

## **Notre invitée : Madame Jeanne Baur d'OperationalTax**

### **Échange Automatique de Renseignements : le deuxième round et ses impacts opérationnels**

Bien que la Suisse ait décidé de ne pas appliquer la « wider approach » préconisée par l'OCDE, l'échange automatique de renseignements portant sur l'année 2018 oblige néanmoins les institutions financières à passer en revue l'intégralité de leur clientèle. En effet, l'exclusion des clients du traitement nécessite de les identifier « hors scope » de manière formelle et documentée. La problématique, déjà complexe, doit à présent être appliquée à large échelle, avec tout ce que cela comporte de processus de « due diligence », d'augmentation drastique de la volumétrie des données à obtenir et assurer la justification de l'information pour ceux dont les critères d'auto-certification doivent être challengés. De plus, les clients considérés ou exclus lors de l'exercice 2017 peuvent avoir vu leurs indices changer en 2018 et être respectivement concernés ou non par la déclaration en 2019.

Il est donc impératif pour l'institution financière d'être en mesure d'assurer un suivi systématique et proactif de sa clientèle, en maintenant l'historique des informations considérées tout en étant automatiquement alertée lors de changement de circonstance effectif ou potentiel. Que celui-ci porte sur le statut du client, l'évolution du périmètre déclaratif (pays, types de compte, montants), une contradiction d'indice ou l'échéance de validité d'un document. Ceci a un impact considérable sur les processus opérationnels et les ressources allouées, sans oublier un risque réputationnel fort en cas d'erreur ou d'omission.

On l'a compris, la déclaration 2019 sera un véritable juge de paix quant à la faculté de l'institution financière à faire face à ses obligations tant du point de vue opérationnel que métier. SecurCRS, solution simple à mettre en œuvre et exploiter, permet d'effectuer la revue de sa clientèle de manière documentée et sécurisée, tout en ayant une centralisation des informations ainsi que l'exhaustivité de leur historique et provenance. Elle offre au travers de tableaux de bord, un suivi synthétique de l'avancement des traitements, des alertes sur indices, des changements de circonstance, des échéances et du « reste à faire », permettant d'effectuer les mesures correctives avec une historisation complète de la situation « avant-après ». Dotée de fonctionnalités de reporting, SecurCRS permet une interaction aisée avec l'administration mais également avec les clients et partenaires susceptibles de requérir des états en tout temps, que ce soit un rapportage officiel, pour une dénonciation spontanée ou un besoin de consolidation d'informations. Dans l'optique du respect de la LPD qui s'inspire largement du RGPD, les données collectées et échangées bénéficient d'un haut niveau de sécurité, garanti par une authentification supportant les standards du marché, le chiffrement des données échangées et leur anonymisation dans la base de données.



**Jeanne Baur** ([jeanne.baur@operationaltax.ch](mailto:jeanne.baur@operationaltax.ch); [www.securcrs.com](http://www.securcrs.com))

Jeanne a fondé en 2014 la société OperationalTax active dans l'accompagnement d'institutions financières lors de leurs processus de taxe opérationnelle ainsi que dans la réalisation du logiciel SecurCRS. Jeanne avait précédemment créé la société Ucronik Solutions SA à l'origine du logiciel SaveTax de calcul et rapportage fiscal multi-fiscalités. Madame Baur a occupé des postes à responsabilités chez Kurt Salmon, Odyssey Asset Management Systems, Temenos et UBS

**PortfolioNet**

*Pre-trade checks*

PortfolioNet’s simulation functionality allows you to analyse in detail the impact of planned or pending orders on your client portfolios in terms of position allocations, restriction violations and currency exposure. You can simulate purchases, sales, foreign exchange transactions and capital inflows.

You can for example assess the impact of planned stock purchases on position and asset class allocation and verify that no restrictions are breached.

Impact of orders on positions and restrictions

Positions		Orders	Violations	Currency exposure		
Description	Quantity	Transactions	Trade quantity	Quantity simulated	Simulated amount	Part simulated
Total					52,330,383	100.0%
Stocks					19,892,304	38.0%
Switzerland					2,340,525	4.5%
Nestle N	2,050	1	25,876	27,926	2,193,709	4.2%
ABB N	0	6	6,497	6,497	146,815	0.3%

The impact of foreign exchange transactions on currency exposures can be measured prior to execution.

