

Cantonal Banking Act on Zürcher Kantonalbank

**of 28 September 1997
(Version in accordance with the Cantonal Parliament
Act of 1 July 2022)**

Cantonal Banking Act on Zürcher Kantonalbank¹²

of 28 September 1997 1 (loose-leaf collection no. 951.1)
(version in accordance with the Cantonal Parliament Act of
25 March 2019)

Section One

General information

§ 1 Zürcher Kantonalbank is an independent institution under cantonal law with its registered office in Zurich. Legal form and registered office

The Bank's purpose is to contribute to the canton's fulfilment of its economic, social and environmental tasks, and thus supports a sustainable development.

§ 2 The Bank satisfies investment and financing needs through a business policy geared towards continuity. In doing so, it especially takes into account the concerns of small and medium-sized companies, employees, agriculture and public-sector corporation. It promotes property ownership and construction of affordable housing as well as the achievement of greenhouse gas neutrality. Purpose

§ 3 The Bank shall be managed according to business principles and shall strive to achieve a reasonable profit. Management based on business principles

Section Two

Equity capital and state guarantee

§ 4¹⁵ The basic capital shall be comprised of endowment capital. Basic capital

Endowment
capital

§ 4a¹⁴ ¹ The canton shall provide the Bank with the necessary endowment capital.

² The Board of Directors may demand payment of the endowment capital, either in full or in partial amounts up to the limit set by the Cantonal Parliament.

Additional
equity capital

§ 5 The Bank shall obtain additional equity capital by building up reserves and borrowing subordinated liabilities.

State
guarantee

§ 6¹⁸ ¹ The canton ¹⁵ is responsible for all the Bank's liabilities, if the Bank's own funds prove insufficient.

² This liability does not include subordinated liabilities.

³ The Bank shall pay compensation to the canton on an annual basis for the state guarantee. This compensation shall be booked as cost.

⁴ The Board of Directors shall issue a regulation on the compensation, which must be approved by the Cantonal Parliament.

⁵ The compensation is not taken into account, when calculating the medium-term settlement of the canton's accounts.

⁶ The cantonal government discloses the total of all compensation paid by the Cantonal Bank in the annual report.

Section Three

Scope of business

- § 7 ¹ The Bank conducts the business of a universal bank. Business activities
- ² It shall not enter into any proprietary business, which involves disproportionate risks.
- ³ The Bank shall operate a collateral lending business.
- ⁴ It actively contributes to achieving the cantonal climate targets, in particular regarding energy-efficient building renovation.
- § 8¹⁵ ¹ The Bank shall conduct business primarily in the Zurich economic area. Business area
- ² Dealings in other parts of Switzerland and abroad are permissible, provided
- a) that the Bank is not exposed to any disproportionate risks as a result, and
- b) the Bank's ability to meet the cash and lending needs in the canton is not impaired.
- ³ Branches in Switzerland are permitted subject to the conditions set out in the aforementioned section 2. Branches outside of Switzerland are permitted only, if they are also necessary for regulatory purposes.
- § 9 ¹ The Bank may enter into syndicates and other organisations and participate in investment funds. Participations
- ² It may also participate in public and public-private companies.

³It may participate in private companies, if such participations serve the economic interests of the canton, a social purpose or the legitimate interests of the Bank.

⁴It may establish subsidiaries and foundations in Switzerland and abroad.

Details of
business
operations

§ 10¹⁵ The Board of Directors shall regulate the details of business operations in the organisational regulations³

Section Four

Overall supervision

Cantonal

§ 11⁸ ¹The Bank is under the overall supervision of the Cantonal Parliament.

²The Cantonal Parliament is responsible for:

1. electing the members of the Board of Directors and the Chairperson's Committee,
- 2.¹⁵ determining the maximum amount of the endowment capital,
3. approving guidelines that describe in detail the fulfilment of the public service mandate,
4. approving the Bank's annual financial statements and annual report,
5. discharging the Bank's corporate bodies,
6. electing the auditor,

7. approving the compensation regulations for members of the Board of Directors.
- 8.¹⁵ approving the compensation regulations for the state guarantee,
- 9.¹⁵ issuing a regulation on the preparation and performance of elections for the members of the Board of Directors and the Chairperson's Committee.

§ 12 ¹The Cantonal Parliament shall determine the commission responsible for the overall supervision. ¹²

Cantonal
Parliament

²Tax officials and persons employed by other banks shall not be elected to this Commission.

³The Commission is in particular responsible for:

1. preparing the activities of the Cantonal Parliament, with the exception of the elections to the Board of Directors,
2. taking notice of the auditor's reports,
3. consulting on the Bank's annual report and annual financial statements,
4. consulting on interim reports about the performance of the business as well as other reports from the Board of Directors, the auditor or the qualified experts on business policies appointed by the Commission, on complying with legal and regulatory provisions or on other important matters,

5. regularly taking notice of a special report from the auditor on the Bank's financial situation regarding the state guarantee,
6. supervising the fulfilment of the public service mandate,
7. supervising compliance with the compensation regulations for the members of the Board of Directors.

