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Recommendations from 'The Swiss commodities sector: current situation and outlook' – progress on implementation

Report of the Federal Council

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1 Introduction

1.1 Mandate

The first background report on commodities was published on 27 March 2013.¹ Since then, considerable progress has been made in securing Switzerland's appeal, and its integrity as a trading centre. In 2018, the Federal Council adopted a new report, containing 16 recommendations² to strengthen Swiss efforts and positioning internationally, in response to ongoing challenges and new trends. In its report, the Federal Council affirmed the approach taken by the commodities sector to date, which was based on maintaining the competitiveness and reputation of Switzerland as a location for business and finance.

The Federal Council instructed the Interdepartmental Platform on Commodities³ to coordinate the implementation of these recommendations, and to produce a progress report by the end of 2020. This report therefore presents the status of work to put the 16 recommendations into effect. Its preparation was delayed owing to the COVID-19 pandemic.

1.2 Current situation and summary of progress

The commodities sector in general, and commodities trading in particular, remain significant segments of the Swiss economy. New statistics published in March 2021 by the Federal Statistical Office⁴ show that there are some 900 firms in Switzerland engaged in commodities trading. Nationally, they provide employment for approximately 10,000 people. By the nature of their operations, these companies handle large volumes of transactions, most of which are executed abroad. Almost three-quarters of trading firm jobs (core positions) are located in the cantons of Geneva (44% of the total), Zug (21.4%) and Ticino (9.5%). These actors are supported by a significant cluster of associated services such as certification, transport and financing. As part of work to implement the recommendations, the State Secretariat for Economic Affairs SECO conducted a study. It provides an initial rough estimate of the number of jobs specifically dedicated to direct trading support, and emphasises in particular the importance of financing operations, which account for more than 1,200 positions.

In Switzerland, the question of corporate social responsibility was the subject of heated public debate in connection with the popular initiative 'For responsible businesses – protecting human rights and the environment', with attention focused on the commodities sector, specifically. The initiative was rejected by the majority of cantons⁵ on 29 November 2020. Efforts will now concentrate on implementing the indirect counter-proposal⁶ put forward by Parliament,⁷ as well as on monitoring developments internationally and within the European Union (EU) in particular.

Like many industrial sectors, the commodities market has not been spared the effects of the COVID-19 pandemic, owing among other things to a general drop in demand, interruptions to channels of

¹ www.seco.admin.ch > The SECO > Press releases > Press releases 2013 > [Federal Council publishes background report on commodities](#)

² www.seco.admin.ch > Foreign trade & economic cooperation > Commodities > [The Swiss commodities sector: current situation and outlook](#)

³ This platform is headed in rotation by the Federal Department of Foreign Affairs FDFA, the Federal Department of Finance FDF and the Federal Department of Economic Affairs, Education and Research EAER, and includes all Federal Administration offices which handle issues relating to the commodities sector.

⁴ www.bfs.admin.ch > Look for statistics > Industry and services > [Commodity trader statistics](#)

⁵ www.bk.admin.ch > Droits politiques > Votations populaires > Répertoire chronologique > 2011 – 2021 > 29.11.2020 > [votation populaire du 29.11.2020](#) (not available in English)

⁶ www.bj.admin.ch > Economie > Projets législatifs en cours > [Initiative populaire 'Entreprises responsables'](#) (not available in English)

⁷ The rejection of the popular initiative will result in the publication of the indirect [counter-proposal](#) of 19 June 2020 in the Federal Gazette. It is subject to an optional referendum. The Federal Council will be able to enact the counter-proposal after the referendum period has expired.

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communication, and a dip in commodities prices. Some commodities businesses have proven more resistant than those in other sectors, however, thanks in large part to their experience in supply chain management. That said, the oil sector was particularly hard hit by the collapse in the price per barrel of crude from May 2020 onwards. Where commodity trade financing is concerned, a series of insolvencies and fraud cases resulted in significant financial losses for certain banks, prompting even global players to withdraw from this area of business.⁸

The COVID-19 pandemic has also highlighted the huge reliance of some developing countries on exports of their natural resources. They have faced significant losses in revenue, compelling them to seek rapid financing and thus risk an increasingly unsustainable debt burden, not to mention pressure on social and environmental standards.⁹ The impact of the drop in demand for both oil and certain minerals¹⁰ will be felt primarily by countries that are financially dependent on commodities exports, while diversified economies are likely to be more resilient. The effects of the pandemic will hit those in fragile economic circumstances the hardest.

The world's largest economies continued to centre their strategies on securing supplies of 'critical' metals. As a result, the prices of gold and iron rose during 2020, while that of cobalt began to make up ground after the first wave of COVID-19. Indeed, a recovery in commodity prices in general has been observed since the availability of a COVID-19 vaccine was announced.

In the Federal Council's view, the principal focus areas of work currently in progress are still relevant. These are to reinforce Switzerland's position as a competitive, environmentally and socially responsible place to do business, and a commitment to better sector governance at the international level. Since the report was published on 30 November 2018, Switzerland has concentrated on implementing the 16 recommendations that are intended to (i) bolster competitiveness and innovative capacity, (ii) strengthen the integrity and sustainability of the sector, and (iii) reinforce the analytical framework, dialogue and coordination between stakeholders in the sector.

