

Introduction to Swiss Law

Block 2: Private Law

Law of Obligations



The screenshot shows the official website of the Swiss Federal Council. The header includes the logo and name of the Swiss Confederation in four languages (German, French, Italian, Romansh) and the English text "The federal Council" and "The portal of the Swiss government". A search bar is visible in the top right. The main navigation menu includes "Federal Council", "Federal Presidency", "Departments", "Federal Chancellery", "Federal law", and "Documentation". The breadcrumb trail reads: "Start > Federal law > Classified compilation > Internal laws > 220 Federal Act of 30 March 1911 on the Amendment of the Swiss Civil Code (Part Five: The Code of Obligations)".

220 [expand all](#) | [collapse all](#) | 

English is not an official language of the Swiss Confederation. This translation is provided for information purposes only and has no legal force.

Federal Act on the Amendment of the Swiss Civil Code

(Part Five: The Code of Obligations)

of 30 March 1911 (Status as of 1 July 2015)

The Federal Assembly of the Swiss Confederation,

having considered the Dispatches of the Federal Council dated 3 March 1905 and 1 June 1909¹

Additional informations

This text is in force.

Decision	30 March 1911
In force	1 January 1912

Tools

[Language comparison](#)

All versions of this law

Thursday, September 29th 2016, KOL-F-118
Dr. Tina Huber-Purtschert, attorney at Law
www.rwi.uzh.ch/huguenin

Introduction to Swiss Law

Overview



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- I. Objectives
- II. Literature
- III. Translations
- IV. Useful Links
- V. Code of Obligations: Structure
- VI. Swiss Contract Law
- VII. Swiss Company Law
- VIII. Did we meet the Objectives?

Introduction to Swiss Law

Objectives



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being able to **find** the **law text** and secondary **literature**

getting to **know** the **structure** and **functioning** of the Swiss code of obligations

being able to **enumerate** general **principles** of swiss contract and company law and being able to **find** the **respective provisions** in the law text

starting **reflexions** about the **similarities** and **differences** to the jurisdiction of the respective „**homecountry**“

Introduction to Swiss Law

Literature



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Contract Law

- BUCHER EUGEN, The Law of Contracts (Chapter 8), in: François Dessemontet and Tugrul Ansay (eds.), Introduction to Swiss Law, 3rd ed., Zurich 2004, pp. 107-1144.

Company Law

- HANDSCHIN LUKAS, Swiss Company Law, 2nd ed., Zurich 2015.
- LENGAUER DANIEL/SCHAAD MARTIN/AMSTUTZ THERESE (eds.), Company Law in Switzerland, Zurich 2009.
- DÖRIG ADRIAN, Switzerland, in: Frank Dornseifer (ed.), Corporate Business Forms in Europe, A Compendium of Public and Private Limited Companies in Europe, Berne 2005, pp. 809-889.

Other literature

- VOGT NEDIM PETER/DROLSHAMMER JENS (gen. eds.), Swiss Law Bibliography, English language materials on swiss law, Basel/Geneva/Munich 2005.

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Translations



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English Translations of the Swiss Code of Obligations

- <http://www.admin.ch/ch/e/rs/2/220.en.pdf>.
- Federal Office of Justice (ed.): Swiss law (Civil Code, Code of Obligations, Private International Law: Arbitration), Berne 2012.
- Swiss-American Chamber of Commerce (ed.): Swiss Code of Obligations I, Contract Law (Articles 1-551), 6th ed., Zurich 2011.
- Swiss-American Chamber of Commerce (ed.): Swiss Code of Obligations II, Company Law (Articles 552-964), 5th ed., Zurich 2010.

An English version of each article of the code of obligations can also be found in:

Amstutz Marc et al (eds.): Handkommentar zum Schweizer Privatrecht, 3rd ed., 10 volumes, Zurich/Basel/Genf 2016.

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Useful Links



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The Jurisdiction of the Swiss Federal Tribunal:

www.bger.ch

Federal Acts and Ordinances:

www.admin.ch/bundesrecht or www.bundesrecht.admin.ch

Federal and Cantonal Jurisdiction, Literature (especially Law Journals and Commentaries):

www.swisslex.ch; www.legalis.ch

Introduction to Swiss Law

Code of Obligations: Structure (I/II)



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The Swiss Code of Obligations

- federal act on the amendment of the Swiss Civil Code (part 5)
- in force since January 1th, 1912

Division One

General
Provisions
(arts. 1-183 CO)

Division Two

Types of
Contractual
Relationship
(arts. 184-551 CO)

Division Three

Commercial
Enterprises and
the Cooperative
(arts. 552-926 CO)

Division Four

The Commercial
Register, Busi-
ness Names
and Commercial
Accounting
(arts. 927-964 CO)

Division Five

Negotiable
Securities
(arts. 965-1186 CO)

- to be found in the classified compilation of federal law (No. 220)
- influenced by the German Code of Obligations, but much easier to read due to its straightforwardness and therefore often recommended as one of the best Civil Codes within Europe

Introduction to Swiss Law

Code of Obligations: Structure (II/II)



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Other federal acts (ordinances) beside the Swiss Code of Obligations (selection):

Contract Law

- Convention of International Sale of Goods (No. 0.221.211.1), «CISG»
- Consumer Credits Act (No. 221.214.1)
- Product Liability Act (No. 221.112.944)
- Package Travel Act (No. 944.3)

