.11 Approach of the Regulator

FINMA follows a balanced approach that combines pre-approval with ongoing supervision, applying the principles of proportionality and efficiency (Art. 3-7 Federal Act on the Swiss Financial Market Supervisory Authority of 22 June 2007). FINMA’s supervision is co-operative, and it generally keeps open communication channels with supervised institutions and applicants.

In this context, FINMA often allows preliminary discussions for complex or new projects and provides guidance. Transparency is also promoted through FINMA’s publications, including guidance, circulars, FAQs and annual reports. Further, the authority engages with the industry to clarify expectations and align practices.

Supervisory intensity depends on the complexity and risk of the fund. Simple, standard structures receive faster reviews, while complex or innovative products face closer scrutiny. Similarly, authorisation timelines depend on complexity. Straightforward cases are resolved within a few months, while complex files may take more time.

2.4 Operational Requirements

Swiss AIFs must comply with a comprehensive operational framework covering investment restrictions, asset protection, risk management, valuation and pricing, as well as rules on market conduct, anti-money laundering (AML) and transparency, with detailed requirements depending on the legal form and strategy of the fund (Art. 20-24, 52-71 CISA; Art. 73-79, 86-100 CISO).

Investment Activities and Restrictions

Other funds for alternative investments can invest in a wide range of assets within the limits set by CISA/ CISO and their fund documents. They can trade securities such as shares and bonds, use derivatives, invest in commodities, private equity, real estate and infrastructure, and apply long-short or hedge strategies, including short selling (Art. 71 CISA; Art. 100 CISO).

These funds may borrow up to 50% of their net assets and pledge collateral up to 100%. Their total market exposure, including derivatives, can reach up to 600% of net assets, if this is disclosed clearly in the

prospectus and supported by proper risk controls (Art. 71 CISA; Art. 100 para. 1 lit. a-c CISO).

Transactions with related parties must follow fair-market (arm's-length) terms and need internal approval and disclosure to prevent conflicts of interest (Art. 20-24 CISA; Art. 31-34 CISO).

Asset Protection and Custody

Open-ended AIFs in contractual form or as SICAVs must appoint a custodian bank. The custodian must be a Swiss bank licensed by FINMA to hold assets of CIS. It is responsible for safekeeping the assets, processing subscriptions and redemptions, settling transactions, and monitoring compliance with the law and fund rules (Art. 72-74 CISA; Art. 73-75 CISO).

The custodian must keep fund assets separate from its own property and from other clients' assets. It must regularly check the fund's holdings and verify the accuracy of NAV calculations (Art. 72-73 CISA; Art. 73-75 CISO).

LPCIs do not need a custodian. Their partnership agreement and the general partner's fiduciary duties regulate asset protection. They must ensure that partnership assets are separated from the general partner's estate and that limited partners have proper information and audit rights (Art. 98-102 CISA).

For L-QIFs, a prudentially supervised Swiss institution must handle administration. Custody depends on the legal form of the fund (contractual fund, SICAV or LPCI). The L-QIF framework allows more flexibility but still requires basic asset protection principles (Art. 118g-118h CISA).

Risk Management, Leverage and Derivatives

All Swiss AIFs must have an independent risk-management function. This function must identify, measure and monitor the main risks of the fund, including market, credit, liquidity, counterparty and derivative risks (Art. 20 CISA; Art. 78a, 95-96 CISO).

Other funds for alternative investments must follow specific limits on leverage and exposure. They may borrow up to 50% of net assets, pledge collateral up to 100% and reach a total market exposure of up to

600%. The risk-management system must monitor these limits and ensure that the fund operates according to the risk/return profile stated in its documents (Art. 71 CISA; Art. 100 CISO).

Counterparty risk must be managed through limits per counterparty, checks on credit quality, and collateral for over-the-counter derivatives when necessary (Art. 20 CISA; Art. 73-79, 95-96 CISO).

Valuation and Pricing

Fund documents must clearly describe the valuation principles and apply them consistently. Listed securities must be valued at market prices from recognised trading venues. Other assets must be valued using fair and prudent methods (Art. 38, 89 CISA; Art. 88-90, 104-105 CISO).

Illiquid or unlisted assets, such as private equity, real estate and complex derivatives, must be valued with suitable models or appraisals, for example using discounted cash flow or comparable transaction methods. These valuations must be reviewed regularly, often with support from independent experts (Art. 51 CISA; Art. 47-53 CISO).

