

Consultation on a new circular on “Rules of conduct under FinSA/FinSO”

Key points

15 May 2024

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1. The circular is addressed to financial service providers supervised by FINMA or a supervisory organisation and creates transparency regarding FINMA's practice relating to selected aspects of rules of conduct under FinSA/FinSO.
2. In accordance with FinSA/FinSO and taking into account the shortcomings identified in supervision, the circular mainly specifies the way in which transparency is to be created for clients so that they can make informed investment decisions, in particular:
 - transparency about the type of financial service, in particular the difference between transaction-based and portfolio-based investment advice;
 - transparency about the risks associated with financial instruments or financial services, especially in the case of products and financial services that are particularly difficult to understand and/or risky (e.g. risk concentrations that are unusual in the market, products with a high degree of leverage or borrowings of financial instruments from the client portfolio);
 - transparency regarding conflicts of interest, especially when placing in-house products;
 - transparency regarding compensation from third parties and retrocessions.
3. In principle, no costs are expected for the supervised parties as a result of the circular. The circular does not restrict the business models of supervised parties, but increases the quality of the information provided to clients.