Press Release

Swiss bonding market trends: Internal & external regulations drive the guarantees and bonds market

A study by ZHAW School of Management and Law in cooperation with Euler Hermes Switzerland

- The specialized Swiss bonding market benefits from above-average growth opportunities
- More Swiss companies are increasing export activities, relying on securities and bonds
- More buyers request surety such as guarantees and bonds
- Proprietary compliance guidelines and statutory requirements more often require guarantees and bonds
- Bank relationships remain vital for companies in terms of bonds: insurers more frequently asked to provide guarantees and bonds

WALLISELLEN, SWITZERLAND - 15 NOVEMBER 2016 – The ZHAW School of Management and Law (SML) analysis of the Swiss bonding market, conducted in cooperation with Euler Hermes, determined that bonding is a specialized market with a strong international outlook and growth, both in Switzerland and globally. Increasing regulations are driving the Swiss bonding market.

Banking and insurance markets
The Swiss bonding market consists of banking and insurance markets, with a strong and recognized history of banking relationships in Switzerland. However, companies are increasingly turning to insurers as guarantors, due to greater flexibility in the increasingly important areas of contract wording and terms of conditions. The global bonding market is dominated by banks in most countries, with emerging competition from insurers. SML expects increasing regulation, such as Basel III and Solvency II, to change the framework conditions for bonds. As Solvency II will have the least impact of the two on the insurance market, related insurance solutions could become more attractive long term.

Where guarantees are required
Following 15 in-depth interviews with leading companies in the electrical, engineering, and metal sectors, SML established that proprietary guidelines such as compliance requirements now more frequently require guarantees and bonds. In the, maintenance, retail and supply sectors, and parts of the capital goods industry, buyers typically take the lead in demanding hedging instruments such as guarantees or bonds. The study also discovered that guarantees become essential when projects reach a certain size – particularly for capital goods, energy and infrastructure projects. International firms are also increasingly turning to guarantees, due to internal guidelines or compliance requirements, or with new clients where trust still needs to be established. Both SML and the companies studied assume the need for hedging instruments is likely to rise. However, bonds still represent a significant expense for Swiss companies.

Spoiled for choice
The study identified reputation and rating as major factors when choosing a guarantee and bond provider. Easy online transactions and management solutions are in high demand, as are speed and completeness of offers. Personal contact, experience and expertise are key for consulting providers.

Growth market with potential
According to SML, the bonding market grew consistently at around +6% annually between 2011 and 2014. Overall, 50% of the market consists of rent and construction guarantees. Bond demand varies significantly between industries. SML believes the increasing Swiss small, medium enterprise (SME) focus on exports offers further opportunities for the bond insurance market.

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Euler Hermes is the global leader in trade credit insurance and a recognized specialist in the areas of bonding, guarantees and collections. With more than 100 years of experience, the company offers business-to-business (B2B) clients financial services to support cash and trade receivables management. Its proprietary intelligence network tracks and analyzes daily changes in corporate solvency among small, medium and multinational companies active in markets representing 92% of global GDP. Headquartered in Paris, the company is present in over 50 countries with 6,400+ employees. Euler Hermes is a subsidiary of Allianz, listed on Euronext Paris (ELE.PA) and rated AA- by Standard & Poor's and Dagong Europe. The company posted a consolidated turnover of over €2.6 billion in 2015 and insured global business transactions for €890 billion in exposure at the end of 2015.
Further information: www.eulerhermes.com, LinkedIn or Twitter @eulerhermes.

Euler Hermes Switzerland employs around 50 people at its headquarters in Wallisellen and other locations in Lausanne and Lugano. Further information: www.eulerhermes.ch, LinkedIn or Twitter @eulerhermes.

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