The NAV must be calculated at the frequency stated in the fund contract or partnership agreement. It must be published with a clear indication of the valuation date, and procedures must exist to correct any significant NAV errors (Art. 38, 89-90 CISA; Art. 88-90, 104-106 CISO).

Market Conduct, AML and Transparency

Managers and other persons acting for AIFs must follow Swiss rules on market integrity. They must not engage in insider trading or market manipulation. They must keep internal policies, maintain watch and black lists, and provide staff training to ensure compliance (Art. 20-24 CISA).

AIFs and their managers are subject to the Anti-Money Laundering Act (AMLA). They must carry out customer due diligence, identify beneficial owners, monitor transactions, screen for sanctions, and report suspicious activities to the Money Laundering Reporting Office (Art. 3 CISA; AMLA).

AIFs must publish audited annual reports within four months after year-end and, when required, unaudited semi-annual reports within two months after mid-year. These reports must include financial statements, an inventory of assets, and disclosure of major events to ensure transparency for investors (Art. 89-90 CISA; Art. 104-106 CISO).

2.5 Fund Finance

Fund finance is available for AIFs in Switzerland, subject to certain regulatory restrictions. Accordingly, AIFs may pursue their investment strategy by taking out loans and granting securities over the fund's assets.

Accessibility to borrowing mainly depends on the fund category and on the quantitative borrowing and encumbrance limits set out in the product-specific rules. In particular, depending on their type, AIFs are subject to leverage limits as a percentage of the fund's net assets, which is determined by the Federal Council within the CISO. As regards open-ended funds for alternative investment in particular (Art. 71 para. 2 CISA; Art. 100 para. 2 CISO) such funds may:

- raise loans for an amount not exceeding 50% of the fund's net assets;
- pledge or cede as collateral no more than 100% of the fund's net assets;
- commit to an overall exposure of up to 600% of the fund's net assets; and
- engage in short selling.

Further, LPCIs are not subject to particular restrictions on borrowing.

Pursuant to Art. 100 para. 3 CISO, the investment restrictions must be set out explicitly in the fund regulations. Such regulations shall also govern the nature and scale of short selling permitted.

Please refer to **3.5 Fund Finance** for additional information, including restrictions concerning the other types of funds.

2.6 Tax Regime

Swiss alternative funds are generally taxed on a look-through basis: most fund vehicles are tax-transparent for income and net wealth tax, so income is

taxed at investor level, while a 35% Swiss withholding tax applies to most Swiss-source investment income distributed or accrued through the fund, with important exemptions for capital gains and some real estate income. Different rules apply depending on the legal form of the fund, the type and residence of the investor and the nature of the income, and Switzerland offers targeted relief mechanisms (treaty/affidavit procedures, participation exemption, capital-gain exemptions) rather than a single preferential regime for "alternative" funds.

Taxation of Swiss AIFs

In contractual funds (FCPs), SICAVs and limited partnerships for collective investment (KmGK/LPCI), including L-QIFs using these forms, income is generally attributed to investors so that the fund itself is not subject to income tax, except where the fund directly holds Swiss real estate, in which case the real estate income is taxed at fund level.

Withholding Tax on Fund Income

Distributions by Swiss CIS are in principle subject to 35% Swiss withholding tax to the extent they consist of interest, dividends or similar investment income, irrespective of whether the fund itself is transparent or opaque. Capital gains and certain real estate income can be distributed via separate "capital gains" or "real estate" coupons so that they are exempt from Swiss withholding tax, which is crucial for preserving tax-free capital gains treatment for many investors. For Swiss-resident investors, the 35% withholding is usually fully creditable or refundable if the income is properly declared and the investor is the beneficial owner, while non-resident investors rely on double tax treaties or specific exemption/affidavit procedures for reduction or refund.

Taxation of Swiss Investors

Swiss-resident investors in transparent funds are taxed on their share of ordinary fund income (interest, dividends and other taxable returns), whereas capital gains realised within the fund and properly segregated remain tax-free for private individual investors but not for corporate or professional traders. For investments in opaque funds, distributions are treated as dividends and taxed accordingly, and capital gains on units are generally tax-free only for private individuals not clas-

sified as professional securities dealers. Corporate investors are subject to corporate income tax on fund income but may benefit from the participation exemption on qualifying dividend income and from notification procedures instead of cash withholding, while tax-exempt institutions such as pension funds can often achieve very low effective taxation and reclaim Swiss withholding tax.