Impact of forex orders on currency exposures

Positions		Orders	Violations	Currency exposure		
Currency	Gross exposure	Forex forward	Net exposure	Net In USD	In %	
Total				2,836,548	100.0%	
USD	2,072,567	0	2,072,567	2,072,567	73.1%	
GBP	64,908	0	64,908	85,766	3.0%	
CHF	108,721	60,000	168,721	172,241	6.1%	
EUR	502,040	-53,512	448,528	505,973	17.8%	

Portfolio changes due to expected capital inflows can also be taken into account.

Impact of a capital inflow on asset allocation

Positions		Orders	Violations	Currency exposure		
Currency	Forex rate	Quantity booked	Trade quantity	Quantity simulated	Simulated amount (CHF)	Part
Total					35,544,832	100.0%
Liquidity and Money Market					14,155,923	39.8%
Current Accounts					14,013,977	39.4%
USD	0.9940	4,849,855		4,849,855	4,820,513	13.6%
CHF	1.0000	3,400,963.46		3,400,963.46	3,400,963	9.6%
AUD	0.7097	1,204,715.01	3,000,000	4,204,715.01	2,984,212	8.4%
EUR	1.1213	2,504,604.91		2,504,604.91	2,808,288	7.9%

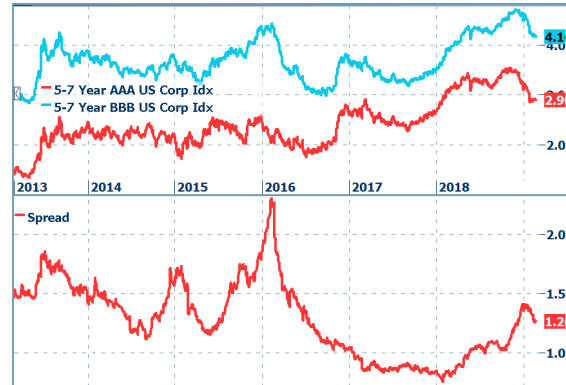
**Market Manager**

*Comparing with charts*

Market Manager offers a range of charts that allow you to compare two instruments: correlation, covariance, alpha, beta, R<sup>2</sup>, relative strength, spread and outperformance.

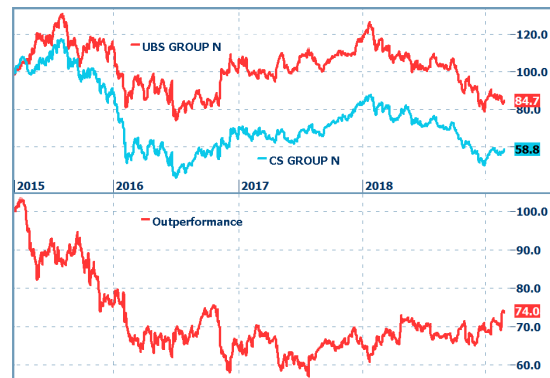
For example, a comparison of US corporate yields reveals that credit spreads had already been widening in 2018 while US equity markets continued to rise.

Spread between US 5-7 Year BBB Corps and AAA Corps



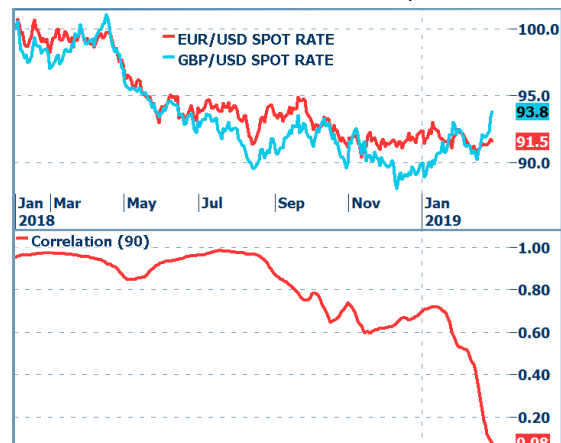
Comparing the stock performance of Credit Suisse with that of its arch competitor UBS reveals that under the leadership of Tidjane Thiam Credit Suisse has substantially underperformed UBS.

Credit Suisse underperformance vs UBS since 03-2015



As the deadline for Brexit is approaching the uncertainty surrounding its outcome is revealed by the declining correlation between the GBP and the EUR.