Company Law

- Merger Act (No. 221.301)
- Ordinance on the Commercial Register (No. 221.411)
- Fair Trade Act (No. 241)
- Cartel Act (No. 251)
- Banking Act (No. 952.0)
- Stock Exchange Act (No. 954.1)
- Collective Investment Schemes Act (No. 951.31)

Swiss Contract Law

Overview



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1. Principle of freedom of contract
2. Conclusion of a contract
3. Interpretation of a contract
4. Nullity of a contract
5. Defeasibility of a contract
6. Non-commercial agency
7. Breach of a contract
8. Quasi-contractual obligations
9. Obligations in tort
10. Restitution of an unjust enrichment
11. Time limits
12. Order of «testing» claims
13. Special types of contracts

Swiss Contract Law

1. Principle of freedom of contract (I/II)



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Freedom to conclude or not conclude a contract

No one has to conclude a contract unless there is a legal provision to conclude. A legal provision to conclude a contract would for example be the obligation of every car owner to effect an insurance.

Freedom to choose the contractual partner

Everyone has the right to choose his contractual partner unrestricted but there are cases where one can be forced to conclude a contract with someone else or cases where it's forbidden to conclude contracts with certain people (for example a real estate contract with a minor).

Freedom to establish the contracts content

The content of a contract may be chosen by the parties but it must not have an illegal content. If the content is forbidden by law the contract is null and void (art. 20 para. 1 CO).

Swiss Contract Law

1. Principle of freedom of contract (II/II)



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Freedom of formality

The Swiss Code of Obligations does in general not demand a special form to conclude a contract (art. 11 para. 1 CO). A contract may therefore be concluded orally or even without using words but by a consenting behaviour. There are a few exceptions where a special form is provided by law, examples are:

- A labour contract with an apprentice has to be «done in writing» (art. 344a CO).
- A sales contract about real estate. It's not only provided, that this contract has to be in written form, it even has to be «done as a public deed» (art. 216 CO).

Freedom to terminate or alter a contract

Freedom to conclude any kind of contract regardless of whether or not it's one of the individual types of contracts in the second division of the CO

Swiss Contract Law

2. Conclusion of a contract (I/II)



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Conclusion of the contract, art. 1 CO

«¹The conclusion of a contract requires a mutual expression of intent by the parties.»

«²The expression of intent may be express or implied.»

Consensus

The parties must consent in every basic point of the contract. Less important points may be left open.

Contract of sales, art. 185 CO:

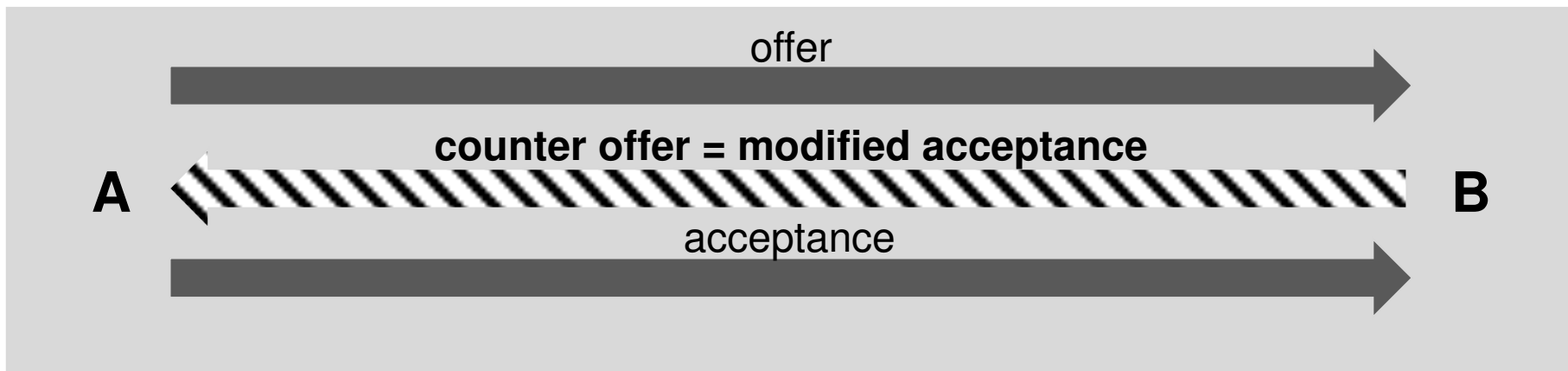
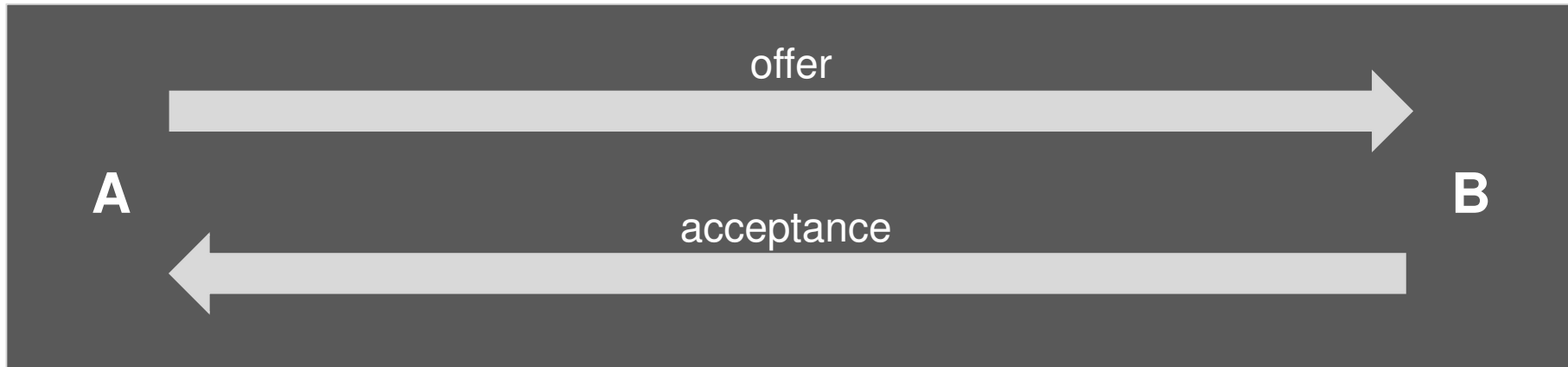
- Basic points that have to be determined: the **price of the good** and the **good itself**.
- Less important points may be for example: the place or the time of fulfillment of the contract.

