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Supervisory categories for banks and insurance companies

Financial institutions supervised by FINMA are assigned to one of six categories depending on their potential risk impact on creditors, investors, policyholders and the Swiss financial centre. As well as being allocated to a risk category, each institution receives a rating that indicates FINMA's assessment of its current state.

On the basis of these two parameters – categorisation and institution rating – the supervisory approaches stipulate the extent of supervision, the use of supervisory instruments and the interplay between direct supervision by FINMA and the assignment of audit firms for the individual institutions. These measures ensure that the risk orientation of supervisory activities is more systematic and that there is closer scrutiny of institutions that are relevant from a risk perspective.

Supervisory categories* for banks

The categories for banks are defined in FINMA Circular 2011/2 'Capital buffer and capital planning – banks'.

CATEGORY	CRITERIA (IN CHF BILLIONS)			NUMBER OF INSTITUTIONS 2012	NUMBER OF INSTITUTIONS 2013
1	Total assets Assets under management Privileged deposits Required equity capital	≥ ≥ ≥ ≥	250 1,000 30 20	2	2
2	Total assets Assets under management Privileged deposits Required equity capital	≥ ≥ ≥ ≥	100 500 20 2	2	3
3	Total assets Assets under management Privileged deposits Required equity capital	≥ ≥ ≥ ≥	15 20 0.5 0.25	27	27
4	Total assets Assets under management Privileged deposits Required equity capital	≥ ≥ ≥ ≥	1 2 0.1 0.05	65	66
5	Total assets Assets under management Privileged deposits Required equity capital	< < < <	1 2 0.1 0.05	243	223

* The sixth category consists of market participants that are not prudentially supervised by FINMA.

Supervisory categories* for insurance companies

CATEGORY	CRITERIA (IN CHF BILLIONS)	NUMBER OF INSTITUTIONS	
		2012	2013
1	–	–	–
2	Total assets > CHF 50bn or complexity	5	5
3	Total assets > CHF 1bn or complexity	40	41
4	Total assets > CHF 0.1bn or complexity	52	52
5	Total assets < CHF 0.1bn or complexity	125	125

* The sixth category consists of market participants that are not prudentially supervised by FINMA.

Financial market regulation: pending projects

(status and outlook as of 31 December 2013)

PROJECT	REGULATORY LEVEL	STATUS AND NEXT STEPS		
		HEARING / CONSULTATION	ADOPTED / TO BE ADOPTED	PLANNED ENTRY INTO FORCE
Cross-sector				
Financial services*				
Based on FINMA's position paper published in February 2012, the Federal Council requested the Federal Department of Finance (FDF) in March 2012 to work out the necessary basis to improve client protection in the distribution of financial products.	law	Q2/14	open	open
Financial market infrastructure*				
To safeguard the competitiveness of the Swiss financial centre and strengthen financial stability, Switzerland must implement the G-20 obligations and the Financial Stability Board (FSB) recommendations on OTC derivatives trading as fully as possible and at the same time as other financial centres. Regulation of the financial market infrastructure must also be brought in line with international standards. This draft bill also creates a new competence in the Banking Act allowing FINMA to involve group parent companies in restructuring and resolution.	law	Q1/14	open	Q1/15
Combating money laundering*				
In February 2012, the Financial Action Task Force (FATF) adopted a partial revision of the standards for combating money laundering, terrorist financing and, most recently, the financing of weapons of mass destruction. In April 2012, the Federal Council requested an interdepartmental working group under the leadership of the FDF to work out proposals for implementation.	law	Q1/13	open	Q3/15
White money strategy				
The goal is to extend due diligence obligations to all Swiss financial intermediaries to ensure tax compliance. This should be discussed once an automatic exchange of information (AEI) agreement has been concluded with the most important partner states in line with international standards, or once it is clear that no AEI agreement will be concluded in the near future.	law	Q1/13	open	open
Supervision of audit firms*				
Supervision of audit firms conducting financial and regulatory audits is to be combined and concentrated within the Federal Audit Oversight Agency (FAOA).	law	Q3/13	open	open
Financial Market Auditing Ordinance				
Transfer of the supervision of audit firms to the FAOA involves making amendments to the Financial Market Auditing Ordinance (FMAO-FINMA). Currently, optimisation of the audit system is under review.	ordinance	Q3/14	Q4/14	Q1/15

* See FinWeb web page (www.sif.admin.ch > documentation > finweb) for the content and status of the most important financial sector regulatory projects in which FINMA does not take a leading role.