3. Retail Funds

3.1 Fund Formation

3.1.1 Fund Structures

Swiss retail funds are designed to be offered to both qualified and non-qualified retail investors. Structures and legal frameworks used for retail funds are similar to those used for AIFs, but with additional investor protections and more restrictive investment parameters.

The main legal vehicles which can be used for retail funds are CIFs and SICAVs. As regards the specific fund categories used for retail funds, these are mainly securities funds, real estate funds and other funds for traditional investments.

Please refer to **2.1.1 Fund Structures** for more details.

3.1.2 Common Process for Setting Up Investment Funds

Please refer to **2.1.2 Common Practice for Setting Up Investment Funds** for more details on the process for establishing open-ended funds (contractual funds and SICAVs), which are the most commonly used structures for retail funds.

3.1.3 Limited Liability

Investor liability in retail funds is identical to the one for AIFs detailed in **2.1.3 Limited Liability**.

3.1.4 Disclosure Requirements

Retail funds in Switzerland are subject to disclosure requirements that are more extensive than those applicable to AIFs, in particular with respect to their prospectus, the KID and periodic reporting. The content of these documents is governed primarily by the CISA rules on prospectuses and information for inves-

tors (Art. 35, 69-75, 89-90 CISA), together with the detailed implementing provisions in CISO (in particular Art. 98-106, 104a-104k CISO).

Prospectus Requirements

The prospectus of a retail fund must provide a clear and comprehensive description of the fund's risk profile and material risk factors, including, where applicable, information allowing investors to understand whether the fund is conservative, balanced or geared towards growth or higher risk, as well as relevant performance and volatility information (Art. 69-71 CISA; Art. 98-100 CISO).

The prospectus must also contain full disclosure of all fees and costs borne directly or indirectly by investors, including management and performance fees, other charges and costs of third-party services (Art. 69 para. 2 lit. f CISA; Art. 99-100 CISO). Such disclosures must be presented in a manner that allows investors to assess their impact on returns.

In addition, the prospectus must set out the investment policy and strategy, the permitted asset classes, investment limits and restrictions, as well as any techniques and instruments used and the circumstances in which they may be applied (Art. 69 para. 2 lit. c-d CISA; Art. 98 CISO).

Where available, the fund's historical performance and relevant benchmark comparisons must also be disclosed (Art. 68-71 CISA; Art. 104a-104k CISO).

Finally, the prospectus must indicate how investors can obtain further information, including contact details, information on account-opening procedures and references to where the fund contract, articles of association and reports are available free of charge (Art. 69 para. 2 lit. g-h CISA; Art. 98-99 CISO).

Key Information Document

For retail funds, a KID must be provided to non-qualified investors, which are not party to an individual portfolio management or investment advisory relationship with the relevant fund investment manager (Art. 58-59 CISA).

The KID has to be a concise, easily understandable document containing, in particular, the identification of the fund, a description of its investment objectives and strategy, a synthetic risk/return profile, information on costs and fees, a presentation of historical performance (where available) and clear indications as to where further information can be obtained (Art. 88 and Annex 9 FinSO).

Reporting Requirements

In terms of reporting, retail funds must publish an audited annual report within four months of the end of the financial year and an unaudited semi-annual report within two months of the half-year end (Art. 89-90 CISA; Art. 104-106 CISO). The annual report must include the audited financial statements, a detailed inventory of assets, information on the fund's performance (often including benchmark comparisons), disclosure of significant changes during the year and full transparency on holdings. The semi-annual report must in particular contain interim financial statements and an inventory of assets.

Additionally, retail funds are expected to ensure appropriate ongoing information to investors, for example through periodic fact sheets, performance updates and notifications of material changes to the fund documents (Art. 35, 41, 65, 66, 69 and 78 CISA).

3.2 Fund Investment

3.2.1 Types of Investors in Retail Funds

Swiss retail funds do not benefit from the European passporting regime and thus only target Swiss-domiciled investors.