⁴The Commission holds the rights of information of supervisory commissions in accordance with the Cantonal Parliament Act 2.

The Bank shall provide the Commission with the relevant information and documents needed to fulfil its duties.¹⁷

§ 13¹⁶ . .

Section Five **Organisation**

Corporate
bodies

§ 14⁸ ¹ The corporate bodies of the Bank are as follows:

- a) the Board of Directors,
- b) the Chairperson's Committee,
- c) the Executive Board,
- d) the Auditor.

²The Cantonal Parliament issues a regulation on the preparation and performance of elections for the members of the Board of Directors and the Chairperson's Committee.¹⁴

³The members of the Cantonal Parliament, the governing council and the supreme cantonal courts, as well as members of the tax authorities, tax officials and persons working for other banks, may not join either the Board of Directors nor the Chairperson's Committee. However, persons working at financial institutions, in which the Bank holds a participating interest, may serve as members in a corporate body.¹³

⁴The rules on incompatibility contained in the Act on Political Rights⁹ shall apply accordingly.

§ 15 ¹The Board of Directors shall consist of 13 members, including the three members of the Chairperson's Committee.

Board of
Directors

²The term of office shall be four years. Members of the Board of Directors may stand for re-election. The total time spent in office shall not exceed twelve years, and in any case shall end, once the member turns 70 years of age. A replacement shall be elected for the remaining term of office.

³The Board of Directors is responsible for:

1. the overall management of the Bank, in particular establishing the principles for the corporate policy, mission statement, business strategy and the Bank's organisation,
2. the overall supervision of the persons entrusted with the management of the Bank, particularly regarding compliance with legislation and regulations,

3. the election of the Chair, their deputy, and the secretary of the Board of Directors, as well as two replacements for the Chairperson's Committee,
4. the appointment and dismissal of the members of the Executive Board and their deputies, the heads of branches who are directors as well as the chief inspector and his/her deputy,
5. exercising its right to make proposals for selecting the auditor,
6. issuing the organisational regulations,
7. issuing guidelines that describe in detail the fulfilment of the public service mandate, subject to approval by the Cantonal Parliament,
8. issuing regulations on compensation for members of the Board of Directors, subject to approval by the Cantonal Parliament,
- 9.¹⁵ issuing special regulations,
- 10.¹⁵ opening and closing of branches as defined in Article 935 of the Swiss Code of Obligations (SCO)⁴ and of branch offices, the establishment, acquisition and disposal of subsidiaries and other significant holdings as well as the establishment of foundations,
11. approving the budget and the annual planning,
12. approving the annual financial statements and the annual report to be submitted to the Cantonal Parliament, as well as other reports

from the Board of Directors submitted to the Cantonal Parliament Commission,

13. deciding on the items reserved for the Board of Directors as specified in the organisational regulations³,
14. deciding on the items reserved for the Board of Directors as specified in Swiss federal law.

§ 15a⁷ ¹ The Board of Directors forms committees, to which it assigns duties regarding overall supervision and overall management. The duties and powers are described in the organisational regulations³.

Committees

² In particular, the following committees must be formed:

1. an audit committee,
2. a compensation committee,
3. a risk management committee,
- 4.¹⁴ an IT committee.

³ The members of the Chairperson's Committee shall not serve as members of the audit committee.

§ 16¹⁵ ¹ The Chairperson's Committee shall consist of the Chair and both Vice-Chairs of the Board of Directors.⁸

Chairperson's
Committee

² The term of office shall be four years. Members of the Chairperson's Committee may stand for re-election. If a member of the Chairperson's Committee reaches the age of 65 while in office, their service ends at the end of their term of office. Other than this, there is

no restriction on the service time of members of the Chairperson's Committee.¹⁰

³The Chairperson's Committee are responsible for:

1. directly supervising the management;
2. monitoring the implementation of Board of Directors resolutions;
- 3.⁸ appointing and dismissing senior executives not elected by the Board of Directors,
4. completing business that cannot be delayed, which falls under the remit of the Board of Directors, although in such cases the approval of the Board of Directors must be obtained thereafter,
- 5.⁸ deciding on the items reserved for the Chairperson's Committee ³ as specified in the organisational regulations,

Executive Board

§ 17¹⁵ ¹ The Executive Board is responsible for managing the Bank.

² It is responsible for the appointment and dismissal of members of management, except for those in the Inspectorate.

³ The organisation of the Executive Board and the responsibilities of its members are contained in a regulation.

Auditor

§ 18¹⁵ ¹ The auditor is an audit company recognised by the Swiss Financial Market Supervisory Authority, which also performs the duties of an audit company in accordance

with financial market legislation. The term of office for the auditor shall be two years, and shall begin in the financial year following election. The auditor may stand for re-election.