PROJECT	REGULATORY LEVEL	STATUS AND NEXT STEPS		
		HEARING / CONSULTATION	ADOPTED / TO BE ADOPTED	PLANNED ENTRY INTO FORCE
Banks				
Dormant assets*				
Banks are to be allowed to liquidate dormant assets following prior publication, with the proceeds going to the Confederation. Claims of beneficiaries who do not respond to the publication would lapse. The Banking Ordinance is to be fully revised to incorporate the adjustments.	ordinance	Q4/13	open	open
Accounting*				
Legislation on accounting standards was amended by revising the Stock Corporation law. This requires the Federal Council and FINMA to draw up implementing provisions. The Banking Ordinance is to be fully revised to incorporate the adjustments.	ordinance/ circular	Q4/13	Q1/14	Q1/15
Leverage ratio				
Leverage ratio is to be disclosed starting in 2015. Calculation and disclosure of leverage ratio must therefore be clearly defined.	circular	Q3/14	open	open
Liquidity – banks				
The Basel III liquidity requirements (short-term liquidity ratio [LCR]) are to be implemented in FINMA Circular 2013/6. Changes to the ordinance and the circular will be phased in.	circular	Q4/13	Q2/14	Q1/15
Insurance companies				
Insurance supervision				
Practical application of the fully revised Insurance Supervision Act (ISA, in force since 1 January 2006) together with current developments in the market and international trends have revealed a need for change at the regulatory level. Further clarifications are currently under way. The goal is to eliminate contradictions, improve legislation to better protect the interests of the policyholders, and achieve international compatibility.	ordinance	open	open	open
Insurance contracts*				
Revision of the Insurance Contract Act (ICA) aims to bring the legal framework in line with changed requirements and provide reasonable and practicable protection for insured persons. Parliament did not approve the draft law published in September 2011 and requested the Federal Council in March 2013 to partly revise it.	law	open	open	open
Markets				
Collective investment schemes				
Following the partial revision of the Collective Investment Schemes Act (CISA), the Collective Investment Schemes Ordinance (CISO) is to be amended.	ordinance	Q2/14	Q4/14	Q1/15

Statistics

(31 December 2013)

Supervised[82] financial market participants

Supervised banks

	2013	2012
Banks, of which	301	305
– under foreign control	101	103
– branches of foreign banks	31	32
Raiffeisen banks	316	321
Representative offices of foreign banks	53	48

Supervised securities dealers

	2013	2012
Securities dealers, of which	62	59
– under foreign control	15	17
– branches of foreign securities dealers	14	12
Representative offices of foreign securities dealers	45	46
Recognised foreign market participants	124	127

Supervised stock exchanges

	2013	2012
Swiss stock exchanges	3	3
Swiss organisations that are similar to stock exchanges	2	2
Recognised foreign stock exchanges	54	49
Recognised foreign organisations that are similar to stock exchanges	4	5

Supervised collective investment schemes

	2013	2012
Swiss collective investment schemes		
Total Swiss collective investment schemes, of which	1,447	1,383
– open-ended collective investment schemes (under Art. 8 CISA)		
– contractual investment funds and SICAVs	1,431	1,369
– of which intended for qualified investors only	694	640
– closed-ended collective investment schemes (under Art. 9 CISA)		
– limited partnerships and SICAFs	16	14
Foreign collective investment schemes		
Total foreign collective investment schemes, of which	6,171	6,118
– EU-compatible (UCITS)	5,959	5,866
– non-EU-compatible (non-UCITS)	212	252

[82] Does not necessarily mean ‘prudential supervision’.