In the interests of ongoing improvement in the operating framework in Switzerland, progress has been made on the forthcoming introduction of a tonnage tax. The analysis covering the specifically Swiss aspects of trade financing by banks in the national implementation of the international Basel III¹¹ standards has also made headway. Like the activities associated with the assessment of the Financial Market Infrastructure Act (FinMIA), this work will continue into 2022. Additionally, efforts towards a stronger and more interconnected Swiss digital ecosystem are moving forward, most notably with the adoption by Parliament of the law allowing legislation to be amended in line with the development of new blockchain-based technologies. Dialogue with the sector is also ongoing, to ensure that the operating framework is competitive and future-proof. At the same time, there is exchange between industry and the academic community on proposals concerning artisanal mining and human rights, specifically in the form of partnerships with the universities of Geneva and Lausanne, as well as with the ETH Zurich.

To ensure a consistent, coordinated approach, the measures set out in the various Federal Administration programmes intended to ensure the integrity and sustainability¹² of Switzerland as a trading centre have been integrated into the Swiss National Action Plan¹³ to implement the UN Guiding

⁸ Financial Times: www.ft.com/content/a61cb821-edaf-41b5-b7dd-f667f3eab81b

⁹ www.oecd.org > Coronavirus > Tackling coronavirus (COVID-19) > Policy responses > [COVID-19 and Responsible Business Conduct \(2020\)](#)

¹⁰ The World Bank, [Impact of COVID-19 on Commodity Markets Heaviest on Energy Prices: Lower Oil Demand Likely to Persist Beyond 2021](#), (2020)

¹¹ www.bis.org > Committees & associations > Basel Committee on Banking Supervision > Basel III > [Basel III: international regulatory framework for banks](#)

¹² This primarily concerns the measures set out in 'The Swiss commodities sector: current situation and outlook', and those of the Federal Council report on the trade in gold produced in violation of human rights, produced in response to the Recordon Postulate 15.3877.

¹³ www.nap-bhr.admin.ch/napbhr/en/home.html

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Principles on Business and Human Rights (UNGP),¹⁴ as well as the Corporate Social Responsibility Action Plan.¹⁵ To promote the integrity and sustainability of its marketplace, Switzerland has been working on issues relating to governance in the commodities sector as it affects international cooperation, the fight against corruption, and the protection of human rights and the environment. To this end, it is also an active member of international bodies such as the OECD, the Extractive Industries Transparency Initiative (EITI)¹⁶ and the International Code of Conduct Association for Private Security Service Providers (ICoCA).¹⁷ Effective January 2021, the Swiss Code of Obligations was amended to require extractive companies to disclose payments of CHF 100,000 or more that they have made to public administrations.¹⁸ Switzerland has also supported specific projects in the field, particularly in artisanal gold mining, as part of its development cooperation work. Furthermore, it has sought to promote the application by businesses in the trading sector of the Guide to the Implementation of the UNGP, which is now available online.¹⁹

Major progress has been made with research and analysis, in particular with the publication of quantitative data on the size of the commodities sector in Switzerland. Published for the first time in March 2021, the data will be updated regularly. In addition, Switzerland has submitted a proposal to the World Customs Organization (WCO)²⁰ to amend the customs tariff classification for gold as of 1 January 2027. The aim here is to make the statistics more transparent and improve traceability along the supply chain, as well as to distinguish more clearly between gold traded prior to refining, and refined gold. At national level, this proposed distinction has been included in the customs statistics for imports into Switzerland since 1 January 2021.

Switzerland has also been able to strengthen its analytical framework, specifically by entering into partnerships to study financial flows associated with commodities trading, as well as the impact generated by the extraction of those commodities. This has led to a number of proposals to tighten governance of the commodities sector in fragile contexts. Dialogue between the Federal Administration, the cantons, businesses and NGOs has continued, in particular in the Roundtable on Commodities,²¹ and in a variety of multi-stakeholder initiatives.

1.3 Outlook and next steps

This report shows that, since the last evaluation, significant progress has been made with promoting constructive operating conditions in Switzerland that comply with international standards, as well as corporate social responsibility in both the public and private sectors.

All in all, the implementation of a good number of the recommendations is at an advanced stage, and has been completed in some cases. Specific action is planned over the coming months to take this work still further. On the challenges side, not all international trading centres are transposing certain international standards into their own rules and regulations to the same degree, and the process may be a protracted one. In the fray of the political campaign for the popular initiative 'For responsible businesses – protecting human rights and the environment',²² it proved difficult at times to conduct multi-

¹⁴ UN High Commissioner for Human Rights: www.ohchr.org > Publications and resources > Reference Materials > [Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy" Framework](#)

¹⁵ www.seco.admin.ch > Foreign trade & economic cooperation > Economic relations > [Corporate social responsibility \(CSR\)](#)

¹⁶ www.eiti.org

¹⁷ www.icoca.ch/

¹⁸ Cf. Arts. 964 a-f CO

¹⁹ www.commodity-trading.org/

²⁰ www.wcoomd.org

²¹ The Roundtable consists of representatives of the Federal Administration, the cantons, the business sector and NGOs. It meets at least once a year.

²² www.admin.ch > Documentation > Votations populaires > Votation populaire du 29 novembre 2020 > Initiative populaire 'Entreprises responsables – pour protéger l'être humain et l'environnement' (not available in English)

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stakeholder dialogue and to find compromise. However, implementing the indirect counter-proposal to the initiative should permit Switzerland to align itself with the applicable European Union rules and regulations, specifically those governing mineral ores originating from conflict areas, and to emphasise globally the integrity of the country as business location. Gold is currently the subject of international debate,²³ and is likely to return to centre stage in the months to come.