Swiss Contract Law

2. Conclusion of a contract (II/II)



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Swiss Contract Law

3. Interpretation of a contract



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Subjective Interpretation: Principle of will, art. 18 para. 1 CO

«¹[...] the true and common intention of the parties must be ascertained without dwelling on any inexact expressions or designations they may have used either in error or by way of disguising the true nature of the agreement»

Objective Interpretation: Principle of good faith (non-codified principle)

A declaration of intention is understood the way the other party of the contract could and did in good faith understand it.

Acting in good faith,
art. 2 CC (Civil Code)

«¹ Every person must act in good faith in the exercise of his or her rights and in the performance of his or her obligations.»

Swiss Contract Law

4. Nullity of a contract



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impossibility

art. 20 para. 1 CO

unlawfulness, immorality

art. 20 para. 1 CO

non-respect of the required form

art. 11 CO

Nullity, art. 20 CO

«¹ A contract is void if its terms are impossible, unlawful or immoral.»

«² However, where the defect pertains only to certain terms of a contract, those terms alone are void unless there is cause to assume that the contract would not have been concluded without them.»

Formal requirements and significance in general, art. 11 CO

«¹ The validity of a contract is not subject to compliance with any particular form unless a particular form is prescribed by law.»

«² In the absence of any provision to the contrary on the significance and effect of formal requirements prescribed by law, the contract is valid only if such requirements are satisfied.»

Swiss Contract Law

5. Defeasibility of a contract (I/II)



Unfair advantage

art. 21 CO

art. 21 CO, unfair advantage

«¹ Where there is a clear discrepancy between performance and consideration under a contract concluded as a result of one party's exploitation of the other's straitened circumstances, inexperience or thoughtlessness, the injured party may [...] demand restitution of any performance already made.»

Error

arts. 23 et seqq. CO

art. 23 CO, error

«A party labouring under fundamental error when entering into a contract is not bound by that contract.»

art. 24 CO, cases of mistake

«¹ ...»

Fraud

art. 28 CO

art. 28 CO, fraud

«¹ A party induced to enter into a contract by the fraud of the other party is not bound by it even if his error is not fundamental.»

Duress

arts. 29 et seq. CO

art. 29 CO, consent to contract

«¹ Where a party has entered into a contract under duress from the other party or a third party, he is not bound by that contract.»

art. 30 CO, definition of duress

«¹ ...»

Swiss Contract Law

5. Defeasibility of a contract (II/II)



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Consequence of an error, fraud or duress:

Defect of consent negated by ratification of the contract, art. 31 CO

«¹ Where the party acting under error, fraud or duress neither declares to the other party that he intends not to honour the contract nor seeks restitution for the performance made within one year, the contract is deemed to have been ratified.»

«² ...»

«³ ...»

Swiss Contract Law

Discussion



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Have a „mini-conference“ (5‘) with your neighbour and find examples for:

- null contracts
- defeasible contracts



Swiss Contract Law

6. Non-commercial agency (I/II)



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Non-commercial agency (arts. 32-40 CO)

- contracts may not only be concluded by the parties themselves but also by an agent
- not to confound with a commercial agency (arts. 458-465 and 348b)

two types of non-commercial agency in the Swiss Contract Law:

The agent acts in the party's name and for account of the represented party (art. 32 para. 1 CO).

The agent acts in his own name but for account of the represented party (art. 38 para. 1 CO).

Swiss Contract Law

6. Non-commercial agency (II/II)



The agent needs to be authorized by the represented person. The extent of authority depends on the type of authorization:

Where a person without authority enters into a contract on behalf of a third party, rights and obligations do not accrue to the latter unless he ratifies the contract (thus art. 38 para. 1 CO).

Scope of authority, art. 33 CO

«¹ Where authority to act on behalf of another stems from relationships established under public law, it is governed by the public law provisions of the Confederation or the cantons.»

«² Where such authority is conferred by means of the transaction itself, its scope is determined by that transaction.»

Failure to ratify, art. 39 CO

«¹ Where ratification is expressly or implicitly refused, action may be brought against the person who acted as agent for compensation in respect of any damage caused by the extinction of the contract unless he can prove that the other party knew or should have known that he lacked the proper authority.»

Swiss Contract Law

7. Breach of a contract (I/IV)



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non-performance

defective performance

default of performance

**Obligor's duty to compensate – in general,
art. 97 CO**

«¹ An obligor who fails to discharge an obligation at all or as required must make amends for the resulting loss or damage unless he can prove that he was not at fault.»