Supervised fund management companies, asset managers, representatives and distributors under the Collective Investment Schemes Act

	2013	2012
Fund management companies	44	45
Asset managers	119	99
Representatives of foreign collective investment schemes	99	109
Distributors under CISA	293	365

Supervised insurance companies and general health insurance companies

	2013	2012
Life insurance companies, of which	23	23
– insurance companies domiciled in Switzerland	19	19
– branches of foreign insurance companies	4	4
Non-life insurers, of which	124	123
– insurance companies domiciled in Switzerland (incl. 20 supplementary health insurance providers [2012: 21])	80	81
– branches of foreign insurance companies (incl. 1 supplementary health insurance provider [2012: 1])	44	42
Reinsurers (total)	62	61
– Reinsurers	28	27
– Reinsurance captives	34	34
General health insurance companies that offer supplementary health insurance	14	15
Supervised insurance and general health insurance companies	223	222
Insurance groups (groups and conglomerates)	8	9

Supervised financial intermediaries

	2013	2012
Total supervised SROs	12	12
Total directly subordinated financial intermediaries (DSFIs)	310	380
Total group companies subject to FINMA money laundering supervision	141	141
Total registered insurance intermediaries	14,248	13,911

Recognised audit firms and credit rating agencies

	2013	2012
Total recognised audit firms	23	102
– of which only for DSFIs	19	86
Total recognised credit rating agencies	5	5

Licences

Banks and securities dealers

	2013	2012
Banks		
Bank licences (Art. 3 BA)	1	4
Branches (Art. 4 FBO-FINMA)	1	0
Representative offices (Art. 14 FBO-FINMA)	8	6
Additional licences (Art. 3ter BA)	7	13
Removed from supervision	6	4
Securities dealers		
Securities dealer licences (Art. 10 SESTA)	2	1
Branches (Art. 41 SESTO)	2	1
Representative offices (Art. 49 SESTO)	6	7
Additional licences (Art. 10 para. 6 SESTA and Art. 56 para. 3 SESTO)	3	2
Removed from supervision	1	5
Recognition of foreign market participants	5	6

Exchanges

	2013	2012
Recognition of foreign exchanges (incl. organisations that are similar to stock exchanges)	4	0

Collective investment schemes

	2013	2012
Swiss collective investment schemes	139	90
Foreign collective investment schemes	721	685

Supervised fund management companies, asset managers, representatives and distributors under the Collective Investment Schemes Act

	2013	2012
Fund management companies	1	2
Asset managers	22	9
Representatives of foreign collective investment schemes	4	5
Distributors under CISA	13	10

Insurance companies

	2013	2012
Life insurance companies, of which	0	0
– insurance companies domiciled in Switzerland	0	0
– branches of foreign insurance companies	0	0
Non-life insurers, of which	3	2
– insurance companies domiciled in Switzerland	0	2
– branches of foreign insurance companies	3	0
Reinsurers	2	1
Reinsurance captives	0	2
General health insurance companies that offer supplementary health insurance	0	0
Total	5	5
Insurance groups (groups and conglomerates)	0	0

Financial intermediaries

	2013	2012
Insurance intermediaries	696	781
Directly subordinated financial intermediaries	5	17
Group companies subject to FINMA money laundering supervision	7	12

Audit firms and credit rating agencies

	2013	2012
Total rulings on changing audit firms, of which	198	69
– related to directly supervised financial intermediaries	165	20
Recognitions of audit firms	2	4
Cancellations of audit firms	81	9
Recognitions of credit rating agencies	0	0

Enforcement rulings

	2013	2012
Enforcement rulings (final and interim rulings)	110	82
Swiss Takeover Board rulings	1	1

Complaints and criminal complaints filed

	2013	2012
Complaints against enforcement rulings	24	29
Complaints settled	19	35
Complaints filed with criminal prosecution authorities	79	73

MoUs at the international level

COUNTRY	FOREIGN AUTHORITY	FORM	AREA OF APPLICATION
EEA countries excluding Italy, Croatia and Slovenia[83]	Relevant national financial market supervisory authority	MoU	Cooperation agreement on the supervision of alternative investment fund managers (AIFMs)
Bermuda	Bermuda Monetary Authority (BMA)	MMoU	Supervisory College Agreement for Catlin Group Limited
Bermuda	Bermuda Monetary Authority (BMA)	MMoU	Supervisory College Agreement for Allied World Group of Companies
Germany	Federal Financial Supervisory Authority (BaFin)	MoU	Implementation agreements (banks and investment funds) regarding MoU on statutory procedural aspects related to cross-border activities between Switzerland and Germany in the financial sector
Ireland	Central Bank of Ireland (CBI)	MoU	Cooperation agreement on investment funds for non-qualified investors
Norway	Finanstilsynet (Financial Supervisory Authority)	MMoU	Norway joins the Supervisory College Agreement between Denmark, Finland, Sweden and Switzerland (FINMA and SNB) for SIX x-clear.
USA	Missouri Department of Insurance, Financial Institutions and Professional Registration (MDIFP)	MoU	Cooperation agreement on insurance supervision