The Federal Council continues to monitor recent developments affecting the commodities sector, such as the implications and possible risks of advance financing for commodities deliveries from commodities firms in view of the public-sector debt being accrued by commodity-exporting countries. The Commodities Platform will also address these issues.

The Federal Council intends to implement most of the recommendations in the course of the next two years.

2 Implementation of recommendations

2.1 Bolster competitiveness and innovative capacity

2.1.1 Recommendation 1

Recommendation 1: The introduction of a tonnage tax system should be examined.

The introduction of a tonnage tax system has, indeed, been examined by the Federal Department of Finance FDF. In October 2020, the Federal Council instructed the FDF to draft a revision bill, which entered public consultations on 24 February 2021.²⁴ The tonnage tax is an incentive for the shipping industry. It enjoys broad acceptance internationally, and is common within the European Union in particular. The tax is assessed not on the profit actually generated, but on the freight volume of the cargo ship per day of operation, determined as a fixed figure on the basis of the ship's net tonnage. In the case of profitable international shipping companies, the tonnage tax results in a relatively low tax burden. The bill creates a level playing field between Switzerland and other countries, and thus ensures that it remains competitive as a business location, and as an international commodity trading centre.²⁵

2.1.2 Recommendation 2

Recommendation 2: When evaluating the implementation of Basel III, Switzerland should also look at whether and how the special features of the Swiss commodity trade finance sector should be taken into account.

The FDF partnered with the Swiss Financial Market Supervisory Authority (FINMA) to conduct an analysis of banks in Switzerland offering commodity trade finance. Its purpose was to study the effects of the implementation of the most recent Basel regulations, now known as the Basel Framework. The analysis looked at credit risk by type of instrument, the exposure of the Swiss banking sector by

²³ www.lbma.org.uk > LBMA Media Centre > [International Bullion Centres Initiative](#)

²⁴ www.estv.admin.ch > L'AFC > Informations destinées aux journalistes > News > Le Conseil fédéral ouvre la consultation sur la taxe au tonnage (not available in English)

²⁵ This is particularly appealing to the maritime shipping sector, because it offers a simple, reliable method of taxation which uses an internationally recognised standard. This then impacts on costs in the trading sector.

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counterparty and activity, and the costs in terms of holding cash and capital. Its findings will provide a basis for decision-making on the implementation of the final Basel III regulations in Switzerland. Public consultations on the corresponding ordinance revision are likely to be held in early 2022.

2.1.3 Recommendation 3

Recommendation 3: In the upcoming revision of the FinMIA, which is to be reviewed from 2019 on, potential administrative simplifications for small non-financial counterparties should be examined, for example in the reporting duty.

In 2019, the FDF launched a project to assess the impact on the financial markets of the Financial Market Infrastructure Act (FinMIA). As part of this work, the FDF commissioned an external study of certain aspects, with a particular focus on derivatives trading. This external paper sets out international trends, technological developments, an analysis of the code of conduct for the derivatives trading market and its implications for Swiss market participants (specifically small, non-financial counterparties, which may also be traders). It also looks into the applicability of the current rules to derivatives trades based on *distributed ledger technology*, DLT²⁶, or blockchain. This FinMIA assessment work will continue into the first half of 2020.

2.1.4 Recommendation 4

Recommendation 4: Switzerland should create favourable conditions for the development of a digital ecosystem including DLT/blockchain applications which enhance its competitiveness and international interconnectedness as a business location.

Switzerland remains one of the most advanced countries in the world where DLT and blockchain technologies are concerned. On 25 September 2020, the Federal Assembly unanimously adopted a bill to amend federal law in line with their evolution, in the form of a federal act on the adaptation of federal law to developments in distributed ledger technology²⁷. Part of this bill entered into force on 1 February 2021. The remainder of the amended laws and ordinances are likely to enter into force as of 1 August 2021. The bill will strengthen the innovative capacity of the Swiss market, while improving legal certainty, eliminating obstacles to DLT and blockchain-based applications, and limiting the risk of abuse.

The Federal Administration has worked with the industry to evaluate the framework required to develop a digital ecosystem for international commodities trading, and to identify any regulatory hurdles. It is also engaged in dialogue with the industry to strengthen synergies between stakeholders and to improve the foundation for innovation and digitalisation. At the same time, Switzerland participates in international exchange with other trading centres.

²⁶ 'Distributed ledger technology (DLT)' and 'blockchain technology' are used interchangeably and are often considered synonyms. In this report, DLT refers to technologies which permit information to be recorded in a distributed (local) ledger, and to be synchronised. Blockchain is simply one of the possible ways of structuring data in such a distributed ledger. Data (e.g. transactions) is grouped into a block and then added to the last block that was formed. This enables data to be saved while protecting it from future modification.

²⁷ [Federal Gazette 2020 7559](#) (not available in English)

2.1.5 Recommendation 5

Recommendation 5: Through involvement in steering groups such as those at the SRIC and ETH, Switzerland should support commodity research activities and multidisciplinary training courses that promote access to highly-qualified specialists in the longer term.

The Federal Administration fosters contact with a number of research institutions. In particular, it supports research projects examining the traceability of gold. One of these is a study into the chemical properties of gold at the University of Lausanne, while ETH Zurich is conducting research into artisanal and small-scale mining.