3.2.2 Legal Structures Used by Fund Managers

Fund managers use the same legal structures for retail and alternative funds. Please refer to **2.1.1 Fund Structures** for more details.

3.2.3 Restrictions on Investors

Unlike AIFs, retail funds are open to all investor categories (qualified and non-qualified).

3.3 Regulatory Environment

3.3.1 Regulatory Regime

Swiss retail funds follow the same general rules as other CIS but have stricter investor protection meas-

ures and tighter investment limits. These limits depend on the type of fund. The main types are securities funds, real estate funds and other funds for traditional investments. Each type follows specific rules on eligible assets, leverage and risk diversification.

Securities funds invest mainly in transferable securities such as listed and certain unlisted shares, bonds, other fixed-income instruments, short-term money market instruments, derivatives and units of other CIS. These assets must meet the rules on liquidity, valuation and risk spreading (Art. 53-55 CISA; Art. 73-79, 86-90 CISO). Securities funds can borrow only on a temporary basis and only up to a small percentage of their net assets. Collateral for securities lending and similar transactions is limited in relation to net assets. Counterparty risk is capped, and portfolios must follow strict diversification rules, including issuer and concentration limits (Art. 55 CISA; Art. 77-79, 86-90 CISO).

Real estate funds invest in properties such as residential, commercial and industrial real estate. They can also invest in real estate rights, real estate companies, real estate-backed debt instruments and units of other real estate funds. To meet redemptions, they hold some liquid assets like money market instruments (Art. 58-66 CISA; Art. 86-95 CISO). These funds face limits on borrowing and mortgage levels, requirements to maintain sufficient liquidity, caps on counterparty exposure, and diversification rules that cover both property type and geographic distribution (Art. 63-65 CISA; Art. 88-95 CISO).

Other funds for traditional investments are more flexible. They can invest in a wide range of assets, including securities, real estate-related assets, derivatives, units of other CIS, commodities and precious metals. Their risk profile must remain consistent with a traditional investment approach, and the fund documents must describe the chosen strategy (Art. 71 CISA; Art. 92-96 CISO). Borrowing is limited to a set percentage of net assets. Collateral and total market exposure, including derivatives, are also capped. These funds must respect diversification requirements and maintain sound risk management (Art. 71 CISA; Art. 92-96 CISO).

3.3.2 Requirements for Non-Local Service Providers

The regulatory requirements for non-local retail fund service providers are identical to those applicable to AIF service providers. Please refer to **2.3.2 Requirements for Non-Local Service Providers** for more details.

3.3.3 Local Regulatory Requirements for Non-Local Managers

The regulatory requirements for non-local managers of retail funds in Switzerland are identical to those applicable to AIFs. Please refer to **2.3.3 Local Regulatory Requirements for Non-Local Managers** for more details.

3.3.4 Regulatory Approval Process

The regulatory approval process applicable to retail funds is identical to the one applicable to AIFs. Please refer to **2.3.4 Regulatory Approval Process** for more details.

3.3.5 Rules Concerning Pre-Marketing of Retail Funds

The rules concerning pre-marketing of retail funds are identical to those applicable to AIFs. Please refer to **2.3.5 Rules Concerning Pre-Marketing of Alternative Funds** for more details.

3.3.6 Rules Concerning Marketing of Retail Funds

The rules concerning marketing of retail funds are identical to those applicable to AIFs. Please refer to **2.3.6 Rules Concerning Marketing of Alternative Funds** for more details.

3.3.7 Marketing of Retail Funds

Swiss retail funds can be marketed to both qualified and non-qualified investors in Switzerland.

3.3.8 Marketing Authorisation/Notification Process

No specific authorisation or notification is required prior to the marketing of Swiss retail funds in Switzerland. Non-Swiss retail funds must be approved by FINMA before they can be marketed to non-qualified investors in Switzerland.

3.3.9 Post-Marketing Ongoing Requirements

No post-marketing ongoing requirements apply to firms which have marketed a retail fund in Switzerland.

3.3.10 Investor Protection Rules

Swiss law grants retail investors enhanced protection through FinSA conduct rules (client segmentation, information on risks and costs, appropriateness/suitability tests, documentation and accountability duties, and best-execution/processing of orders) and the requirement to provide a concise KID for most fund interests, in addition to the CISA/CISO product-level safeguards (ring-fencing of fund assets, investment and leverage limits, segregation with a custodian bank, limited investor liability and detailed prospectus/ongoing disclosure rules).