FINMA's representation in international working groups

International organisations and committees[84]

Financial Stability Board (FSB)
- Standing Committee on Supervisory and Regulatory Cooperation
- Resolution Steering Group

Basel Committee on Banking Supervision (BCBS)
- Governors and Heads of Supervision
- International Conference of Banking Supervisors
- Basel Committee on Banking Supervision

International Association of Insurance Supervisors (IAIS)
- Executive Committee

International Organization of Securities Commissions (IOSCO)
- IOSCO Board
- Presidents' Committee

Other international forums
- Meeting of four German-speaking nations (banking and insurance)
- Integrated Financial Supervisors Conference
- OTC Derivatives Regulators Group (ODRG)
- Wilton Park Securities Supervision Conference / International Cooperation and Enforcement

[83] These are Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Spain, Sweden, United Kingdom.

[84] This list is confined to bodies of which representatives of the Board of Directors and/or Executive Board of FINMA are members. In addition, many FINMA staff members are involved in working groups.

Glossary

Alternative Investment Fund Managers Directive (AIFMD)
The EU's Alternative Investment Fund Managers Directive (2011/61/EU) governs the authorisation, ongoing activities and transparency requirements applicable to alternative investment managers who manage and/or distribute alternative investment funds (non-UCITS) in the EU.

AEI
Automatic exchange of information

Bail-in
Officially ordered conversion of debt into equity or waiver of claims.

Basel III
At the end of 2010, the Basel Committee on Banking Supervision (BCBS) adopted stricter, across-the-board rules on equity capital and liquidity designed to strengthen the resilience of the banking sector. The key changes are:

- improvements to the quality, consistency and transparency of the capital base;
- higher capital adequacy requirements for the default risk of derivatives, repurchase agreements and securities financing transactions;
- a new capital requirement for the risk of market value losses on over-the-counter (OTC) derivatives;
- supplementing the risk-based capital requirement with an unweighted leverage ratio;
- measures to reduce procyclicality and promote countercyclical buffers;
- measures to combat systemic risk, with particular emphasis on systemically important banks; and
- the introduction of global liquidity standards.

Basel framework
A multilateral agreement on capital adequacy rules for banks. The first such agreement, Basel I, was passed by the Basel Committee on Banking Supervision (BCBS) in 1988. It was substantially enhanced by Basel II, adopted in 2004. The new framework, derived from the experience of the 2008 financial market crisis, was developed in 2010 and is known as Basel III (see 'Basel III').

Biometric risks
Risks resulting from changes in human life and the probability of their occurrence, such as (early) death, disability and longevity.

Bitcoin
An Internet currency whose units are created and managed decentrally in a computer network consisting of bitcoin operators linked together via the Internet, between whom bitcoins can be transferred electronically. Ownership of bitcoins is attested by a cryptographic key.

Central counterparty (CCP)
An institution that acts as a contractual party between buyer and seller in transactions involving financial instruments.

Client procedure (international administrative assistance)
If a foreign authority requests FINMA to provide data on Swiss and foreign clients of Swiss financial intermediaries as part of international administrative assistance, these clients may seek to prevent the handover of their data as part of a 'client procedure'. A ruling issued by FINMA in such cases can be contested before the Federal Administrative Court. Client procedures are often requested by those who have carried out transactions on foreign exchanges via a Swiss financial intermediary and are suspected of breaches of market conduct rules and disclosure requirements. The fact that the client procedure involves advance information being provided to those affected and also delays supervisory investigations abroad has attracted criticism internationally.

Combined ratio
The ratio of claims expenditures (insurance benefits and administrative costs) to premium income, expressed as a percentage.