The Geneva Center for Business and Human Rights²⁸ opened on 25 November 2019 at the University of Geneva's School for Economics and Management. It works with companies to determine business models that combine profit and respect for human rights. It offers these companies a platform for dialogue to discuss urgent human rights challenges, and trains the senior executives of the future to formulate human rights norms and integrate them into their particular industrial contexts. Through the Global Network of Business Schools for Human Rights,²⁹ the Center works alongside the NYU Stern Center for Business and Human Rights³⁰ to promote the inclusion of human rights in business administration course curricula. The FDFA supports the Center financially, and has a particular interest in public-private research into artisanal mining in difficult contexts. The Center will maintain dialogue with the private sector, and will take up some of the activities of the Swiss Research Institute on Commodities (SRIC), which has been disbanded owing to a lack of funding.

2.2 Strengthen integrity and sustainability

2.2.1 Recommendation 6

Recommendation 6: In terms of corporate responsibility, Switzerland should campaign for increased application of due diligence, particularly within the scope of implementation of the OECD Guidelines for Multinational Enterprises, the OECD Due Diligence Guidance for Responsible Business Conduct, the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas and the UN Guiding Principles on Business and Human Rights.

Switzerland plays an active part in the multi-stakeholder group entrusted with overseeing the implementation and dissemination of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.³¹ The National Contact Point for the OECD Guidelines (NCP)³² has continued its work and provided greater support as the preferred contact for the resolution of corporate social responsibility issues in the commodities sector, as in others.³³ Furthermore, the relevant agencies of the Federal Administration have continued to offer NGOs and businesses a forum for dialogue, with specific regard to mining operations and the production of agricultural commodities in Guatemala, Peru, Liberia and Uganda.

²⁸ www.unige.ch > Faculties > Economics and Management > Faculty & Research > [Center for Business and Human Rights](#)

²⁹ *ibid*

³⁰ www.stern.nyu.edu > Experience Stern > Departments, centers & Initiatives > [Center for Business and Human Rights - NYU Stern](#)

³¹ www.oecd.org > Publications > Books > www.oecd.org > Publications > Books > [OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas](#)

³² www.seco.admin.ch > Foreign trade & economic cooperation > Economic relations > [National Contact Point of Switzerland](#)

³³ www.seco.admin.ch > Foreign trade & economic cooperation > Economic relations > National Contact Point of Switzerland > [Information on Specific Cases](#)

The indirect counter-proposal to the popular initiative 'For responsible businesses – protecting human rights and the environment' will now be put into effect following the latter's defeat at the ballot box on 29 November 2020.³⁴ The counter-proposal will introduce: (i) an obligation for large public companies and financial institutions to report on environmental issues, working conditions, human rights and the fight against corruption, and (ii) reasonable due diligence and an obligation to report on conflict minerals and metals and child labour. These latter obligations apply to companies that import or process in Switzerland mineral ores or metals containing tin, tantalum, tungsten or gold originating from conflict-affected and high-risk areas. The same applies to companies offering goods or services for which there are well-founded suspicions that child labour has been used.

2.2.2 Recommendation 7

Recommendation 7: Switzerland should pursue its efforts to develop, disseminate and effectively implement responsible governance of states and companies. It should continue its activities within the EITI, including the development of standards on transparency of payments to governments in commodities trading and the adoption of these standards by the OECD. It should pursue its commitment to the Voluntary Principles on Security and Human Rights, in particular by promoting the accession of private security service providers to commodities companies to the International Code of Conduct (ICoC).

Switzerland assumed the chairmanship of the Voluntary Principles on Security and Human Rights, VPs³⁵ in 2019, the year in which it launched a series of implementation projects in the Democratic Republic of the Congo (DRC), Myanmar, Nigeria and Peru. It attaches particular importance to cooperation with the DRC, where three local working groups have been set up in mining regions. The DRC has indicated its intent to join the VPs, and Switzerland will provide its support during this process. Switzerland continues to hold the chairmanship of the International Code of Conduct Association for Private Security Providers, and has been working towards the alignment and reciprocal recognition of the ICoC and the VPs. It has also been endeavouring to improve coordination between OECD instruments and the UNGP by organising a number of joint international events. In addition, Switzerland has been promoting the Code among trading firms.

At its Global Conference in June 2019, the Board of the Extractive Industry Transparency Initiative (EITI) further refined the requirements of the EITI Standard for the disclosure of payments by commodities firms to EITI countries to make them stricter. These requirements now also raise expectations for reporting by commodities traders. The new requirements have been in force since 1 January 2020. Switzerland is supporting the EITI Working Group on Transparency in Commodity Trading with three years of funding, from 2019 to 2022. One of the principal objectives of the Working Group is to develop a transparency standard for commodities trading that the EITI can promulgate globally via the OECD. As a result of this support, in August 2020 the EITI published reporting guidelines³⁶ for traders buying fossil and mineral raw materials from governments. The guidelines provide additional information on the obligations laid down in the 2019 EITI Standard. Through seminars and other contact with the sector, Switzerland encourages traders based here to implement these voluntary guidelines.

³⁴ Subject to a 100-day referendum period following publication in the Federal Gazette. This provides for a variety of delegation rules that must be put into greater detail by implementing provisions issued by the Federal Council. The focus here is on provisions on the scope of application and on due diligence with regard to conflict minerals and child labour.

³⁵ www.voluntaryprinciples.org

³⁶ www.eiti.org > More > Topics > Commodity trading transparency > [Reporting guidelines for companies buying oil, gas and minerals from governments](#)

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On 18 October 2019 Switzerland signed an agreement with the World Bank that co-funds the Extractives Global Programmatic Support (EGPS) Multi-Donor Trust Fund.³⁷ The EGPS supports improvements in the management of the commodities sector in resource-dependent developing countries. In its second phase, the EGPS will continue to concentrate on supporting the implementation of the EITI. In this capacity it is a key instrument in Switzerland's commitment to governance in the commodities sectors of emerging markets. In addition, it will support improvements in the regulatory environment in focus countries, promote economic diversification at the local level, and further pursue its programme-based approach to cover cross-cutting themes such as artisanal and small-scale mining (ASM), and gender.

