

Trends and Developments

Contributed by:

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Switzerland has known various developments over the last year in connection with investment funds. In this article we will go over changes concerning products, with the introduction of the so-called “L-QIF” (section 1); asset management, for SEC registered investment advisers (section 2); fund distribution, with the implementation of a mutual recognition agreement between Switzerland and the UK (section 3); and the new Legal Entities Transparency Act (section 4).

1. Product Considerations: The L-QIF

At the product level, Switzerland has made a move towards regulatory innovation with the introduction of the Limited Qualified Investor Fund (L-QIF) in 2024. This new vehicle represents a shift in the traditional Swiss approach to asset management, with the aim of introducing greater flexibility and reducing the regulatory burden for fund sponsors. The industry launched the first L-QIFs and had its first practical experiences in this field over the last couple of months.

The L-QIF was implemented via amendments to the Collective Investment Schemes Act (CISA) and its associated Ordinance (CISO). It is designed to enhance the Swiss financial ecosystem’s ability to meet the dynamic and diverse needs of high net worth individuals (HNWIs), institutional investors and wealth management clients.

Concept and regulatory framework

The L-QIF is not a new legal form in itself, but rather a new category for existing Swiss fund types as SICAV (investment company with variable capital), contractual investment fund and LPCI (limited partnership for collective investment). What distinguishes it, however, is its regulatory flexibility and restricted investor base. The L-QIF is intended for qualified investors, as defined under CISA (see below).

L-QIFs are exempt from the product-level authorisation requirements of the Swiss Financial Market Supervisory Authority (FINMA), provided the fund management company is already under FINMA supervision. This shift allows fund managers to operate with a lighter regulatory burden, reducing administrative complexities and time-to-market.

Investor eligibility and implications

Given its exclusive nature, the L-QIF targets a specific cohort of investors who are better equipped to understand the complexities of alternative and less liquid assets. Eligible investors include:

- institutional clients, such as insurance companies or asset managers;
- professional clients, such as pension funds or HNWIs opting out of private client protections; and
- private clients who have entered into discretionary or advisory relationships with regulated financial institutions.

This targeted access allows fund sponsors to construct customised investment strategies tailored to sophisticated investors who require more specialised solutions.

The legislator has, however, introduced a significant limitation for HNWIs, who are prohibited from investing in L-QIFs with a focus on direct real estate. This exclusion stems from tax policy considerations and has drawn criticism from the industry.

Flexibility in fund structure and investment strategy

The core appeal of the L-QIF lies in its enhanced structural and strategic flexibility. Unlike traditional funds, which must adhere to prescriptive investment provisions defined by CISA, the L-QIF allows fund sponsors to define their investment strategy freely. Notably, for L-QIFs structured as LPCIs, the typical diversification and risk management criteria imposed by CISA will not apply. This grants them the freedom to pursue concentrated or unconventional investment strategies, such as in digital assets or even fine wines.

Tax and operational considerations

One of the major incentives for adopting L-QIFs is the continuation of Switzerland’s favourable tax treatment for investment vehicles. L-QIFs are treated as transparent structures for Swiss tax purposes, meaning that tax obligations will be imposed at the investor level, not at the fund level. This is a critical advantage over opaque structures, which often attract higher tax exposure.

However, there are limitations to consider. For real estate investments held directly by the fund, transparency may not apply. Additionally, the standard 35% Swiss withholding tax will apply to all investment returns from the L-QIF, potentially affecting its appeal to international investors, who may lack access to tax treaty reclaims. This is, however, not relevant for L-QIFs focused on private equity. For institutional investors and offshore structures seeking access to Swiss private banking services, this could be a significant drawback unless exemptions are granted or workarounds are permitted.

From an operational standpoint, the L-QIF also presents some ambiguity: although the product-level authorisation is eliminated, auditor expectations do still influence compliance. Additionally and same as for the directly supervised collective investment schemes under CISA, L-QIFs do not benefit from the EU passporting and are therefore mainly relevant for domestic investors or non-Swiss investors specifically looking for a Swiss vehicle.

2. Asset Management: SEC-Registered RIAs

Swiss financial institutions wishing to offer advisory and wealth management services in the US on a cross-border basis must as a rule register with the US Securities and Exchange Commission (SEC) as registered investment advisers (RIAs). The SEC suspended the processing of new Swiss registration applications for several years. This blocking was due to a perceived conflict between Swiss and US laws and regulations, mainly regarding the direct transmission of information between supervisory authorities and on-site examinations. A similar moratorium remains in place for entities in other jurisdictions, while it has already been lifted in 2020 for UK-based investment advisers.

