

Compliance: Anti-Bribery, Sanctions and Export Control — overview and summary

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The preceding chapters of Part G have described the life sciences industry of Basel as an industrial base, as a borrower and issuer on the capital markets, as a taxpayer and as an owner and licensor of intellectual property. A company that sells medicines, diagnostics, chemicals and seeds in more than one hundred countries is also a permanent subject of legal risk, because almost every transaction it concludes touches on the law of several states at once. A payment to a hospital in Asia, a shipment of a laboratory reagent to the Middle East or a clinical trial in Eastern Europe may raise questions under Swiss criminal law, under the law of the country concerned and under the laws of the United States or the European Union. The function that manages these risks is called compliance. In Basel it has grown into a discipline with its own departments, its own professional culture and its own service providers.¹

This chapter examines the three areas of compliance that matter most for the Basel groups. The first is anti-bribery law, which in the pharmaceutical sector is closely connected to the rules on the interaction with doctors, pharmacists and hospitals. The second is sanctions law, which has changed fundamentally since Switzerland adopted the sanctions of the European Union against Russia in February 2022. The third is export control, which concerns goods that can be used for both civilian and military purposes and which for a chemical and biotechnological centre includes precursors of chemical weapons and agents with a potential for biological misuse. The chapter closes with the newer obligations on supply chain due diligence and with the question of how whistleblowers are protected. Money laundering law, which affects the financial sector more directly, has already been discussed in Part E and is mentioned here only where it overlaps with the other areas.²

1 Notes

1. On the development of corporate compliance as an organisational function in Swiss multinational groups, see generally the Swiss Code of Best Practice for Corporate Governance published by *economiesuisse* (revised edition 2023) and the annual reports of Roche Holding AG and Novartis AG, which describe the respective compliance organisations. To be verified. ↩
2. See Part E of this book on the Anti-Money Laundering Act (AMLA, SR 955.0) and on the supervision of financial intermediaries by FINMA. ↩

2 Conclusion of the chapter

The life sciences groups of Basel operate under a dense web of compliance rules. Swiss criminal law punishes the bribery of public officials and, since 2016, private bribery *ex officio*, while Article 102 StGB makes companies liable for organisational failures. The FCPA and the UK Bribery Act extend the reach of foreign authorities to Swiss headquarters, as the Novartis resolutions of 2020 have shown. The Therapeutic Products Act and the industry codes regulate the interaction with health professionals in detail. Data protection rules govern clinical trials and internal investigations. Since February 2022 Switzerland has adopted the EU sanctions against Russia, while the experience with Iran has shown that American secondary sanctions often determine what is possible in practice.

Export control law, the conventions on chemical and biological weapons and the international control regimes add obligations that are specific to an industry whose products and know-how can be misused. Investment screening, the geopolitics of Chinese ownership and the new rules on supply chain due diligence have broadened the agenda further. Compliance has thus become a field in which industrial and financial expertise meet, a meeting that characterises the economy of Basel as a whole and that also shapes the trinational region around the city.

3 Conclusion of Part G

Part G has examined the life sciences as a financial pillar of Basel. Chapter I described the industrial base formed by Roche, Novartis, Syngenta and Lonza, including the merger of Ciba-Geigy and Sandoz into Novartis in 1996, the spin-offs that have since reshaped the groups and the Schweizerhalle fire of 1986, whose consequences for environmental

regulation and for the Rhine Action Programme still define the industry's relationship with the river. Chapter II analysed the corporate finance of the pharmaceutical groups, their bond issues, share buybacks, dividend policies and acquisitions. Chapter III followed the taxation of the industry from the old cantonal holding privileges through the Federal Act on Tax Reform and AHV Financing (STAF) to the OECD minimum tax of Pillar Two, with particular attention to the design that Basel-Stadt chose in view of its dependence on pharmaceutical revenue.

Chapter IV turned to intellectual property, licensing and the financing of biotech start-ups, which link the research of the large groups and the university with venture capital and the capital markets. The present chapter has shown how anti-bribery law, sanctions, export control and supply chain due diligence shape the daily operations of the groups and connect them with the compliance expertise of the financial centre. Together, these chapters show that the life sciences are an economic sector whose taxes, capital flows and legal risks are deeply intertwined with the financial centre. Because their factories, laboratories and headquarters are located in a region that crosses national borders, the next Part turns to the Dreiländ: Rhine, Trade, Fairs and Art.

4 In five sentences

1. Roche, Novartis, Syngenta and Lonza form the industrial base of Basel, shaped by the Novartis merger of 1996, by spin-offs such as Alcon and Sandoz and by the regulatory consequences of the Schweizerhalle fire of 1986.
2. The pharmaceutical groups finance themselves on international capital markets through bonds, retained earnings and equity measures, while their dividends, buybacks and acquisitions make them some of the most important issuers and investors in Switzerland.
3. Corporate taxation of the industry has developed from cantonal holding privileges through the STAF reform of 2020 to the OECD minimum tax of Pillar Two, with Basel-Stadt designing its regime around its dependence on pharmaceutical revenue.
4. Intellectual property and licensing form the core assets of the life sciences, while biotech start-ups in Basel depend on venture capital, partnerships with the large groups and access to the capital markets for their development.

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5. Anti-bribery law, sanctions, export control and supply chain due diligence form a dense compliance framework for the Basel groups, in which Swiss, European and American rules interact and industrial and financial expertise meet.

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