Switzerland is involved in the multi-stakeholder Policy Dialogue on Natural Resource-based Development³⁸ led by the OECD Development Centre. It also backs it financially. This platform facilitated the formulation of the Guiding Principles for Durable Extractive Contracts³⁹ and their adoption in 2020. Discussions within this multi-stakeholder dialogue centre on the taxation of the extractive sector, sustainable revenue management, the energy transition and transparency in the trading sector. In connection with this dialogue Switzerland also actively promotes cooperation between the EITI and the OECD.

As Swiss company law was being revised, in June 2020 Parliament adopted provisions on the transparency of payments made in connection with resource extraction operations. Consequently, from 2022 onwards exchange-listed companies will have to report annually on payments of CHF 100,000 or more to governments.⁴⁰ Furthermore, a delegation rule authorises the Federal Council to extend these transparency provisions to cover commodity trading.

2.2.3 Recommendation 8

Recommendation 8: A multi-stakeholder group spearheaded by the Federal Administration should promote application of the guidance on implementing the UN Guiding Principles in the Swiss commodities sector in line with the instruments of the OECD. Switzerland should also advocate the standards propagated in the guidelines at international level and in organisations such as the OECD.

Since the end of 2018, the Federal Administration, the cantons and business representatives together have circulated around 2,500 copies of the Guidance on Implementing the UN Guiding Principles in Trading at both national and international levels. Some 200 individuals working in commodities trading have been trained on its content. In addition, the Guidance has been distributed internationally at conferences organised by, for example, the OECD or the Voluntary Principles on Security and Human Rights, and at the UN Forum on Business and Human Rights. Switzerland's network of representations abroad has also helped to introduce the Guidance at other trading centres such as London, Dubai and Singapore. In the interests of testing the Guidance and drawing conclusions about the main benefits and challenges of its implementation, a certain number of selected companies are currently taking part in a pilot implementation initiative. This will also show if, and where, the Guidance needs to be adapted. A website⁴¹ explaining the Guidance and the different stages of its implementation has also been created.

³⁷ www.worldbank.org > Programs > [Extractives Global Programmatic Support](#)

³⁸ www.oecd.org > Environment > [Policy Dialogue on Natural Resource-based Development](#)

³⁹ www.oecd.org > Books > [OECD Development Policy Tools Guiding Principles for Durable Extractive Contracts](#)

⁴⁰ Cf. Arts. 964a–964e CO

⁴¹ www.commodity-trading.org

2.2.4 Recommendation 9

Recommendation 9: To promote respect for human rights and sustainable production in the gold sector, Switzerland should espouse greater transparency and traceability of goods flows, as envisaged in the measures in response to the Recordon Postulate (15.3877).

Work to improve the transparency and traceability of gold goods flows was launched in the first half of 2019. Collaborating with the Swiss gold refinery sector, the London Bullion Market Association (LBMA) and the OECD, the Federal Administration drafted a proposal for the revision of the Annex to the International Convention on the Harmonized Commodity Description and Coding System. The proposal also included a recommendation from the Swiss Federal Audit Office⁴² on distinguishing more clearly between mined gold and bank gold. The latter accounts for the greater part of imports in value terms. The new classification within the World Customs Organization's (WCO) Harmonized System (the international tariff structure) should make it easier to differentiate between mined gold and refined gold (e.g. bars), in particular. Switzerland submitted this proposal to the WCO on 24 September 2020. Subject to its adoption by WCO members, it is scheduled for implementation as of 1 January 2027. Switzerland has already been applying the proposed amendment on better differentiation between types of gold imports since 1 January 2021.

In addition, on 21 September 2020 the LBMA published country-specific data on gold imports for the first time, as part of its inaugural Responsible Sourcing Report.⁴³ This concerned imports of several categories of gold by its members to a number of countries, including Switzerland. Lively discussions at the multi-stakeholder meeting on gold trading and gold refining, which was held in Bern on 5 December 2019 at the invitation of SECO and the FDFA, contributed to these initiatives. The debate featured representatives of civil society, the industry, the research community and international organisations. In addition to the transparency of goods flows and statistics in goods trading, the meeting discussed good human rights practices and due diligence, the challenges facing small-scale mining, and technologies and the traceability of gold.

One of the measures of the new National Action Plan on implementing the UNGP⁴⁴ recognises the implementation of the recommendations in the report drawn up in response to the Recordon Postulate.

In November 2020, the LBMA launched a call to action⁴⁵ for international bullion centres. Switzerland shared in this call along with at least 12 other jurisdictions. Its aim is to improve practices and transparency under existing international standards, specifically those of the OECD and the Financial Action Task Force (FATF), to underpin the integrity of international gold trading. Switzerland supports the essence of the LBMA initiative and responded positively to it.