Common Equity Tier 1 capital (CET1)
Common equity is loss-absorbing equity capital of the highest quality. CET1 consists of paid-in capital, disclosed reserves and retained earnings.

Contingent convertible bond (CoCo bond or CoCo)
A form of debt capital that can be converted into equity under certain conditions. It is designed to improve a bank's situation in a crisis or enable its resolution by allowing it to store up additional capital during periods of economic growth that can be accessed as equity in a downturn. Conversion is mandatory once a predetermined trigger point is reached.

Countercyclical capital buffer
This term refers to temporarily increased capital requirements for banks. It is an instrument introduced in Basel III to curtail excessive lending and has a countercyclical effect. It also aims to improve the resilience of banks to the risks of loss. The buffer amounts to a maximum of 2.5% of a bank's risk-weighted assets.

Custodian bank
A custodian bank holds fund assets in safekeeping, organises the issue and redemption of units as well as payment transactions for collective investment schemes. It also assesses whether the fund management company or SICAV complies with the law and the fund regulations. It must be a bank within the meaning of the Banking Act.

Enforcement
The compulsory implementation of supervisory law. Also the name of one of FINMA's six divisions.

Enforcement proceedings
When it appears likely, as part of prudential supervision and on the basis of preliminary investigations, that FINMA will have to enforce compliance with supervisory law, it intervenes by initiating proceedings under the Administrative Proceedings Act. These are known as enforcement proceedings. On conclusion of these proceedings, FINMA may order action to be taken to restore compliance with the law, and ensure that such action is taken.

ESMA equivalence recognition process
In the equivalence recognition process, the European Securities and Markets Authority (ESMA) assesses whether certain areas of regulation and supervision in a third country are equivalent to those of the EU. If they are, regulatory relaxations, closer supervisory cooperation or direct market access to the EU are granted (may also be combined).

European Market Infrastructure Regulation (EMIR)
The European Market Infrastructure Regulation (Ordinance [EU] No. 648/2012) creates harmonised regulation of derivatives transactions conducted over the counter. In particular, it requires market participants to conduct clearing via a central counterparty (CCP) and report all derivatives transactions to a trade repository. It also lays down standard conditions for the licensing and supervision of CCPs and trade repositories as financial market infrastructures.

Financial Market Infrastructure Act (FMIA)
The financial crisis highlighted that the lack of transparency in the markets for derivatives traded over the counter (known as OTC derivatives markets) can threaten the stability of the entire financial system, owing to the markets' strong international integration and the heavy trading volume and default risks. Since then, international efforts have been set in motion to improve transparency and stability in the OTC derivatives markets. The existing Swiss regulation of financial market infrastructure is no longer appropriate, given financial market developments. To safeguard the competitiveness of the Swiss financial centre and to strengthen financial stability, it is necessary for regulation in the area of financial market infrastructure to be adapted to international standards. In order to secure EU market access, regulation equivalent to that in the EU is to be sought. In August 2012, the Federal Council instructed the Federal Department of Finance (FDF) to prepare a consultation draft.[85]

Financial market infrastructure
Under the terms of the future Financial Market Infrastructure Act (FMIA), financial market infrastructures exist at the levels of trading, clearing, settlement and reporting. They include exchanges and similar trading institutions, central counterparties (CCPs) at the clearing level, and securities settlement and payment systems. Accordingly, CCPs and securities settlement and payment systems are referred to as post-trading infrastructures since they involve post-trading processes for settlement. The term now also includes trade repositories for the reporting of derivatives transactions.

Financial Sector Assessment Programme (FSAP)
Run by the International Monetary Fund (IMF), the Financial Sector Assessment Programme evaluates the financial stability of a financial centre as well as the quality of its regulation and supervision. The assessment is based in particular on stress tests and the standards for regulation and supervision laid down by the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS) and the International Organization of Securities Commissions (IOSCO).