Swiss Contract Law

7. Breach of a contract (II/IV)



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Suppositions for a liability after art. 97 CO:

1. damage

2. breach of a contract

3. causality between the damage and the breach

4. misconduct attributable to the obligor (assumed)

Swiss Contract Law

7. Breach of a contract (III/IV)



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Default, arts. 102 et seqq. CO

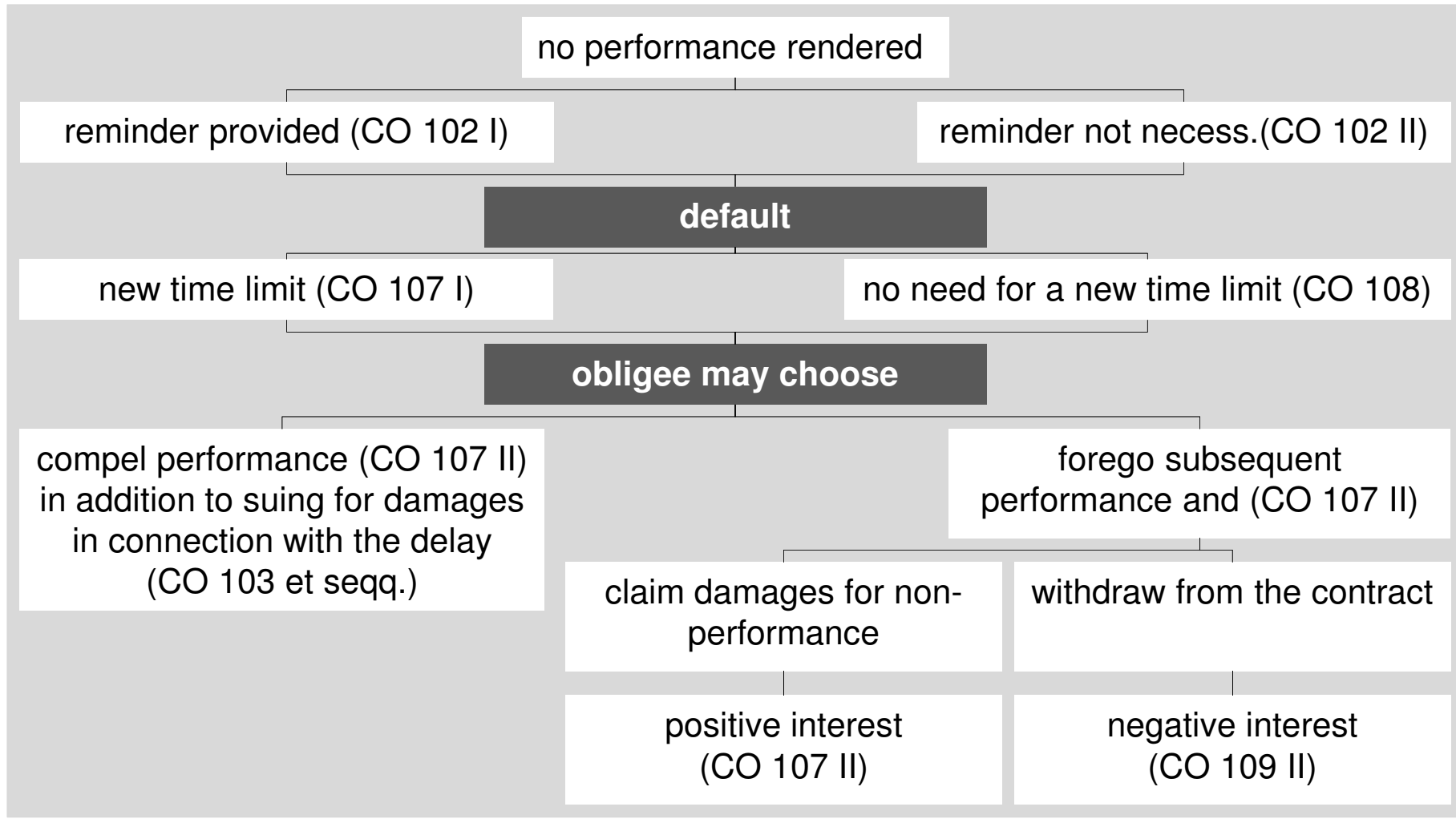
Requirement, art. 102 CO

«¹ Where an obligation is due, the obligor is in default as soon as he receives a formal reminder from the obligee.»

«² Where a deadline for performance of the obligation has been set by agreement or as a result of a duly exercised right of termination reserved by one party, the obligor is automatically in default on expiry of the deadline.»

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7. Breach of a contract (IV/IV)



Swiss Contract Law

Discussion



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April 9th 2016 – Tina's wedding:

- **Wedding dress** ordered, agreement that dress will be finished 3 weeks before wedding day, dressmaker has not even started, other dressmaker can tailor one in a hurry, which costs 1/3 more than the originally ordered one.
- Ordered a **new car** quite some time ago, it did not arrive yet, but Tina wants to go on the honeymoon with it.
- Tina ordered **white almonds** («confetti») for the wedding table. The almonds did not arrive. The couple decides that the flower decoration will be so abundant, that they are not needed any more.

Now we are three weeks before the wedding.

How should Tina proceed? Discuss with your neighbour. (10')

Swiss Contract Law

8. Quasi-contractual obligations (I/II)



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Suppositions for a liability after **inspired confidence, bared on trust:**

1. damage

2. supposition «breach of contract» for a liability after Art. 97 CO is replaced by:

- **special juridical connection**
- **creation** of inspired confidence, bared on trust that merits to be protected
- **violation** of inspired confidence, bared on trust that merits to be protected

3. causality between 1. and 2.