⁴² www.efk.admin.ch > Publications > Public finances and taxes > [Efficacité du contrôle des métaux précieux](#), (not available in English)

⁴³ www.lbma.org.uk > Responsible Sourcing > Responsible Sourcing Report > [Responsible Sourcing Report 2020 Full Report](#)

⁴⁴ www.nap-bhr.admin.ch > Documentation > Documents and studies > Basic documents > [Report of the Federal Council outlining a National Action Plan for the implementation of the United Nations Guiding Principles on Business and Human Rights](#): measure 7

⁴⁵ www.lbma.org.uk > LBMA Media Centre > [International Bullion Centres Initiative](#)

2.2.5 Recommendation 10

Recommendation 10: In response to the Seydoux Postulate (17.4204), the effectiveness of existing checks by financial intermediaries and compliance with due diligence obligations by banks in commodities trading should be reviewed and appropriate proposals made where necessary.

On 26 February 2020, the Federal Council published a report in response to the Seydoux-Christe Postulate 17.4204.⁴⁶ It judged that the authorities in charge of implementing anti-money laundering legislation largely have the legal foundations and the resources to prevent not only money laundering, but also the corruption that goes along with it. It emphasised that fighting corruption is key to reducing the risks of money laundering that are present in the Swiss financial system. Furthermore, it determined that the banks' duties of due diligence, and their fulfilment, were appropriate across the board. The Federal Council nonetheless found that targeted improvements could be made to enhance the efficiency of the existing framework. These would further mitigate the risk of corruption and money-laundering attached to commodity trade finance. It identified five action areas here:

- Implementation by the private sector of initiatives to fight corruption;
- Development by the industry of sectoral guidelines on due diligence to combat money laundering, and the adoption of the same;
- Review of the scope of the obligation to report suspicious behaviour;
- International-level engagement with regard to the treatment of open relationships with state-owned enterprises (SOE), as well as with companies which themselves maintain commercial relationships with SOEs, as higher-risk criteria;
- Improvements to the framework for fighting corruption.

After the report was published, the Federal Department of Finance held discussions with the industry on the development of sector guidelines on due diligence to combat money laundering. These are now being drawn up by representatives of the trading firms. In addition, in its dialogues with other trading centres, Switzerland has advocated taking a risk-based approach to appropriate action to mitigate the corruption risks inherent in money laundering via the commodity trading sector. It also shared the risk analysis conducted for the report published by the Federal Council and the Financial Action Task Force (FATF) as part of work on risk clusters in trade-based money laundering. Where a better framework for fighting corruption is concerned, in October 2020 the OECD adopted Switzerland's progress report – two years after it had been examined by the Working Group on Bribery. Here, the OECD specifically welcomed the improvement in financial intermediaries' recognition of suspected corruption-linked money laundering. This was attributed to awareness-raising efforts by the Money Laundering Reporting Office MROS, as well as to action by FINMA to toughen up supervision of financial intermediaries to combat money-laundering. Furthermore, the OECD found, the scope of the obligation to report suspicious activity should be reviewed as part of discussions on optimising the reporting system as a whole. These are expected to begin in 2021, led by the Interdepartmental Coordinating Group on Combating Money Laundering and the Financing of Terrorism.

⁴⁶ www.parlament.ch > Curia Vista > [17.4204 La supervision bancaire est-elle suffisante pour juguler les risques de blanchiment dans le secteur des matières premières? \(not available in English\)](#)

2.2.6 Recommendation 11

Recommendation 11: Switzerland should pursue its efforts in development cooperation and cooperation with Eastern Europe with resource-producing countries, in particular by:

- implementing measures on commodity-related governance and on the creation of sustainable value chains in programmes with bilateral priority countries and in regional and global programmes; and
- continuing and strengthening cooperation in the commodities sector between state development cooperation, the private sector and other, non-state actors on the ground and in Switzerland.

As part of its commitment to better sector governance, Switzerland supports the work of the Natural Resource Governance Institute (NRGI). The objective here is not only to improve transparency and accountability in the extractive sector in developing countries, but also to ensure that the sector itself plays its part in sustainable development. The NRGI combines analysis with a presence on the ground, concentrating specifically on contractual transparency, the management of revenues from the extractive sector, and the fight against corruption. It develops detailed databases on the sector and makes them available to the public. Through its partnership with the Responsible Mining Foundation, which has twice published its Responsible Mining Index (RMI)⁴⁷ (in 2018 and 2020), Switzerland also supports keeping regular tabs on companies involved in resource extraction. The 2020 RMI assessed approximately 40 major mining companies around the world, representing roughly 28% of global mining output. A new study on responsible commodity trading has also been launched. It will establish the current baseline level of consideration given by trading firms to transparent and responsible practices.

Switzerland supports the creation of sustainable value chains in particular by means of its involvement in the *Better Gold Initiative*⁴⁸ (BGI), in which it focuses on responsible supply chains in Bolivia, Colombia and Peru. Originated by Switzerland, the BGI is a flagship scheme which is attracting a great deal of attention both nationally and internationally. It has proven to be highly flexible during particularly difficult times, taking rapid action and supporting those affected by the COVID-19 pandemic. An external evaluation in 2020 underscored the important role of the BGI, as well as the need to work on its possible expansion and long-term viability. The closer involvement of private-sector partners via the Swiss Better Gold Association (SBGA) is still vital, however.

Switzerland has significantly stepped up its international cooperation efforts surrounding the problem of placer mining, placing its emphasis on governance issues, extraction conditions, and local economic growth. It has decided in principle to partner with the World Bank in a medium-term programme in Niger to support the formalisation of artisanal gold mining and to promote respect for human rights in the sector. In Burkina Faso, a number of background studies were conducted in 2019 to better understand the dynamics of the artisanal gold mining sector, and the different stakeholders involved. Both these studies and a current pilot project promoting alternative techniques for using hazardous materials helped to identify the main thrusts of a new programme on placer mining that is due to begin in early 2021. In Mali, Switzerland is involved in a pilot partnership with an industrial (gold) mine to support a literacy and vocational training programme aimed at mine employees and those in the surrounding area. This will also cover placer mining techniques. A regional project in collaboration with the OECD to increase awareness of the Voluntary Principles on Security and Human Rights will also highlight questions of governance and respect for human rights in the mineral ore extraction sector in Burkina Faso, Mali and Niger.