²The auditor shall examine whether the accounting, the annual financial statements and the distribution of profit comply with legal requirements. It shall submit a written report on the results of its audit to the Cantonal Parliament, and shall recommend the approval, with or without qualifications, or the rejection of the annual financial statements. It shall submit the special report to the Cantonal Parliament Commission as specified in § 12 section 3 no. 5. As an audit firm as defined by Art. 24 section 1 of the Federal Act of 22 June 2007 on the Swiss Financial Market Supervisory Authority (FINMASA) 5, it carries out the audits prescribed by financial market legislation.

§ 19⁸ ¹ Internal audits shall be conducted by an Inspectorate that reports directly to the Board of Directors and is independent of the Executive Board. The Inspectorate shall submit reports to the Chairperson's Committee and the audit committee for the attention of the Board of Directors.

Inspectorate

²The chief inspector is responsible for appointing and dismissing managers who report directly to him/her.

§ 20 The Bank is represented by the members of the Chairperson's Committee and the Executive Board as well as the other authorised signatories.

Representation

§ 21¹⁶ . .

§ 22 The members of the corporate bodies and the Bank employees are prohibited from entering transactions which harbour excessive risks.

Proprietary trading by employees

Further conditions § 23⁸ The organisational regulations contain additional provisions on organisation³.

Section Six

Branch offices

Branches and branch offices § 24¹⁵ The Bank shall operate branches and branch offices, the scope of business and organisation of which are stipulated in the organisational regulations.

Section Seven

Liability

Liability § 25¹⁵ The members of the Bank's corporate bodies shall be liable to the Bank and the canton as well as to the creditors of subordinated liabilities in accordance with the provisions of Swiss stock corporation law (Art. 752–760 SCO 4). Claims arising from such liability shall be made before the administrative court. The Cantonal Parliament shall represent both the canton and the Bank.

Section Eight

Profit distribution

Balance sheet profit § 26¹⁵ A dividend may be paid to the canton from the balance sheet profit or reserves established for this purpose as compensation for the provision of the endowment capital.

Use of dividends § 26a¹⁴ The canton shall first use the dividend to pay the capital costs associated with the refinancing of the endowment capital. A third of any remaining amount shall be owed to the political municipalities in proportion to their number of residents.

Section Nine

Occupational pension

§ 27 ¹ There are occupational pension schemes made available to the full-time members of the corporate bodies and the Bank employees, who participate in its management.

Occupational
pension

² The Bank's pension fund is an independent public institution, with its domicile and registered office at the Bank's headquarters.

Section Ten

Concluding provisions

§ 28 ¹ This Law is subject to a referendum. It shall enter into force following official publication of the resolution by the Cantonal Parliament after validation ⁶.

² The Law on Zürcher Kantonalbank of 28 May 1978 (partially amended on 4 June 1989) shall be repealed simultaneously.

- 1 OS 54, 353.
- 2 LS 171.1.
- 3 Not in LS.
- 4 SR 220.
- 5 SR 956.1.
- 6 In force since 1 January 1998 (OS 54, 416).
- 7 Supplemented by the Act of 30 June 2003 (OS 58, 244).
In force since 1 January 2005 (OS 59, 141).
- 8 Version pursuant to the Act of 30 June 2003 (OS 58, 244).
In force since 1 January 2005 (OS 59, 141).
- 9 Version pursuant to the Act on Political Rights of 1 September 2003
(OS 58, 289). In force since 1 January 2005 (OS 59, 194).
- 10 Supplemented by the Act of 14 March 2005 (OS 60, 295).
In force since 1 October 2005.
- 11 Version pursuant to the Act of 14 March 2005 (OS 60, 295).
In force since 1 October 2005.
- 12 Version pursuant to the Act on the Adaptation of the Cantonal
Governmental Organisation and the Cantonal Procedural Law in Civil and
Criminal Affairs to the New Procedural Laws of the Federal Government
of 10 May 2010 (OS 65, 520, 588;
ABI 2009, 1489). In force since 1 January 2011.
- 13 Version pursuant to the Act on the Adaptation of the Cantonal
Governmental Organisation and the Cantonal Procedural Law in
Civil and Criminal Affairs to the New Procedural Laws of the Federal
Government of 10 May 2010 (OS 65, 520, 588; ABI 2009, 1489).
In force since 1 January 2011.
- 14 Supplemented by the Act of 26 May 2014 (OS 69, 477; ABI 08/02/2013).
In force since 1 January 2015.
- 15 Version pursuant to the Act of 26 May 2014 (OS 69, 477;
ABI 08/02/2013). In force since 1 January 2015.
- 16 Repealed by the Act of 26 May 2014 (OS 69, 477; ABI 08/02/2013).
In force since 1 January 2015.
- 17 Version pursuant to the Cantonal Parliament Act of 25 March 2019
(OS 74, 387). In force since 1 May 2020.
- 18 Version pursuant to the Act of 15 November 2021 (OS 77, 249;
ABI 12/06/2020). In force since 1 July 2022.
- 19 Version in accordance with the Cantonal Parliament Act of 27 March 2023
(RS-ZH08-000000175). In force since 1 July 2023