

Press release

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FINMA presents report on the financial market crisis

The “Financial market crisis and financial market supervision” report issued by FINMA provides a comprehensive analysis of the financial market crisis and the ensuing decisions and actions taken by the Swiss Federal Banking Commission (SFBC). None of those involved recognised in time the origins of the crisis or the full extent of the dangers it posed. Furthermore, the analysis reveals certain weaknesses and a partial lack of effectiveness in banking supervision. The report concludes, however, that the SFBC responded rapidly and decisively, and that fundamental decisions for stabilising the financial centre were made in a targeted and timely manner. The SFBC quickly learned its lessons from the crisis and implemented remedial actions.

The scale and depth of the global financial market crisis took all the financial market participants by surprise. None of those involved recognised in time the origins of the crisis or the full extent of the dangers it posed. In this report, FINMA closely reviews the financial crisis and the ensuing decisions and actions taken by the Swiss Federal Banking Commission (SFBC). Its purpose is to extract further lessons that should be learned from the crisis. The report will also serve as the basis for a formal response to two parliamentary initiatives (proposal David [Member of Parliament] and motion by the Committee for Economic Affairs and Taxation of the National Council).

As one of the three supervisory authorities operating prior to the establishment of FINMA, the SFBC paid particular attention to the two major banks, both before and during the crisis. With the outbreak of the crisis in August of 2007, the SFBC shifted its functions into active crisis mode and intensified the supervision of the two big banks, especially UBS. Parameters vital to the stability of the financial institutions, such as capitalisation and liquidity, were monitored continuously, and corrective measures were taken, such as requests for share capital increases when necessary. The SFBC devoted as many staff resources as possible to these efforts. With hindsight it is possible, however, to recognise weaknesses both in the early identification of risks and in the implementation of measures. The crisis management thus far has nevertheless functioned well due to the fact that the authorities were prepared to cope with a crisis at one of the major banks and that targeted and consistent actions were taken when the crisis erupted.

The SFBC quickly learned lessons from the crisis and implemented remedial actions. The capital adequacy regime for the major banks, already well above international standards in 2007 and 2008 because of the “Swiss finish”, was tightened significantly once again. Additional rules were put in place to overcome the liquidity crisis. A circular on incentive schemes will be approved this year and come into effect on 1 January 2010.

Since 1 January 2009, the SFBC has been integrated in the Swiss Financial Market Supervisory Authority (FINMA). The reason why FINMA was set up as an integrated financial market regulator had nothing to do with the crisis. Nonetheless, the present structure of FINMA is an advantage when it comes to the demanding job of dealing with dynamic and increasingly complex financial markets. As a direct consequence of the financial market crisis FINMA is currently developing the supervisory approach further in concrete projects and is expanding its supervisory expertise in specific areas. Practical experience gained in senior finance and risk management positions is increasingly in demand.

The complete report in [German](#) or [French](#) including a glossary and the key points in [German](#), [French](#) and [English](#) may be found at www.finma.ch.

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