Financial Services Act (FSA)
It became obvious during the financial crisis that client protection is inadequate for certain financial services and products. In March 2012, the Federal Council instructed the FDF, with the assistance of the Federal Department of Justice and Police (FDJP) / Federal Office of Justice (FOJ) and FINMA, to commence work on a project to prepare the legal basis for a new law and submit a consultation draft to the Federal Council. The law is to be drafted on the basis of a cross-sectoral approach, encompassing bank services, insurance services, advisory services, etc.[85]

General partner
In a limited partnership for collective investment, 'general partner' denotes the partner who bears unlimited liability. Under the Collective Investment Schemes Act (CISA), the general partner of a limited partnership for collective investment must be a company limited by shares with its registered office in Switzerland.

Higher loss absorbency
Enhanced ability to absorb a higher level of (unexpected) losses using equity capital. Higher loss absorbency requirements for global systemically important insurance companies (G-SIIs) are currently under development.

Internal model (insurance companies)
System used by an insurance company to quantify the risks in connection with solvency under the SST, based on a company-specific risk profile. Insurance companies may wholly or partly use internal models provided these have been approved by FINMA.

Internal ratings-based approach (IRB approach)
Approach to determining the capital requirements for credit risks based on a bank's own ratings and risk parameter estimates. This approach requires approval by FINMA.

Letter of assurance
From the beginning of the 1990s onwards, the expression 'letter concerning assurance of proper business conduct' was increasingly used by the Swiss Federal Banking Commission, one of FINMA's three predecessors, in its supervisory practice. This letter is intended to inform an individual who has held a top management position or executive board position at a supervised institution of FINMA's possible reservations about the assurance of proper business conduct requirement following the individual's possible wrongdoing as a result of an irregularity. This letter also states that FINMA will conduct enforcement proceedings to examine the individual's fitness for assuming a future position. The outcome of the proceedings is fully open.

Leverage ratio
Ratio of equity capital to debt capital (or often vice versa). As a regulatory provision, the leverage ratio also refers to the minimum requirement for equity capital in relation to the overall exposure. A leverage ratio is not a risk-weighted indicator.

[85] Extract from information provided by the State Secretariat for International Financial Matters (SIF).

Liquidity Coverage Ratio (LCR)
This short-term liquidity ratio is a new quantitative liquidity parameter under Basel III. In a predefined stress scenario, it measures highly liquid assets (such as high-quality government bonds) against a net payment outflow. The ratio must be at least 100%.

Loss absorbency
A general term for the capacity to absorb (unexpected) losses of a given extent using equity capital.

Markets in Financial Instruments Directive II (MiFID II)
In October 2011, the European Commission presented a legislative package revising the Markets in Financial Instruments Directive (MiFID), Directive 2004/39/EC, consisting of a directive and an ordinance. In particular, MiFID contains rules on the organisation and operation of securities exchanges and their participants as well as business conduct rules to protect investors when financial services are provided.

Net Stable Funding Ratio (NSFR)
Part of the Basel III framework, the NSFR has a one-year time horizon and has been developed to provide a sustainable maturity structure of assets and liabilities. The aim is to promote resilience over a longer time horizon by creating additional incentives for banks to fund their activities with more stable sources of funding on an ongoing basis. The ratio must be at least 100%.

Non-prosecution agreement
An agreement between a prosecuting authority and a company in which the authority acknowledges it will not prosecute the company in connection with a particular form of conduct provided the company meets the conditions set out in the agreement (payment of a fine, cooperation, etc.).

Non-target letter
A letter from a prosecuting authority stating that, at the time of writing and on the basis of the information available to the authority, the recipient is not the subject of a criminal investigation.

Non-UCITS
Collective investment schemes not subject to the EU's UCITS Directive. See also UCITS (Directive).

OTC derivative
OTC derivatives are derivative financial instruments that are traded bilaterally outside an exchange or other regulated market.

Preliminary investigation (enforcement)
FINMA carries out preliminary investigations (also referred to simply as 'investigations') to establish whether there are grounds for initiating formal enforcement proceedings.

Prudential supervision
Prudential supervision aims first and foremost to ensure that solvency is guaranteed, adequate risk control is in place and proper business conduct is assured. It thus also contributes indirectly to the financial markets' ability to function and to the competitiveness of Switzerland's financial sector. Prudential supervision of banks, insurance companies and other financial intermediaries is based on the licensing requirement for a specific type of activity, ongoing monitoring of compliance with the licence conditions, and other factors that are subject to regulation.

