Main focus of activities

FINMA undergoes inspections

In 2013, Switzerland underwent two international audit programmes. The country received high marks in the BCBS Regulatory Consistency Assessment Programme (RCAP), which examined the status of its implementation of Basel III. The results of the IMF Financial Sector Assessment Programme (FSAP) are expected to be released in spring 2014.

Under the RCAP, the BCBS examines whether its member states have implemented the Basel III minimum standards. For Switzerland, this process took place in the first half of 2013, and resulted in the country being declared 'compliant' – the highest grade and thus a seal of approval for Switzerland's financial centre.

From Basel I to Basel III

The ability to consistently gauge the solvency of banks on the basis of a small number of regulatory ratios is of central importance, especially for creditors. This requires uniform minimum standards of the kind approved at the international level by the BCBS. The first version of these standards dates back to 1988 and is known as Basel I.

The follow-up to this, Basel II, came into effect in 2007. Since then, banks have been able to employ their own model-based approaches using their own ratings and risk parameter estimates, instead of a standard approach, to determine their capital requirements for credit risks and operational risks.[17] Model approaches for market risks had already been introduced as an extension of Basel I. Basel III came into force in 2013 and in particular imposes more stringent requirements in terms of eligible capital.

Ensuring comparability

The experience of the 2007–2008 financial crisis in particular led to the informativeness and comparability of published regulatory ratios being questioned. Inconsistent quantifications can be attributed to differences in accounting standards and discrepancies in the implementation of the Basel minimum standards by various jurisdictions. In certain cases, a differing interpretation of the rules by the banks or different internal modelling approaches for market and credit risks can lead to a lack of uniformity in assessments. By means of the RCAP, the BCBS aims to strengthen the resilience of the global banking system, maintain market confidence in regulatory ratios and provide a level playing field for banks operating internationally. The BCBS is pursuing three key objectives:

- The latest set of regulations, Basel III, should be adopted as soon as possible for all banks in a given country.
- National implementation should be consistent with the Basel III minimum standards.
- The regulatory ratios calculated by the banks should also be made comparable as soon as possible.

The BCBS has been carrying out audit programmes to this effect in all its member states since 2012. In 2013, it was Switzerland's turn to have its implementation of Basel III reviewed. The BCBS assessed the Capital Adequacy Ordinance (CAO) and a number of FINMA circulars for compliance with the Basel III minimum standards. An RCAP investigation of Switzerland's implementation of the Basel III liquidity requirements will be carried out at a later date.

Few deviations from the international standard

In its report, the BCBS presented a very positive picture of the status of Swiss regulation overall. Of 14 areas assessed, the BCBS designated 11 as fully Basel III compliant. In three areas covering certain issues related to eligible capital, the design of the IRB approach and disclosure, the BCBS identified some minor deviations from the Basel standards and therefore awarded these areas the second-best grade of 'largely compliant'. However, most of these points are merely formal in nature. The very positive overall rating was subject to the proviso that Switzerland takes timely action to clear up a small number of essentially uncontentious discrepancies in the CAO and FINMA circulars. FINMA explained the upcoming amendments in an FAQ on Basel III published in

[17] Internal ratings-based approach (IRB approach), see Glossary, p. 112.

May 2013. The circulars concerned[18] were subsequently modified and came into force on 1 January 2014. The transitional period runs until 30 June 2014. The small number of changes to the CAO, which have no material impact, were submitted for consultation in the fourth quarter of 2013.

Switzerland also assessed by the IMF

From May to December 2013, Switzerland underwent the IMF's Financial Sector Assessment Programme (FSAP), which aims to assess the stability of a country's financial sector and evaluate the quality of its regulation and supervision. It therefore adopts a broader perspective than the RCAP, and is less focused on individual areas. In addition to looking at regulations, it also examines supervisory practice in greater detail. The last time this extensive review programme was carried out in Switzerland was in 2007. The results of the FSAP are expected to be published in early 2014.