On 10 June 2025, following protracted discussions, the SEC and FINMA reached an agreement clarifying the modalities for on-site examination of Swiss-based RIAs. As a result, the SEC has resumed processing applications from Swiss financial institutions so that the latter may now again seek registration or resume their registration process as RIAs in the US.

Key modalities

The agreement between FINMA and the SEC addresses the two principal areas of concern mentioned above:

- **Direct transmission of information between supervisory authorities:** The agreement provides that Swiss financial institutions registered with the SEC as RIAs may as a matter of principle transmit their books and records, including those containing personal data, directly to the SEC. This framework allows for the SEC to obtain timely access to information and simultaneously ensures compliance with Swiss data protection rules and regulatory requirements. International administrative assistance remains available in situations where a direct transmission is not possible.
- **On-site examinations:** The agreement also permits the SEC to conduct on-site examinations of Swiss RIAs, subject to defined parameters and in co-ordination with FINMA, which significantly enhances the SEC's ability to assess compliance with US securities law through in-person inspections carried out in Switzerland.

Practical implications

This agreement marks a key development for Swiss asset managers considering developing cross-border businesses in the US and existing Swiss-based RIAs as they may now apply or resume their application to register with the SEC as investment adviser.

Swiss applicants that have already submitted a Form ADV to the SEC are contacted to update their filings and continue with the registration process. In parallel, FINMA will need to approve the extension to the geographical scope of activities and the related cross-border implications.

3. Distribution: Recognition Agreement With the UK

Switzerland and the UK have concluded a new mutual recognition agreement, the Berne Financial Services Agreement (BFSA). Its Annex 5 "Sectoral Annex Investment Services" specifically governs the provision of certain investment services from the UK into Switzerland.

UK financial services providers acting in Switzerland on a cross-border basis may choose to rely on the BFSA, if applicable. In practice, both the Swiss Financial Services Act (FinSA) and the BFSA impose similar requirements.

Scope of application

Annex 5 defines the services covered, the financial services suppliers covered, the clients covered and the financial instruments covered as follows:

- Covered Services include in particular financial services within the meaning of FinSA, including the acquisition or disposal of financial instruments, ie, typically the distribution of funds.
- Covered Financial Services Suppliers include financial services suppliers which (a) are authorised by the relevant UK regulator under UK domestic law, (b) are incorporated in or formed under UK domestic law, (c) are authorised by the relevant UK regulator to supply the relevant financial services in the UK, and (d) supply the relevant services in the UK. Where the financial services are provided through a physical person, the activity of the client adviser must not amount to a physical presence in Switzerland and the relevant financial services provider must notify the FCA, indicating the relevant financial services it wishes to provide through its clients advisers in Switzerland.
- Covered Clients include institutional clients, per se professional clients and certain opted-out professional clients within the meaning of FinSA, with the exclusion of private clients. With regard to opted-out professional clients, Covered Clients only include HNWI and private investment structures created for HNWI without professional treasury operations within the meaning of Article 5 para. 2 lit. b FinSA, ie, those who have assets of at least CHF2 million. By contrast, opted-out HNWI and private investment structures created for HNWI without professional operations within the meaning of Article 5 para. 2 lit. a FinSA, ie, those who have assets of at least CHF500,000 and have the necessary knowledge to understand the risks associated with the investments on the basis of training, education and professional experience or on the basis of comparable experience in the financial sector, are not covered by the BFSA.

- Covered Financial Instruments include in particular units of collective investment schemes.

Practical implications

In practical terms, the requirements applicable to the cross-border marketing of non-Swiss funds to qualified investors in Switzerland will largely remain the same under the BFSA, with the exception of the client adviser registration requirement as set forth under FinSA.

The client adviser registration requirement, which requires client-facing employees to register with a Client Adviser Register where opted-out HNWI are targeted, no longer applies under the BFSA, provided that the following conditions are met:

- The individuals marketing the funds in Switzerland have sufficient knowledge of the FinSA rules of conduct and have the necessary expertise to perform their activities.
- Such individuals have professional liability insurance coverage or equivalent collateral (as was the case for the client adviser registration).
- The non-Swiss financial services provider is affiliated with a recognised Swiss Ombudsman.
- Before commencing its activity in Switzerland, the non-Swiss financial services provider must notify the FCA of its intention to do so.
- The non-Swiss financial services provider must disclose certain information to the Swiss clients, and in particular the absence of any client adviser registration.

4. Legal Entities Transparency Act

On 26 September 2025, the Swiss Parliament adopted the final text of the Legal Entities Transparency Act (LETA). The new law forms part of a broader reform of Switzerland's anti-money laundering (AML) framework, aimed at strengthening beneficial ownership transparency and aligning Switzerland with evolving international standards.