Correlation between GBP and EUR spot rates



## Legislation monitor

### Financial Institutions and Financial Services acts

The Financial Institutions and Financial Services acts will enter into force on January 1<sup>st</sup> 2020 as should their associated ordinances, whose consultation period ended February 6<sup>th</sup>. The publication of the finalised ordinances is expected this summer accompanied by an explanatory report from the Federal Council. Existing asset managers will have six months to register and three years to be compliant while managers launching after 2021 will have to fulfil all requirements before starting business.

Under the new legislation, the documentation requirements falling on asset managers will be increased. Not only will they need to clearly document their internal organisational principles but also their interactions with clients in terms of agreed services, client's needs, information collected for profiling, advice given including its reasons, services provided and costs.

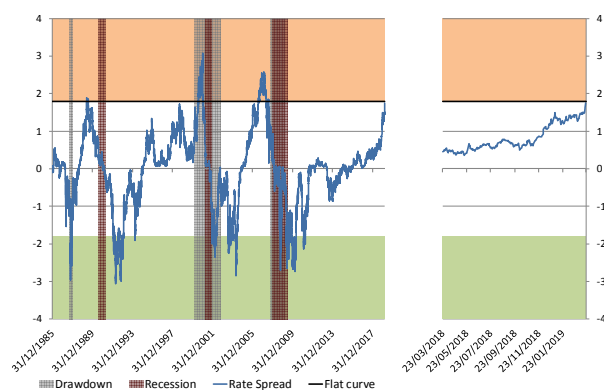
## Exuberance and gloom

### Warning shot across the bow

In Q1 2019, the US Treasury yield curve flattened leading interest rate sentiment into the exuberance zone. This is the second warning to investors after equity sentiment briefly breached into the exuberance zone in Q1 2018. However, equity sentiment did not remain exuberant for long and with interest rate exuberance still young, the ship may remain afloat for a while.

S&P500 Q4 2018 earnings, which in January were expected to be in line with Q3 earnings, have come in 20% lower, beating Q4 2017 earnings by just 7%. While 2018 earnings surpassed those of 2017 by 20% and 2019 earnings are expected to grow a further 17%, Q4 2018 is the first quarter to see a significant month over month earnings drop since Q4 2015.

### US 10Y-3M Treasury rate spread sentiment



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## Calculation corner

### Breakdown of performance into instrument and currency effects

It is common for an investor to hold in his portfolio investments traded in currencies other than his portfolio's reference currency. Such an investor will wish to monitor the performance of his investments in their local currency while also keeping an eye on their impact on his portfolio in its reference currency.

#### Example a GBP investment in a CHF portfolio

A client, whose reference currency is CHF, holds 10'000 shares of AstraZeneca. He wishes to calculate the performance of this holding for the year 2018. During this time, the share price of AstraZeneca had risen 14.68% while the GBP/CHF exchange rate had declined by 4.92% resulting in a performance in CHF of 9.05%.

Price GBP	Value GBP	GBP/ CHF	Value CHF
51.21	512'100.00	1.3162	674'026.02
58.73	587'300.00	1.2515	735'005.95
14.68%	14.68%	-4.92%	9.05%

Adding the performance in GBP of AstraZeneca to the performance of the GBP/CHF exchange rate does not result in the position's CHF performance:

$14.68\% - 4.92\% = 9.77\% \neq 9.05\%$ , a difference of 0.72%

This is because the instrument's trade currency performance and the exchange rate performance are to be compounded, and not added, to obtain the instrument's performance in the portfolio's reference currency:

$$\text{Perf [Refence Curr.]} = (1 + \text{Perf [Trade Curr.]}) \times (1 + \text{Perf [Exchange]}) - 1$$

Simplifying this expression gives:

$$\text{Perf [Refence Curr.]} = \text{Perf [Trade]} + \text{Perf [Exch]} + \text{Perf [Trade]} * \text{Perf [Exch]}$$

The cross-product term,  $\text{Perf [Trade]} * \text{Perf [Exch]}$ , explains the difference between the instrument's reference currency performance and the sum of its trade currency performance and exchange rate performance:

$$\text{Perf [Trade]} * \text{Perf [Exch]} = 14.68\% * -4.92\% = -0.72\%$$

Cross-products, the bane of performance calculation, are also encountered in contribution and attribution.

To keep this example as simple as possible we have ignored the two dividends paid by AstraZeneca in 2018.

Please contact us for further discussion.