All financial centres that meet the IMF definition of systemic importance are obliged to undergo the FSAP on a regular basis. Participation in the programme is also a prerequisite for membership in the FSB. The FSAP and its reform recommendations are therefore accorded high importance internationally.

Focus on supervision and regulation

The FSAP chiefly examines whether and how banks, insurers and markets comply with international regulatory and supervisory standards.[19] The assessment of Switzerland also considered the risks and vulnerability of the Swiss financial centre and carried out stress tests in the banking and insurance sectors. Finally, Switzerland had also declared its willingness to act as pilot country in undergoing a review of the new FSB rules[20] on the resolution of banks.

Working with the FDF, the SNB, other authorities and a number of representatives of the private sector, FINMA played a key role in supplying the information required for the FSAP, using extensive self-assessments and responses to FSAP questionnaires submitted in advance. Together with the results of the stress tests, this then formed the basis for numerous interviews conducted by the IMF delegation with representatives of FINMA, other Swiss authorities and the private sector.

Policy recommendations to follow in 2014

Visits by the IMF delegation took place over a total of seven weeks in September, October and December 2013. In the interviews carried out in September, the IMF representatives chiefly addressed compliance with international supervisory and regulatory standards. The delegation also conducted technical discussions on the performance of stress tests. Switzerland's compliance with the new FSB rules on the resolution of banks was discussed in October, while in December the IMF representatives discussed the policy recommendations, stress test results and a small number of other issues arising from the FSAP. The IMF's reports on the final results of the FSAP will not be released until after publication of FINMA's 2013 Annual Report, so it is not possible to make any definitive statements at this stage.

[18] See section on Changes in banking regulation, p. 49.
[19] BCBS Core Principles for Effective Banking Supervision (see http://www.bis.org/publ/bcbs230.pdf), IAIS Insurance Core Principles (see http://www.iaisweb.org/ICP-online-tool-689), IOSCO Objectives and Principles of Securities Regulation (see http://www.iosco.org/library/pubdocs/pdf/IOSCOPD154.pdf).
[20] Key Attributes of Effective Resolution Regimes for Financial Institutions (see http://www.financialstabilityboard.org/publications/r_111104cc.pdf).

Cross-border financial services

In 2013, FINMA once again devoted much attention to the legal and reputational risks to Swiss banks from cross-border financial services. The framework for a solution with the US was set up at the political level, but a similar agreement has yet to be reached with countries such as Germany and France.

When a Swiss bank offers financial services to clients abroad or to clients in Switzerland with ties to foreign countries, it inevitably comes into contact with foreign law. Swiss financial market legislation does not explicitly require financial institutions supervised by FINMA to comply with foreign law, nor does it yet prohibit banks from receiving untaxed money.

A long-standing issue for FINMA

However, supervised institutions are required to capture, limit and monitor their legal and reputational risks appropriately, and to put in place an effective internal control system. This obligation also extends to the risks arising from cross-border financial services, including the issue of taxation. FINMA published a position paper on this topic in 2010 followed, in 2012, by a supplementary FAQ. For some years now, FINMA has addressed this issue in depth, also during its supervisory interactions, and has, for instance, discussed the termination of business relationships with clients whose assets may not have been taxed, and the onboarding of such clients by other institutions.

Making up for the past

On 1 January 2013, bilateral agreements came into force with Austria and the UK which aim to correct past irregularities in taxation and introduce a withholding tax for foreign bank clients that has the effect of discharging their tax liability. No such solution has yet been reached with Germany. The German Parliament rejected an agreement to this effect in December 2012.

In countries such as the US, Germany and France, individuals subject to tax have the option of voluntary disclosure, with a view to putting their own tax situation in order. Clients who do not take up this option may find themselves facing criminal charges. This would have an indirect impact on the banks, since servicing such clients could in many places be construed as aiding and abetting tax offences.

Investigations at over twenty institutions

In 2013, FINMA once again arranged for independent internal investigations to take place at a number of institutions concerning areas of their cross-border financial services business. In all, FINMA has now had such investigations conducted at more than 20 institutions. Enforcement proceedings related to cross-border wealth management were carried out against eight institutions. Where necessary, FINMA ordered targeted measures to be adopted in order to restore compliance with the law.

