

## Press release

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# FINMA Annual Media Conference Stability affords protection and is an advantage for Switzerland as a location

The Swiss Financial Market Supervisory Authority FINMA underwent a turbulent year in 2009. In its first year as the new combined financial authority, it had to contend with a challenging economic environment for those under its supervision, tough decisions and time-consuming investigations. At today's media conference, FINMA focused on the importance of the stability of financial institutions for creditors, investors and insured persons. It spoke about the introduction of the Swiss Solvency Test in the insurance industry as a measure to promote stability, and two areas in which it sees an urgent need for action in the Swiss financial centre: the problem of institutions being too big to fail and legal risks in cross-border private client business.

As well as looking back on an eventful first year and presenting the first integrated annual report for the merged authority, FINMA focused on a few key areas at its Annual Media Conference, under the banner "Stability affords protection and is an advantage for Switzerland as a location". FINMA's mandate is to protect creditors, investors and insured persons and safeguard the smooth functioning of the financial markets. The supervisory authority's activities therefore concentrate on ensuring the stability of the supervised institutions.

### Swiss Solvency Test (SST)

FINMA picked out the definitive implementation of the Swiss Solvency Test (SST) in the insurance industry as an example of a major step taken towards this objective. This risk-based system gives Switzerland an advantage over the EU as a location. Good capitalisation does not just mean security for clients, but is also in the interests of the insurance companies themselves. The lessons of the financial crisis have shown that factors such as stability of institutions and transparency about risk are very important to clients.

## **Too big to fail**

One area in which FINMA does not have any comparable supervisory tools is that of institutions being too big to fail. In FINMA's opinion, sustainable measures are therefore needed in this area that will protect the financial system and the Swiss economy against the impact of banks of systemic significance becoming insolvent, removing as far as possible the virtual necessity for state bailouts. FINMA believes that the existing legal framework is inadequate in relation to some key questions such as the regulation of intra-group capital flows. In collaboration with the Swiss National Bank, FINMA has made proposals for amendments to the legislation and submitted these to the expert commission on limiting economic risks caused by large companies. In his speech to the Annual Media Conference, FINMA's CEO Patrick Raaflaub said: "If Switzerland is serious about tackling the problem of institutions being too big to fail, then radical changes are required. Financial market participants, politicians and the supervisory authorities need to take responsibility for this."

## **Legal risks in cross-border private client business**

FINMA also discussed the mounting legal risks associated with cross-border private client business. These risks are a major challenge for FINMA as the supervisory authority, and in particular for the financial centre and its participants, and for the political authorities. The dispute over client data and the international pressure exerted on Switzerland as a financial centre over the last 18 months have brought this issue to prominence. The Swiss financial centre has a deep-seated interest in averting the threat of part of its current business model increasingly becoming criminalised as a result of stricter legislation in other countries.

## ***Important information for the media***

*The full speeches at the media conference and FINMA's annual report for 2009 are available in four languages at <http://www.finma.ch/e/medien/medienanlaesse/pages/jahresmedienkonferenz-2010.aspx>.*

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