4. misconduct attributable to the obligor

Swiss Contract Law

8. Quasi-contractual obligations (II/II)



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Suppositions for a liability after **Culpa in contrahendo** (precontractual liability):

1. damage

2. «breach of contract» for a liability after Art. 97 CO is replaced by:

- **contractual negotiations**
- **violation** of a precontractual duty

3. causality between 1. and 2.

4. misconduct attributable to the obligor

Swiss Contract Law

9. Obligations in tort



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The paradigm «tort» consists of an act or omission by the defendant which causes damage to the claimant. The damage must be caused by the fault of the defendant and must be a kind of harm recognized as attracting legal liability.

arts. 41-61 CO

suppositions for a
compensation after
art. 41 CO

General principles – conditions of liability, art. 41 CO

«¹ A person who unlawfully causes loss or damage to another, whether willfully or negligently, is obliged to provide compensation.»

- damage
- illegality
- causality between the damage and the illegality
- misconduct attributable to the defendant

Swiss Contract Law

10. Restitution of an unjust enrichment



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No one shall be enriched by assets of someone else if there's no reason for the enrichment.

arts. 62-67 CO

Requirement – in general, art. 62 CO

«¹ A person who has enriched himself without just cause at the expense of another is obliged to make restitution.»

suppositions for a
restitution after
art. 62 CO

- enrichment of one person
- (loss of property/assets of another person)
- no justification for the enrichment

Swiss Contract Law

11. Time limits



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All claims become time-barred

Contract law	art. 127 CO	after ten years unless otherwise provided by federal civil law.
Obligations in tort	art. 60 CO	one year from the date on which the injured party became aware of the loss/damage and of the identity of the person liable; in any event ten years after the date on which the loss/damage was caused
Unjust enrichment	art. 67 CO	one year after the date on which the injured party learned of his claim and in any event ten years after the date on which the claim first arose

Swiss Contract Law

12. Order of «testing» claims



Contractual claims

Quasi-contractual claims

Property law claims (CC)

Obligations in tort

Unjust enrichment claims

Swiss Contract Law

13. Special types of contracts (I/IX)



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Codified contracts

- **sale** and exchange (arts. 184-238 CO)
- gifts (arts. 239-252 CO)
- **lease and usufructuary lease** (arts. 253-304 CO)
- **loan** (arts. 305-318 CO)
- **employment contracts** (arts. 319-362 CO)
- **contract for work and services** (arts. 363-379 CO)
- publishing contract (arts. 380-393 CO)
- **agency contracts** (arts. 394-418 CO)
- agency without authority (arts. 419-424 CO)
- commission contract (arts. 425-439 CO)
- contract of carriage (arts. 440-457 CO)
- payment instruction (arts. 466-471 CO)
- contract of bailment (arts. 472-491)
- contract of surety (arts. 492-512 CO)
- gambling and betting (arts. 513-515 CO)
- life annuity contract and lifetime maintenance agreement (arts. 516-529 CO)

Swiss Contract Law

13. Special types of contracts (II/IX)



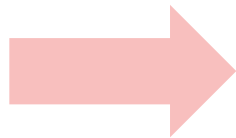
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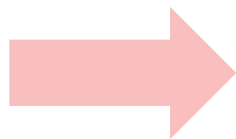
Codified contracts

Secondary terms, art. 2 CO

«¹ Where the parties have agreed on all essential terms, it is presumed that the contract will be binding [...].»



Codified contracts are characterized by standard principal obligations of the contractual parties („standard“ essentialia negotii)



every type of contract has his own „specialities“, depending also on the fact, how strong the two parties are

Swiss Contract Law

13. Special types of contracts (III/IX)



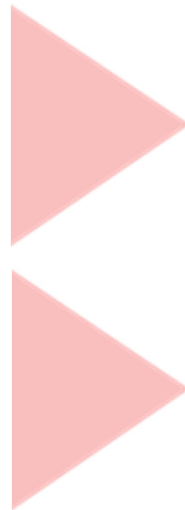
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Codified contracts

Sale, art. 184 CO

- Seller:
«*deliver the item sold and transfer ownership*»
- Buyer:
«*payment of the sale price*»



Chattel sale, arts. 187-215 CO

Sale of immovable property, art. 216-221 CO

Swiss Contract Law

13. Special types of contracts (IV/IX)



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Codified contracts

Loan for use, arts. 305-311 CO

- lender:
*«make an object available
free of charge to the
borrower»*
- borrower:
restitution of borrowed
object

Fixed-term loan, arts. 312-318 CO

- lender:
*«transfer the ownership of
a sum of money or of other
fungible goods»*
- borrower:
restitution of objects of the
same quantity and quality

Swiss Contract Law

13. Special types of contracts (V/IX)



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Codified contracts

contract for work and services, art. 363 CO

- contractor:
«*carry out a work*»
- customer:
payment for the work

simple agency contract, art. 394 CO

- agent:
conduct a business or provide a service
- principal:
paying a remuneration if agreed or customary

art. 394 para. 2 CO, «*Contracts for the provision of work or services not covered by any other specific type of contract are subject to the provisions governing agency.*»

art. 404 CO, «*The agency contract may be revoked or terminated at any time by either party.*»