3.3.11 Approach of the Regulator

The approach of the regulator for retail funds is identical to the one adopted for AIFs. Please refer to **2.3.11 Approach of the Regulator** for more details.

3.4 Operational Requirements

The operational rules for Swiss retail funds are similar to those for AIFs but include stronger safeguards. These aim to protect investors through tighter rules on risk management, asset protection and investor information.

Retail funds face detailed limits on their activities and investments. These rules apply through the specific frameworks for securities funds, real estate funds and other traditional investment funds. They include eligibility rules, concentration limits, and controls on the use of derivatives, securities lending and repo transactions (Art. 53-71 CISA; Art. 73-79, 86-96 CISO). In addition, retail funds are subject to quantitative caps on borrowing and collateral, as well as rules on total exposure and diversification. These measures keep leverage, counterparty risk and concentration within conservative levels (Art. 55, 63-65, 71 CISA; Art. 77-79, 88-90, 92-96 CISO).

Open-ended retail funds must appoint a custodian bank. The custodian must be a Swiss bank licensed by FINMA to hold CIS assets. It safeguards assets, handles subscriptions and redemptions, and checks compliance with laws and fund rules (Art. 72-74 CISA;

Art. 102a CISO). The custodian must keep fund assets separate from its own property, monitor sub-custodians and verify asset valuations, issue and redemption prices, and investment executions (Art. 72-73 CISA; Art. 73-75, 102a CISO).

Retail funds must have a risk-management function that operates independently from portfolio management. Risk management must cover market, credit, liquidity and operational risks. It must also manage derivative exposures and control breaches of investment limits (Art. 20 CISA; Art. 78a, 95-96 CISO). Open-ended retail funds must have liquidity systems that match their investments with redemption frequency and investor needs. They must conduct stress tests and maintain crisis plans to control borrowing, redemptions and short-term funding (Art. 78a CISA; Art. 108a CISO).

Fund valuations and prices must follow clear and consistent methods described in fund documents. NAV and unit prices must be calculated daily or at regular intervals and checked by both the fund management company and the custodian bank (Art. 38, 89-90 CISA; Art. 88-90, 104-106 CISO).

Retail funds must also follow financial-market rules on market integrity and AML. These rules prohibit insider dealing and market manipulation. They require fund managers and custodian banks to perform client due diligence, monitor transactions and report suspicious activity. Together, these measures support transparency and the integrity of fund operations (Art. 20-24 CISA; AMLA; Art. 1 and 3 CISA).

3.5 Fund Finance

Swiss retail funds can access borrowing subject to strict limits that depend on the fund category and the quantitative caps laid down in CISA and CISO.

Open-ended securities funds may borrow on a temporary basis only and up to a maximum of 10% of their net assets, and they may pledge or transfer as collateral no more than 25% of their net assets (Art. 55 CISA; Art. 77 para. 1-2 CISO). Open-ended funds for traditional investments may raise loans up to 25% of their net assets and provide collateral up to 60% of their net assets, and are subject to an over-

all market-exposure cap of 225% of their net assets, including derivatives and other techniques (Art. 71 CISA; Art. 100 para. 1 CISO; Art. 92-96 CISO). Real estate funds may use financing more extensively but must hold an adequate portion of assets in short-term fixed-interest instruments and funds available at short notice to meet their liabilities (Art. 60 CISA; Art. 89 para. 1-2 CISO).

In this context, lenders commonly require security when providing finance to Swiss retail funds, but the form and extent of security depend on the fund type and the statutory limits on encumbrance and collateral. For securities funds, any secured facility must fit within the 25% cap on pledged or transferred assets and the 10% borrowing limit, so security typically takes the form of a pledge over a limited portion of the portfolio or cash, if such facilities are used at all (Art. 55 CISA; Art. 77 para. 1-2 CISO). For real estate funds, it is standard for lenders to take mortgages and related security over properties and rental flows, provided that the average encumbrance of the real estate does not exceed one-third of its market value and liquidity requirements remain satisfied (Art. 60 CISA; Art. 89 para. 3 CISO). For other funds for traditional investments, secured credit lines are also common, usually via pledges over custody accounts or other financial assets, but they must remain within the 60% collateral cap, the 25% borrowing cap and the overall exposure limit of 225% of net assets (Art. 71 CISA; Art. 92-96, 100 para. 1 CISO).