Individuals subject to proceedings and letters of assurance

When initiating enforcement proceedings against individuals, FINMA normally adopts a cautious approach in line with its enforcement policy,[21] which was published in December 2009 and updated in November 2011. It focuses primarily on correcting any irregularities identified at supervised institutions. Enforcement proceedings were initiated against certain individuals in response to suspicions of serious breaches of obligations related to cross-border financial services. FINMA would also initiate proceedings against

[21] See http://www.finma.ch/e/sanktionen/enforcement/Documents/pl_enforcement_20111110_e.pdf.

further individuals if they wished to return to a position at a supervised institution that required them to provide assurance of proper business conduct. In line with its practice, FINMA delivered letters of assurance[22] to those concerned.

In further cases, FINMA provided administrative assistance to foreign authorities, carried out supervisory reviews as part of its supervisory activities or, depending on the circumstances and the expediency of investigation, limited itself to monitoring the situation.

Developments in the relationship with the US

The tax dispute with the US concerned not only FINMA but also politicians. In early 2013, following negotiations with the U.S. Department of Justice (DoJ), the Federal Council submitted to Parliament the Lex USA, which would have permitted any bank affected to regularise its situation vis-à-vis the DoJ. The National Council rejected the proposed law on 19 June 2013. To end the tax dispute between the banks and the US, however, the Federal Council and the DoJ signed a joint statement on 29 August 2013. Simultaneously, the DoJ published a programme under which the banks concerned can, depending on their situation, apply to the DoJ for a non-prosecution agreement[23] or for the issuance of a non-target letter.[24]

The US programme is open to all Swiss banks and various deadlines apply. It does not apply to banks against which the DoJ had already launched a criminal investigation (category 1). Banks in category 2, which have good reasons to believe that they have violated US tax law, had until 31 December 2013 to request a non-prosecution agreement from the DoJ. They were required to supply the DoJ with information about their relationships with US clients, but not the names of those clients. Institutions in category 2 must additionally pay a fine, the amount of which will be in relation to the volume of untaxed US assets they hold and the date on which the accounts were opened. To comply with their obligation to supply information, the banks may apply to the Federal Council for individual authorisation under Article 271 of the Swiss Criminal Code (CC). Banks which believe that they have not violated US tax law (categories 3 and 4) can report to the US authorities between 1 July 2014 and 31 October 2014 at the latest to request a non-target letter.

[22] See Glossary, p. 112.
[23] See Glossary, p. 113.
[24] See Glossary, p. 113.

At a glance: cross-border issues – developments related to the US

2008

MAY 2008
SFBC launches proceedings against UBS (US business).