⁴⁷ For the 2020 report: www.2020.responsibleminingindex.org and for the 2018 report: www.2018.responsibleminingindex.org

⁴⁸ www.swissbettergold.ch

2.2.7 Recommendation 12

Recommendation 12: In order to reduce the environmental impacts of raw materials extraction and trading activities and to enhance environmental transparency and environmentally responsible corporate governance, Switzerland should:

- pursue its commitment to the development of international environmental guidelines for the extractive industry through participation in the United Nations Environment Programme (UNEP) and based on the work of the IRP, OECD, EU and UNECE; and
- work to reinforce the environmental aspect of existing international initiatives and standards via the work of the OECD, the Group of Friends of Paragraph 47 and UNECE.

Switzerland is committed at the multilateral level – with the UNEP, OECD, Group of Friends of Paragraph 47 (GoF47) and UNECE, as well as in the EU context – to better environmental governance for natural resources.

The United Nations Environment Assembly (UNEA), for example, comprises all 193 UN member states and is the highest global-level environmental decision-making body. At the 4th Assembly from 11 to 15 March 2019, Switzerland co-sponsored the 'Mineral resource governance' that had been put forward by Mexico. The resolution was adopted as UNEP/EA.4/Res.19. It boosts the issue up the environmental policy agenda by requesting that UNEP gather information on best practices, and identify knowledge gaps and political options to strengthen governance over mineral resources world-wide. A report will be presented to the fifth session of the UNEA (EA.5) in February 2022. With Swiss support, to put the resolution into practice UNEP organised a virtual intergovernmental regional consultation process between July and September 2020. This delivered key inputs to decision-making on the next steps at EA.5.

Switzerland remains a member of the UNEP International Resource Panel (IRP⁴⁹), the OECD and GoF47 to build knowledge and to identify international political options for more sustainable sector management, especially with regard to transparency and to corporate environmental responsibility. It is particularly interested in learning about sand mining, with its support for the work of UNEP GRID Geneva.⁵⁰ Within the UNECE, it is committed to improving the safety of mine tailing storage installations. Switzerland also helped to develop an international standard for the industry, the Global Tailings Standard, which was co-sponsored by UNEP, the ICMM, and the UN PRI. [It was launched in August 2020.] Finally, by providing substantial support to the World Resources Forum, as well as to the OECD's Green Growth and Sustainable Development Forum Switzerland has played its part in expanding global multi-stakeholder dialogue on this topic.

⁴⁹ Mineral Resource Governance in the 21st Century: Gearing extractive industries towards sustainable development International Resource Panel, United Nations Environment Programme, 2020, Nairobi, Kenya.

⁵⁰ Sand and Sustainability: *Finding New Solutions for Environmental Governance of Global Sand Resources* GRID Geneva, United Nations Environment Programme, 2019, Geneva, Switzerland.

2.3 Reinforce the analytical framework, dialogue and coordination

2.3.1 Recommendation 13

Recommendation 13: Official estimates should be published on a regular basis on the size of the commodities sector and its contribution to the national economy. A distinction should be drawn here between the commodities trading sector in the strict sense and the associated clusters. An administration working group should be deployed to draw up the conceptual bases for these statistics by the end of 2019. Defining the sector in the strict sense should be the priority.

The Federal Statistical Office was instructed by the Federal Council to produce a conceptual basis for measuring the size of the sector more accurately, as a precursor to the regular publication of official estimates on the commodities industry. The group comprised representatives of the Federal Customs Administration, the Federal Tax Administration, the Swiss National Bank, the Federal Office of Justice, SECO and the State Secretariat for International Financial Matters SIF. It defined a methodology, the principal conceptual elements, the sources to be used, and the nature of the information to be released publicly. The statistics were published for the first time in March 2021.

Data for the trading sector in the strict sense is available for 2017 and 2018, drawn from government sources, record entries and statistical data. Cluster data is available for 2019, based on an ad-hoc survey by SECO in which firms were asked about their actual business figures as at 31 December 2019. Data for the core sector is to be updated annually. It will be produced for an average period of two years to allow the results from a range of statistical sources to be consolidated. Estimates concerning the associated cluster will be updated biannually, because data-gathering places an additional burden upon respondents. No records or government sources exist for these entities.

2.3.2 Recommendation 14

Recommendation 14: Switzerland should continue to participate actively in in-depth research to strengthen the factual foundations and analytical framework of the commodities sector as a whole in order to promote dialogue with all stakeholders and reinforce good governance in the sector.

As part of its partnership with the Swiss National Science Foundation, the FDFA co-finances a programme of interdisciplinary academic research. Encompassing econometrics, law and political economy, it is entitled 'Curbing illicit financial flows from resource-rich developing countries'⁵¹ (2017–23). As the name suggests, the programme focuses on illicit financial flows originating from developing countries associated with commodities trading, and the problem of transfer pricing. Beginning in 2018, Swiss universities participating in this research have published a number of articles.⁵² Also under this partnership, the FDFA co-finances a further academic research programme: 'Health impact assessment for engaging natural resource extraction projects in sustainable development in producer regions'.⁵³ Case studies here concentrate on Ghana, Burkina Faso, Mozambique and Tanzania.