In-scope entities

LETA requires in-scope entities to identify their ultimate beneficial owners (UBOs) and register specified information about them in the Transparency Register, a new central federal register that will be maintained

and administered electronically by the Federal Office of Justice (FOJ).

These new information-gathering and disclosure obligations apply to the following categories of legal entities:

- Swiss legal entities, including corporations (SA/AG), partnerships limited by shares (SCA/Kom-mAG), limited liability companies (Sàrl/GmbH), co-operatives, investment companies with variable capital (SICAVs) or fixed capital (SICAFs), and limited partnerships for collective investments; and
- foreign legal entities with a Swiss nexus, namely those that:
 - (a) maintain a registered branch in Switzerland;
 - (b) have their effective place of management in Switzerland; or
 - (c) own or acquire Swiss real estate.

LETA also provides for specific exemptions, including for:

- companies whose equity securities are wholly or partly listed on a Swiss stock exchange, or on a foreign exchange subject to equivalent participation disclosure rules, as well as their subsidiaries that are held, directly or indirectly, by more than 75%; and
- Swiss pension institutions and other occupational benefits institutions.

With the purpose of balancing the administrative burden of the new registration requirements with the public interest and the AML risks posed by certain entities or structures, foundations and associations are excluded from LETA's UBO identification and registration regime. Following the same rationale, no transparency or reporting requirements have been introduced for nominee directors and shareholders.

Finally, LETA introduces specific provisions for Swiss-based trustees and trusts. Trustees established in Switzerland that are not subject to the Swiss Anti-Money Laundering Act are required to identify and collect information on the UBOs of the trusts they administer. There is, however, no obligation for the trustees

to register this information in the central Transparency Register so that they can retain it internally.

Key features of the register

Information to be registered

The Transparency Register will contain identifying details of registered entities, including their corporate name, registered office and enterprise identification number (IDE). For UBOs, the register will record their first and last names, date of birth, and municipality and country of residence, together with information describing the nature and extent of their control.

LETA's framework is built, first, on a duty for in-scope entities to identify and verify their UBOs, and to collect, record and retain specified information about them. Second, to facilitate compliance, LETA establishes corresponding duties of notification and co-operation for direct and indirect shareholders, as well as for the UBOs themselves.

Registration deadlines

Newly incorporated Swiss entities must register their UBOs within one month of their entry in the Commercial Register. Likewise, foreign entities falling within LETA's scope must register their UBOs within one month. Any change affecting an existing UBO registration must be reported within one month of the entity becoming aware of it.

LETA provides for short transitional periods for existing in-scope entities once it enters into force. The applicable deadlines – generally ranging from one month to two years – depend on the type of entity and, in certain cases, on whether an amendment is made to its Commercial Register entry. In this latter case, the UBO filing must be made within one month of such amendment, but no later than the end of the applicable transitional period. For instance, the transitional period for corporations subject to an ordinary audit is set at three months.

Access

The Transparency Register will not be accessible to the public, whether on an open-access basis or under a "legitimate interest" regime. Access will be strictly limited to designated Swiss authorities, including criminal prosecution authorities, tax authorities responsible

for international administrative assistance, the State Secretariat for Economic Affairs (SECO), the Money Laundering Reporting Office Switzerland (MROS), intelligence services, AML supervisory organisations, public procurement authorities and social-security enforcement bodies.

Enforcement and sanctions in case of breach

LETA establishes a dedicated control authority, to be designated under the Federal Department of Finance, responsible for oversight and administrative enforcement. This control authority will conduct risk-based spot checks and targeted reviews where potential breaches are identified (for instance, following indications from the FOJ or discrepancy reports submitted by financial intermediaries). Where serious or repeated breaches are found, the authority may order the entity concerned to provide information, correct or delete entries, suspend voting or financial rights attached to shares, or, in the most severe cases, order the dissolution and liquidation of the entity.

In addition, failures to comply with LETA's disclosure, registration or co-operation obligations may constitute criminal offences, punishable by fines of up to CHF500,000 in cases of intentional breach.

Next steps

Following LETA's adoption by Parliament in September 2025, the Federal Council is expected to work towards a possible entry into force around mid-2026, a timeline that aligns with Switzerland's forthcoming FATF evaluation in 2027.

This timeline, combined with LETA's relatively short transitional deadlines, should encourage entities likely to fall within the scope of registration to anticipate their future reporting obligations by reviewing or updating their UBO analyses under LETA. This will be particularly important for foreign entities with a Swiss nexus, which may not yet have undertaken a UBO assessment under Swiss law, as well as for Swiss in-scope entities with complex ownership structures, which will need to closely follow the clarifications to be provided in the Federal Council's implementing ordinances.

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