

Stéphane Konkoly • Alain Schmid

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Federal Act on the Transparency of Legal Entities: New Obligations and Impact for Companies in Switzerland and Abroad

Basel

burckhardt AG
Steinendorstrasse 23,
Postfach 258,
CH-4010 Basel

Zürich

burckhardt AG
Usteristrasse 12,
Postfach 1172,
CH-4021 Zürich

burckhardtlaw.com

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Introduction

The new Federal Act on the Transparency of Legal Entities (Legal Entities Transparency Act, LETA) introduces an ambitious mechanism aimed at strengthening the transparency of legal structures in Switzerland. This law, which was recently finalized by the Swiss Parliament, is part of the fight against money laundering, organized crime and the financing of terrorism and will impose new obligations to identify, verify and declare the beneficial owners of legal entities in Switzerland and, to some extent, of legal entities abroad. The law will also create a central register of the beneficial owners who have been declared.

The LETA will be completed by an ordinance from the Federal Council (Legal Entities Transparency Ordinance, LETO), the draft of which is currently under consultation.

The legislation is scheduled to enter into force in the second half of 2026.

Scope and Exemptions

The LETA applies mainly to companies incorporated under Swiss law (such as stock companies, limited liability companies, cooperative companies and investment vehicles), as well as to foreign entities with a registered branch, effective administration or real estate ownership in Switzerland.

Trusts administered or domiciled in Switzerland are also affected, unless they are already subject to the Anti-Money Laundering Act (AMLA).



Stéphane Konkoly
lic. iur., LL.M., MLP-HSG,
Attorney at Law
+41 58 881 00 55
konkoly@burckhardtlaw.com



Alain Schmid
Dr. iur., Attorney at Law
+41 58 881 00 65
schmid@burckhardtlaw.com

Listed companies, subsidiaries directly or indirectly owned by more than 75% by one or more listed companies, supervised occupational pension funds and legal entities owned by 75% or more by public authorities are exempt from the LETA.

The Swiss Parliament decided not to subject associations, foundations and fiduciary relationships to the LETA.

Identification and Registration Obligations of Companies

The law imposes on companies the obligation not only to identify, but also to verify the identity of their beneficial owners, defined as any natural person who, alone or together with third parties, ultimately controls the company. The control can occur through the direct or indirect holding of at least 25% of the capital or voting rights, or by other means such as veto rights or the right to elect the majority of the members of the board of directors, as further detailed in the draft LETO. Most important: If no natural person meets the criteria of beneficial ownership, the most senior member of the management body of the company is deemed to be the beneficial owner. In other words, every company will have a beneficial owner to register.

The information to be collected includes surname, first name, date of birth, nationality, address, country of residence and nature of the control. If the controlling shareholder is a listed company, only information about the

company name, registered office and listing details must be collected.

Companies must record the collected information, maintain it up to date and keep it for ten years after the loss of the status of beneficial owner. They must also declare the information to the transparency register within one month of being entered in the commercial register or of its becoming subject to the law, and any modification thereof within one month of becoming aware of it.

If the company is unable to identify the beneficial owners or to verify their identity or beneficial ownership, it must record this information and the steps taken in this respect; it must declare the situation to the transparency register together with all relevant information, including the name of the most senior member of its management body.

Obligations of Shareholders, Beneficial Owners and Third Parties

Controlling shareholders must declare to the company the identity of their beneficial owners within one month from obtaining control; any modification of the relevant information must be notified within one month of becoming aware of it.

The beneficial owners themselves must notify their identity to the shareholder holding the relevant shares or, if control is exercised through several companies or persons, to the company. Any

modification of the relevant information must be notified within one month.

Controlling shareholders, beneficial owners and third parties involved in the chain of control have the obligation to cooperate in verifying the identity of the beneficial owners.

Obligation of Foreign Entities

Foreign entities which fall under the scope of the LETA as well as their shareholders and beneficial owners must comply with the obligation to declare and register the identity of the beneficial owners and designate a representative or an address for notification in Switzerland. A foreign legal entity acquiring real estate in Switzerland for the first time and, therefore, falling under the scope of the LETA, must provide a proof of registration in the transparency register when applying for entry in the competent land register.

In addition, foreign entities which have their effective administration in Switzerland must keep a list of their shareholders at their place of effective administration.

Transparency Register: Organization, Access and Control

The transparency register, maintained by the Federal Office of Justice and supervised by the Federal Department of Finance, will centralize information on beneficial owners which have been

declared. Such declaration will have to be made electronically. In some limited instances, the declaration can be made through the competent commercial register, in which case specific rules apply.

The transparency register will not be public. It will only be accessible online to supervisory authorities, prosecuting authorities, tax and administrative authorities, as well as financial intermediaries and advisors in the context of their due diligence obligations under the AMLA.

The register authority will control the information it receives and verify the identity of the persons declared. It will also verify that the legal entities subject to the LETA have made the required declarations.

Simplified Rules for Certain Types of Legal Entities

The draft LETO provides for a simplified declaration procedure for limited liability companies (but only if all quotaholders are natural persons, all beneficial owners are quotaholders and they control the company through a shareholding in the quota capital) and stock companies with a sole shareholder (but only if the sole shareholder is a natural person as well as the sole beneficial owner and the only member of the board of directors).

Sanctions and Measures in Case of Non-Compliance

The LETA provides for criminal penalties up to CHF 500,000 for intentional violations of the declaration or cooperation obligations. In the event of repeated breaches, the supervisory authority may suspend the shareholders' property and patrimonial rights (such as voting rights and the right to dividends) or even declare the dissolution of the entity concerned.

Transitional Provisions

Transitional provisions grant adaptation periods for existing entities to declare their beneficial owners:

- Swiss legal entities whose beneficial owners are all registered in the commercial register as partners or officers: declaration no later than two years after the entry into force of the LETA;
- Other Swiss legal entities: declaration within staggered deadlines ranging from three to six months after the entry into force of the LETA, depending on their size and legal structure;
- All Swiss legal entities, notwithstanding the above: within one month of the first change to their entry in the commercial register occurring after the LETA comes into force;

- Foreign entities: within six months after the entry into force of the LETA.

Related Legislative Amendments

The LETA is accompanied by amendments to several pieces of legislation, including the Code of Obligations, the AMLA, the Collective Investment Schemes Act and other sector-specific laws, to ensure consistency.

Most important is the amendment of the AMLA which will impose brand new due diligence obligations on advisors, such as attorneys and notaries. These obligations relate to the identification of clients and verification of their beneficial owners in connection with specific legal transactions.

Conclusion

The LETA marks a major turning point for the transparency of legal entities in Switzerland. Companies, their shareholders and beneficial owners must anticipate these new obligations, adapt their internal processes and prepare for increased supervision. The establishment of the transparency register and the extension of due diligence obligations are part of an international dynamic in the fight against financial crime and require increased vigilance from all economic actors.