Swiss-EU Treaty

Why in news?

Switzerland and the European Union (EU) are about to face a battle in the share trading, owing to a row over a stalled partnership treaty.

What do the new rules mean?

- The EU's decision will effectively **prevent EU-based banks and brokers from trading** on Swiss exchanges.
- In the new Swiss regime, **foreign exchanges are required to get Swiss permission** to host trading in Swiss stocks.
- But, trading venues outside the EU can carry on as before.

Who would be affected by Swiss ban?

- **Pan-European stock trading platforms** will not be able to host trading in Swiss equities.
- **Foreign trading venues**, including stock exchanges and so-called multilateral trading facilities will be affected.
- Switzerland will let them host trading in Swiss-registered companies (**only if** the foreign venues' regulations do not curb trading of Swiss stocks in Switzerland).
- **Markets outside the EU will not be affected**.
- Once **Brexit** takes effect, British share trading platforms could be certified provided their regulation does not interfere with trading on Swiss markets.

What could happen to violators?

- Wilful and negligent violations of the Swiss rules could result in **criminal charges.**
- Sanctions – Target foreign trading venues, their management or board of directors.
- **Intentional violations** – Imprisonment of up to 3 years or a fine.
- **Negligence –** Punished with a fine.

Why is the EU-Swiss treaty so controversial?

- The Swiss/EU deal would have **Switzerland routinely adopt changes** to

single market rules.

- It would also create a more **effective platform to resolve trade disputes** and open a path to new trade deals such as an electricity union.
- The pact would be an **over-arching accord** above a patchwork of separate deals that already govern bilateral Swiss/EU ties.
    1. This pact emerged after Swiss voters in 1992 rejected plans to join the European Economic Area.
    2. These individual agreements were crafted when Switzerland still aimed to join the EU, a goal it has since dropped.
- But the trade deal has become tangled up in **domestic politicsin Switzerland**.

How long might the standoff last?

- **In theory –** Indefinitely, but both sides have said they are open to talks to break the logjam.
- **In effect –**Thenext deadline for Switzerland to sign the treaty and start the ratification process is the end of October.
- But Swiss officials say there is no point signing a deal that is doomed to fail in parliament or get shot down by voters under the Swiss system of direct democracy.

Source: The Indian Express

Quick Fact

European Union (EU)

- The European Union (EU) consists of a group of countries that **acts as one economic unit** in the world economy.
- Its official currency is the **euro**and 19 of its 28 members have adopted the currency.
- The EU **began as the European Coal and Steel Community** in 1950 and had just six members: Belgium, France, Germany, Italy, Luxembourg, and the Netherlands.
- It became the European Economic Community (**EEC**) in 1957 under the Treaty of Rome.
- Upon the formation of the European Union in 1993, the EEC was incorporated and renamed as the European Community (**EC**).
- In a 2016 referendum, the U.K. voted to leave the EU. Brexit has been

challenged repeatedly.