3.6 Tax Regime

Swiss retail funds in contractual form (FCPs) or SICAV form and limited partnerships for collective investment are generally tax-transparent for income and net wealth tax, so income (other than certain real estate income) is attributed to investors. Investors are then taxed on their share of fund income according to their own status (individual, corporate or tax-exempt), and 35% Swiss withholding tax usually applies to Swiss-source investment income at fund level with targeted reliefs rather than a special “retail fund” tax regime.

Tax Regime of Swiss Retail Funds

Retail FCPs and SICAVs are approved open-ended CIS; for tax purposes, their income is allocated directly

to investors, so the fund itself is not subject to income tax, except where it directly holds Swiss real estate, in which case real estate income is taxed at fund level and is exempt in the investors' hands.

Withholding Tax and Reporting

Swiss retail funds that are transparent for income tax are nevertheless subject to 35% Swiss withholding tax on their net taxable investment income (interest, dividends and similar), regardless of whether it is distributed or accumulated. Capital gains and income from directly held real estate can be exempt from withholding tax if properly accounted for and, where distributed, paid via separate coupons, which preserves tax-free capital gains treatment for many investors. Swiss-resident investors can usually credit or reclaim the 35% tax if they declare the income and are the beneficial owners, while non-resident investors depend on double tax treaties or specific exemption procedures for reductions or refunds.

Taxation of Swiss Investors

For Swiss-resident individuals holding retail fund units as private assets, ordinary income from transparent retail funds is taxed at progressive income-tax rates, whereas properly segregated capital gains from such funds are tax-free; the same distinction applies in principle whether the fund is "retail" or not. If the individual qualifies as a professional securities trader, capital gains can become taxable business income, and holdings in retail funds are also subject to cantonal/communal wealth taxes based on their year-end NAV. Swiss corporate investors are taxed on all fund income but may benefit from participation exemption on qualifying dividend income and, for domestic holdings, from a notification procedure instead of cash withholding; tax-exempt institutions such as pension funds often have very low effective tax burdens and may reclaim withholding tax or use notification procedures.

4. Legal, Regulatory or Tax Changes

4.1 Recent Developments and Proposals for Reform

L-QIF Implementation and Market Dynamics

The introduction of the L-QIF framework through revised CISA and CISO effective from 1 March 2024 represented the most significant recent regulatory development. L-QIFs provide FINMA-exempted collective investment structuring for qualified investors exclusively, enabling expedited fund launch without direct regulatory approval. Initial market adoption has been moderate, likely because firms still need more clarity on the rules and see the process as administratively burdensome. Potential modifications to L-QIF administration requirements and supervisory oversight mechanisms remain subject to ongoing industry consultation and potential legislative refinement.

Enhanced Conduct Rules and Liquidity Risk Management

FINMA Circular 2025/2 (in force since 1 January 2025) sets out detailed conduct rules under FinSA/FinSO and explains how financial service providers must meet their conduct obligations in practice. These rules also apply to Swiss fund managers in relation to foreign funds, add best-execution duties and further strengthen investor protection. At the same time, the revised liquidity-risk rules in Art. 108a CISO require fund managers to carry out more robust stress tests and improve their crisis planning, in line with global efforts to increase financial system resilience.

Sustainable Finance and ESG Integration

FINMA has increasingly focused on sustainable finance by introducing disclosure duties for sustainability-related risks that affect financial institutions, including investment funds. The guidance encourages the use of ESG criteria in investment and portfolio management, in line with global climate goals and responsible investing principles.

The Berne Financial Services Agreement

The Berne Financial Services Agreement between the UK and Switzerland, which entered into force on 1 January 2026, will make it easier for Swiss and UK asset managers to work across borders by reducing double authorisation and simplifying rules for delega-

tion and fund distribution between the two countries. It will give Swiss managers more secure access to UK professional and wealthy clients, and will give UK firms stable, predictable access to the Swiss market.

Market Structure Evolution

The 2023 Credit Suisse–UBS merger caused clear structural changes in Swiss asset management, increasing wealth management concentration and changing competition in the market. Regulators are still reviewing its impact on competition and financial stability, and their findings may shape future rules on large bank mergers.

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