⁵¹ www.curbing-iffs.org

⁵² www.curbing-iffs.org > Publications

⁵³ www.swisstph.ch > Home > Projects > [HIA4SD - Health impact assessment for engaging natural resource extraction projects in sustainable development in producer regions](#)

In connection with its work on the OECD Development Assistance Committee (DAC),⁵⁴ Switzerland contributes financially to the Anti-Corruption Task Team (ACTT).⁵⁵ This working group concentrates on issues surrounding the management of corruption risks attached to development programmes, as well as on the impact of illicit financial flows on prospects for sustainable development. At the end of 2018, the ACTT launched a targeted study (2019–2020) of the risks of illicit financial flows in the oil and gas sectors, looking more specifically at interaction between state-owned oil companies and buyers. Analysis is also required on how government policy on development cooperation in particular might reduce these risks. If this is the case, recommendations should be drawn up for the member countries of the DAC.

2.3.3 Recommendation 15

Recommendation 15: The dialogue with the cantons, industry, NGOs and the science community should be intensified to discuss opportunities, challenges and innovative solution approaches. The embassies in resource-rich countries or trading centres are to be regularly informed about the relevant developments. Conversely, they provide head office with information on local developments as part of their reports and serve as points of contact for Swiss companies. The developments in the political and media public debate in Switzerland and abroad should continue to be monitored in order to identify potential reputational risks for Switzerland early on.

The dialogue between the state secretaries of the FDFA, SECO and the SIF, the cantons, industry and NGOs has concentrated on the impact of new technologies on production processes, as well as on the responsibilities of commodity trading firms. Discussions took place at two round-table events in 2019 and 2020.

Switzerland has also been in touch with various technical partners on a regular basis since 2018. Meetings and dialogue have centred for example on due diligence with regard to companies' respect for human rights, the gold sector, the implementation of the Basel III banking regulation framework, anti-money laundering due diligence, and the use of DLT and blockchain technology in the commodities industry.

Swiss representations in the US, EU, UK, UAE and Singapore are consulted regularly about regulatory trends and developments in these major trading centres that concern the commodities sector. Information has been gathered on initiatives to improve the transparency of payments made to foreign governments in connection with resource extraction, the implementation of international standards, and participation in voluntary initiatives. Standards are generally equivalent to or lower than in Switzerland, especially in countries that are not members of the OECD. This information helps to assess the operating conditions offered by other states, as well as to identify countries in which diplomatic efforts should be made or increased in the interests of a level playing field – thereby ensuring that Switzerland remains competitive, and lending greater integrity to the sector as a whole. In addition, the Federal Administration is in regular contact with the Swiss representations about other commodity-related developments and the conduct of Swiss companies that operate in the industry, specifically in developing countries rich in natural resources. It involves the representations in debate on natural resource/commodity-related topics, such as the fight against corruption and the development of international standards, as well as the debt obligations that certain Swiss trading firms hold for resource-

⁵⁴ www.oecd.org > Development Co-operation Directorate > [Development Assistance Committee](#)

⁵⁵ www.oecd.org > Development Co-operation Directorate > Accountable and effective institutions > [GOVNET Anti-Corruption Task Team](#)

Recommendations from 'The Swiss commodities sector: current situation and outlook' – progress on implementation

rich countries. Presence Switzerland, meanwhile, continually monitors media coverage of resource and commodity-related issues at both the Swiss and international levels.

2.3.4 Recommendation 16

Recommendation 16: The Interdepartmental Platform on Commodities should continue to ensure the flow of information within the Federal Administration, promote synergies between the various sectoral policies, and identify national and international developments at an early stage. Two years from now it should draft a public report on implementation of the individual recommendations and an assessment of the current situation.

The government agencies which handle commodity-related issues are currently the Federal Customs Administration FCA, the Swiss Agency for Development and Cooperation SDC, the Federal Office of Police fedpol, the Swiss Financial Market Supervisory Authority FINMA, the Federal Office of Energy SFOE, the Federal Office for the Environment FOEN, the Federal Office of Justice FOJ, SECO, the State Secretariat/Directorate of Political Affairs at the FDFA, and the State Secretariat for International Financial Matters SIF. They have met annually under the rotating chairmanship of the SIF, SECO and the State Secretariat of the FDFA to share information and to take stock. The state secretaries of the FDFA, SECO and the SIF themselves met regularly to keep track of progress implementing the recommendations, and to provide the necessary political support. There has also been regular exchange at the technical level between the agencies that make up the Interdepartmental Platform on Commodities to discuss domestic and international developments. The Platform is to remain in place to continue implementing the recommendations and to produce a further progress report for the Federal Council by the first half of 2023.

3 Conclusion

Implementing the recommendations has allowed the Federal Administration to take coordinated, coherent action on the specific issues raised in the 2018 report. Collaboration between various agencies guaranteed an effective flow of information both within government and with external partners. This coordinated approach strengthens Switzerland's standing as a contributor to the development of multilateral standards for the commodities sector. It also facilitates their implementation, to safeguard the appeal of the Swiss commodities industry based on the competitiveness of its trading centre and the integrity of its trading practices – and to continue offering an attractive operating framework for this sector and the economic microcosm that surrounds it. Switzerland will remain committed to achieving a level playing field, while ensuring that rules and regulations are coordinated internationally. It will also continue to promote responsible practices, and to maintaining dialogue between the various stakeholders involved.