Swiss Contract Law

13. Special types of contracts (VI/IX)



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Codified contracts

Lease, arts. 253-273c CO

- landlord or lessor:
granting «*a tenant or lessee the use of an object*»
- tenant or lessee:
payment of a rent

Usufructuary lease, arts. 275-304 CO

- lessor:
granting a «*lessee the use of a productive object or right and the benefit of its fruits or proceeds*»
- lessee:
payment of a rent

Swiss Contract Law

13. Special types of contracts (VII/IX)



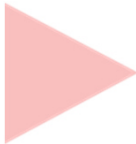
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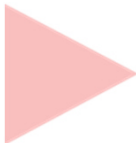
Codified contracts

individual employment contract, art. 319 CO

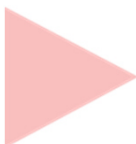
- employee:
«*work in the service of the employer for a limited or unlimited period*»
- employer:
payment of «*a salary based on the amount of worked time (time wage) or the tasks performed (piece work)*»



apprenticeship contract
(arts. 344-346a CO)



commercial traveller's contract
(arts. 347-350a CO)



homeworker's contract
(arts. 351-354 CO)

- collective employment contract
(arts. 356-358 CO)
- standard employment contract
(arts. 359-360f CO)

Swiss Contract Law

13. Special types of contracts (VIII/IX)



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Non codified contracts

As for the freedom of contracts, every kind of contract may be concluded as far as its content is legal. Over time there have been built several new kinds of contracts, not provided in the CO.

To handle these contracts, the judges sometimes refer to rules from similar codified contracts or they build new rules for these special kinds of non-codified contracts.

Examples:

- «leasing» contract (which is not the same as a lease contract)
- franchise contract
- licence contract
- sponsoring contract

Swiss Contract Law

13. Special types of contracts (IX/IX)



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Example for a codified contract:

Rights and obligations of the parties in general, art. 184 CO

«¹ A contract of sale is a contract whereby the **seller undertakes to deliver the item sold and transfer ownership** of it to the buyer in return for the **sale price**, which the buyer undertakes to pay to the seller.»

«² Unless otherwise provided by agreement or custom, the seller and the buyer are obliged to discharge their obligations simultaneously *quid pro quo*.»

«³ The price is deemed sufficiently determined where it can be determined from the circumstances.»

Example for a non codified contract:

«Leasing» contract

Definition after the jurisdiction on leasing contracts:

A «lessor» passes a movable or immovable object to a «lessee» in order to let the latter **use it for a certain period of time**. The «lessee» pays an **interest/rent** and for the **maintenance** of the object and he has to **bear the risk of loss/demolition** of the object. The **property right remains** with the «lessor».

Components of a lease *and* a sale contract

Swiss Contract Law

Discussion



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Think about the jurisdiction of your own country.

- Where do you see the main difference in contract law to Switzerland?
- Are there any questions regarding swiss contract law?

Discuss with your neighbour. (10')

Swiss Company Law

Overview



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1. Definition of the term «company»
2. Difference between Swiss Contract and Company Law
3. Types of business associations
4. Legal entity, legal capacity and capacity to act
5. Commercial agency
6. Most frequent business associations
7. Commercial register
8. Business names
9. Commercial accounting and financial reporting
10. Negotiable securities

Swiss Company Law

1. Definition of the term «company»



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An association of persons on a contractual basis pursuing a common purpose

association of persons

- simple partnership: at least 2 persons
- cooperative: at least 7 persons

contractual basis

the associates conclude a «partnership contract»

common purpose

the subject term of a partnership contract is the common purpose of the associates

Swiss Company Law

2. Difference between Swiss Contract and Company Law

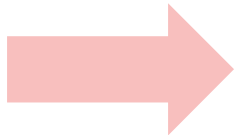


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Closed number of company forms

- There are **seven** different types of business associations, all to find in the Swiss Code of Obligations.
- Unlike Swiss Contract Law, Swiss Company Law does **not provide freedom to build** any kind of company with its own provisions.
- People are bound to choose from the types the law is offering.



Which type to choose depends on the intentions and interests of the partners.

Swiss Company Law

3. Types of business associations (I/IV)



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sole Proprietorship

„one-man business“

Partnerships

association of persons without separate legal
existence

Corporations

legal entities

Legal entities
outside of the CO

Swiss Company Law

3. Types of business associations (II/IV)



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sole Proprietorship

„one-man business“

Partnerships

association of persons without
separate legal existence

Corporations

legal entities

Legal entities
outside of the CO

simple Partnership,

arts. 530-551 CO

general Partnership,

arts. 552-593 CO

limited Partnership,

arts. 594-619 CO

Swiss Company Law

3. Types of business associations (III/IV)



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sole Proprietorship

„one-man business“

Partnerships

association of persons without
separate legal existence

Corporations

legal entities

Legal entities
outside of the CO

company Limited by Shares,
arts. 620-763 CO

partnership Limited by Shares,
arts. 764-771 CO

limited Liability Company,
arts 772-827 CO

cooperative,
arts. 828-926 CO

Swiss Company Law

3. Types of business associations (IV/IV)



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sole Proprietorship

„one-man business“

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association of persons without
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Corporations

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Legal entities
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Association, arts. 60-79 CC

Foundation, arts. 80-89a CC

Federal act on collective investment
schemes (No. 951.31), CISA , inter
alia:

- **investment company with variable capital (SICAV)**
- **limited partnership for collective investment**

Swiss Company Law

4. Legal entity, legal capacity and capacity to act (I/III)



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**Physical
Person
or
Natural
Person**



**Legal
Entity
or
Legal
Person**

Legal capacity
art. 11 CC (Civil Code)

Legal capacity
art. 53 CC (Civil Code)

Personality in general – legal capacity, art. 11 CC

«¹ Every person has legal capacity.»