Qualified investor
Under Article 10 para. 3 CISA, qualified investors are supervised financial intermediaries such as banks, securities dealers, fund management companies, asset managers of collective investment schemes, central banks, supervised insurance institutions, public-law bodies, retirement fund institutions and companies with professional treasury services. Wealthy private individuals can also state in writing that they want to be considered as qualified investors; however, they must meet the requirements set out in Article 6 CISO. Investors who have concluded a written asset management contract under Article 3 para. 2 lets. b and c CISA are also considered as qualified investors unless they have specified in writing that they do not want to be considered as such.

Recovery, resolution and resolvability
- Recovery denotes the measures taken by a company to stabilise itself without government intervention.
- Resolution denotes restructuring measures or liquidation.
- Resolvability means the ability of a company to be resolved or wound up.

Regulatory Consistency Assessment Programme (RCAP)
As part of the RCAP, the Basel Committee on Banking Supervision (BCBS) audits the implementation of the Basel III minimum standards by its member countries. Consistent implementation of Basel III is necessary to enable meaningful comparisons of the capital and liquidity situation of banks using relevant regulatory ratios and to secure a level playing field for all involved players.

Reinsurance captive
Own insurance entity whose objective is to insure risks emanating from the group through primary insurers. This alternative form of risk transfer aims at allowing companies to enhance their risk and capital management within the group.

Short selling
Selling financial instruments that the seller does not possess at the time of sale.

Solvency II
Solvency II primarily refers to EU Directive 2009/138/EC of 25 November 2009 on the taking up and pursuit of the business of insurance and reinsurance (Solvency II). It is also often used to refer to the economic and risk-based method of assessing the capital adequacy of an insurance company contained in the Directive. In quantitative terms, the EU's Solvency II pursues aims comparable to those of Switzerland's SST.

Standard model (insurance companies)
Risk model prescribed by FINMA to determine solvency under the SST. There are standard models for life, non-life and health insurance. Reinsurers and insurance groups are required to use internal models.

Supervisory college
Meeting of representatives of international supervisory authorities to discuss the supervisory issues affecting an institution with multinational operations.

Supervisory review
On-site inspection of supervised institutions by FINMA staff. Supervisory reviews are used to arrive at an in-depth risk assessment in relation to specific issues, but are not a substitute for the auditing activities of regulatory auditors.

SwissDRG (diagnosis-related groups)
Treatment cases that are as homogenous as possible on the basis of medical and economic criteria are grouped together. Each hospital admission is allocated to a DRG on the basis of diagnosis and treatment. The groups are the same throughout Switzerland. For each group, a cost weight is calculated that is then multiplied by the basic price to obtain the flat rate per case.

Swiss Solvency Test (SST)
The SST is a supervisory instrument that uses economic and risk-based principles to measure the solvency of insurers. It was introduced in 2006 when the Insurance Supervision Act and the Insurance Supervision Ordinance were fully revised, with a transitional period of five years. It assesses the financial situation of an insurance company on the basis of the ratio of eligible equity (risk-bearing capital) to regulatory capital (target capital). The latter are determined in view of the risks incurred.

Systemic importance
Systemic risks are risks emanating from individual market participants that jeopardise the stability of the entire economy ('system'). Companies carrying out functions which are indispensable to the economic system, or which cannot be replaced by other companies, are termed 'systemically important'. One example of a systemically important function is the processing of payment transactions by banks.

Tied assets
Tied assets are designed to secure claims arising from insurance contracts. If an insurance company goes bankrupt, the proceeds of the tied assets are used first to satisfy such claims. Only then is any remaining surplus transferred to the bankrupt estate. The value of the capital investments of tied assets must cover the claims arising from insurance contracts at all times. The Insurance Supervision Ordinance (ISO) and FINMA circulars therefore contain specific provisions on the capital investments of tied assets.

'Too big to fail'
A company is categorised as 'too big to fail' if its collapse would endanger the stability of the entire economy, thereby compelling the state to rescue it. Discussion of the 'too big to fail' issue focuses on the systemic risks emanating from such companies.

UCITS (Directive)
UCITS are Undertakings for Collective Investment in Transferable Securities. The EU's UCITS Directive (2009/65/EU) sets out Europe-wide standard requirements for collective investment schemes open to public investors.