«² Accordingly, within the limits of the law, every person has the same capacity to have rights and obligations.»

Legal Entities – legal capacity, art. 53 CC

«Legal entities have all the rights and duties other than those which presuppose intrinsically human attributes, such as gender, age or kinship.»

Swiss Company Law

4. Legal entity, legal capacity and capacity to act (II/III)



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Legal Entities: **Capacity to act**

Requirements, art. 54 CC

«Legal entities have capacity to act once the governing bodies required by law and their articles of association have been appointed.»

Action on behalf of the legal entity, art. 55 CC

«¹ The governing bodies express the will of the legal entity.»

«² They bind the legal entity by concluding transactions and by their other actions.»

«³ The governing officers are also personally liable for their wrongful acts.»

Swiss Company Law

4. Legal entity, legal capacity and capacity to act (III/III)



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Legal entities have legal standing in the eyes of law. A legal entity:

can enter into agreements or contracts;

can assume obligations;

can incur and pay debts;

can sue and be sued in its own right;

can be held responsible for its actions.

Swiss Company Law

5. Commercial agency



**Non-
commercial
agency**
arts. 32-40 CO

**Commercial
agency**
arts. 458-465 /
348b CO

**Governing
bodies**

e.g. arts. 707 et
seqq. CO

**registered power
of attorney**
arts. 458-461 /
464-465 CO

**other forms of
commercial
agency**
arts. 462-465 CO

**commercial
traveller**
art. 348b CO

- entry in the **commercial register** required

- implicitly or explicitly, no form requirements

- Implicitly or explicitly, no form requirements

Swiss Company Law

6. Most frequent business associations (I/IX)



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Number of private businesses registered in the commercial register	29.09.2016
<i>Sole proprietorship</i>	157'123
General partnership	11'488
Limited partnership	1'713
Company limited by shares	211'031
Limited liability company	176'038
Cooperative	8'887
<i>Association</i>	8'553
Foundation	17'091

Swiss Company Law

6. Most frequent business associations (II/IX)



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Sole proprietorship

Creation

- automatically, when a single person starts his own commercial business under his own name and own responsibility
- if turnover p.a. amounts up to CHF 100'000, a sole proprietorship has to be registered in the commercial register, below that level it is optional

Liability

as a sole proprietor one is fully liable in person for the liabilities of the business

Company name

must contain the family name of the sole proprietor

Self-employment given

working under the own name and at own expenses, autonomously, at own risk

Swiss Company Law

6. Most frequent business associations (III/IX)



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Sole proprietorship

When used:

- to start first commercial activities
- commercial activities might be small
- „one-man-show“
- no budget to set up a corporation

Where regulated:

- art. 934 CO (provision about registration in the commercial register)
- art. 936a CO (business identification number)
- arts. 945 et seq. CO (names of sole proprietorship)
- arts. 957 et seqq. CO (duty to keep accounts and file financial reports)
- ordinance on the commercial register
- tax law

rudimentary regulated!

Swiss Company Law

6. Most frequent business associations (IV/IX)



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Company limited by shares (Ltd)

Creation

- when registered in the commercial register (last step after a notarial process, with establishment of articles of association)
- minimum share capital of CHF 100'000

Liability

- shareholders are not liable in person for the liabilities of the company
- the company's liability is limited to the share capital

Company name

can be freely chosen by respecting the general principles on the composition of business names and has to indicate the legal form (Ltd or in German: AG, in French/Italian: SA)

Swiss Company Law

6. Most frequent business associations (V/IX)



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Company limited by shares (Ltd)

Governing bodies

- general meeting (art. 698 et seqq. CO)
supreme governing body of the company
- board of directors (arts. 707 et seqq. CO)
leading the company, can delegate that – if allowed by the articles of association - to individual members of the board or third parties (directors)
- external auditors (arts. 727 et seqq. CO)
by law required intensity of the audit depends on the size of the company

Duties of a shareholder

- shareholders do not have other duties than paying in the share capital prize
- shareholders have to regulate duties among them by a separate contract (shareholders' agreement)

Swiss Company Law

6. Most frequent business associations (VI/IX)



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Company limited by shares (Ltd)

When used:

- commercial activities with a broader impact
- intention to employ people
- existence of the company should not depend on the people owning it
- limitation of liability for the owners of the company
- enough budget to set up a corporation

Where regulated:

- arts. 620-763 CO
- ordinance on the commercial register
- tax law

**best regulated business
association!**

Swiss Company Law

6. Most frequent business associations (VII/IX)



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Limited liability company (Ltd liab. Co)

Creation

- when registered in the commercial register (last step after a notarial process, with establishment of articles of association)
- minimum nominal capital of CHF 20'000, has to be fully paid in

Liability

- company members are not liable in person for the liabilities of the company
- the company's liability is limited to the nominal capital

Company name

can be freely chosen by respecting the general principles on the composition of business names and has to indicate the legal form (Ltd liab. CO or in German: GmbH, in French: S.á.r.l, in Italian: S.a.g.l.)

Swiss Company Law

6. Most frequent business associations (VIII/IX)



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Limited liability company (Ltd liab. Co)

Governing bodies

- members' general meeting (art. 804 et seqq. CO)
supreme governing body of the company
- management (arts. 809 et seqq. CO)
leading the company, company members are jointly responsible for the management, articles of association may adopt alternative provisions on management
- auditor (arts. 818 CO)
by law required intensity of the audit depends on the size of the company

Duties of a member

company members can have additional duties (e.g. additional financial and material contributions, prohibition of competition) if stated so in the articles of association

Swiss Company Law

6. Most frequent business associations (IX/IX)



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Limited liability company (Ltd liab. Co)

When used:

- commercial activities with a more local impact
- intention to employ people
- existence of the company should depend on the people owning it
- limitation of liability for the owners of the company
- not enough budget to set up a company limited by shares

Where regulated:

- arts. 772-827 CO
- ordinance on the commercial register
- tax law

good regulated business association!

Swiss Contract Law

Discussion



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What kind of business association would you choose in the following cases? Motivate your decision! (15')

- Michael makes a profession out of his hobby: organizing personalized trips to Asia.
- Your sister loves to knit in her spare time. She thinks to sell her items on one of the online marketplaces like dawanda.com or ansalia.ch.
- Eugene is planning to open an insurance broker boutique.

Which „features“ would be core for the following situations?

- Some elderly people would like to buy a house and live there together. Inhabitants should also dedicate time to the house community.
- Some neighbours would like to organize regularly film evenings in the street.
- A very wealthy person would like to invest his money in financing higher education for women with a migration background

Swiss Company Law

7. Commercial register



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- public register administered by the government, legislated in the Ordinance on the Commercial Register (No. 221.411)
- purpose: to **provide important informations on legal entities** such as their name, legal form, registered seat, amount of capital, names of the executives
- commercial register extracts may be required by anyone on any company (**www.zefix.ch**)
- new admissions and modifications of inscriptions are published in the Swiss Official Gazette of Commerce (www.sogc.ch)

Swiss Company Law

8. Business names (I/II)



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Business names (arts. 944-956 CO)

General provisions, art. 944 CO

«¹ *In addition to the essential content required by law, each business name may contain information which serves to describe the persons mentioned in greater detail, an allusion to the nature of the company or an invented name provided that the content of the business name is **truthful, cannot be misleading and does not run counter to any public interest.***»

Commercial enterprises and cooperatives, art. 950 CO

«**Commercial enterprises and cooperatives** are free to choose their business name subject to the general principles on the composition of business names. The business name must **indicate the legal form.**»

Swiss Company Law

8. Business names (II/II)



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Protection of business names, art. 956 CO

«¹ ...»

«² A party whose interests are injured by the unauthorised use of a business name may apply for an **injunction** banning further abuse of the business name and sue for **damages** if the unauthorised user is at fault.»

Swiss Company Law

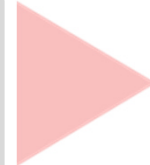
9. Commercial accounting and Financial Reporting (I/III)



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Duty to keep accounts and file financial reports, art. 957 CO



Two „levels“, according to firm specifications

Accounting, art. 957a CO

- Basis of financial reporting
- Follows recognised accounting principles (i.a. completeness, truthfulness, clarity, verifiability, see also the enumeration of recognised financial reporting principles in art. 958c para. 1 CO)
- Carried out in one of the official languages or English
- In writing, electronically or in a comparable manner

Swiss Company Law

9. Commercial accounting and Financial Reporting (II/III)



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Financial reporting

Aim and constituent elements, art. 958 CO

«¹ [...] is intended to present the economic position of the undertaking in such a manner that third parties can make reliable assessments of the same»

«² ...»

«³ ...»

Principles of financial reporting, art. 958a CO

«¹ Financial reporting is based on the assumption that the undertaking will remain a going concern for the foreseeable future.»

«² ...»

«³ ...»

Swiss Company Law

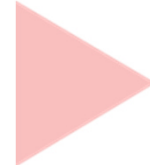
9. Commercial accounting and Financial Reporting (III/III)



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Financial report for larger undertakings, arts. 961 et seqq. CO



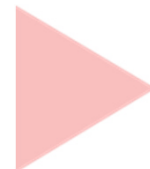
i.a. cash flow statement,
management report

Financial statements in accordance with Recognised Financial Reporting Standards, arts. 962 et seqq. CO



i.a. companies whose equity securities are listed on a stock market, if the stock market so requires

Consolidated accounts, arts. 963 et seqq. CO



if a legal entity controls another undertaking according to these provisions (corporate groups)

Swiss Contract Law

10. Negotiable securities



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arts. 965-1186 CO

Registered securities, bearer securities and instruments to order (arts. 965 et seqq. CO)

- registered securities (arts. 974 et. seqq. CO)
- bearer securities (arts. 978 et seqq. CO)
- bills and notes (arts. 990 et seqq. CO)
- cheque (arts. 1100 et seqq. CO)
- bill-like securities and other instruments to order (arts. 1145 et seqq. CO)
- document of title of goods (arts. 1153 et seqq. CO)

bonds (arts. 1156 et seqq. CO)

Introduction to Swiss Law

Did we meet the objectives?



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being able to **find** the **law text** and secondary **literature**



getting to **know** the **structure** and **functioning** of the Swiss code of obligations



being able to **enumerate** general **principles** of swiss contract and company law and being able to **find** the **respective provisions** in the law text



starting **reflexions** about the **similarities** and **differences** to the jurisdiction of the respective „**homecountry**“