17 JULY 2008
UBS announces exit from US.

2009

18 FEBRUARY 2009
UBS reaches US settlement; pays fine of USD 780m; IRS demands disclosure of 52,000 client names.

18 FEBRUARY 2009
FINMA orders UBS to disclose data on 255 clients.

18 FEBRUARY 2009
FINMA summary report[25] on the UBS case (US business).

13 MARCH 2009
Federal Council agrees to providing administrative assistance in cases of tax evasion (OECD 26).

2010

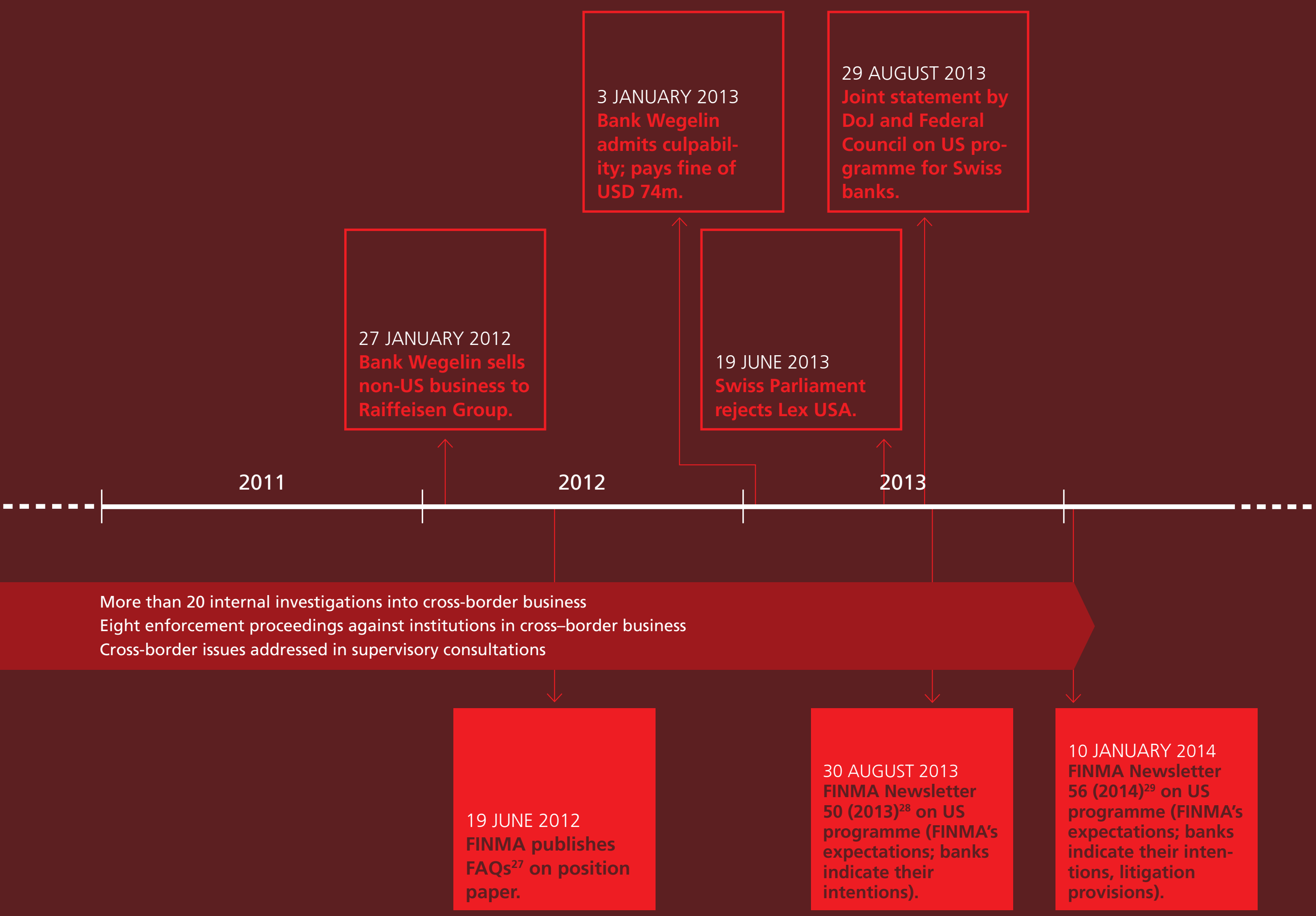
17 JUNE 2010
Parliament approves UBS agreement permitting the bank to supply client data.

FINMA
Legal risks
project

22 OCTOBER 2010
FINMA position paper[26] on legal and reputational risks in cross-border financial services.

15 NOVEMBER 2010
IRS withdraws summons against UBS.

The increase in legal risks in the US cross-border financial services business since 2008 is being followed closely by FINMA. From 2010 onwards, it has conducted several investigations and proceedings related to the cross-border business. Since August 2013, the U.S. Department of Justice (DoJ) programme has provided the opportunity for banks to resolve the issue in a regulated manner.



[25] See FINMA Summary report 'EBK investigation of the cross-border business of UBS AG with its private clients in the USA' (http://www.finma.ch/e/aktuell/pages/mm-ubs-xborder-20090218.aspx).

[26] See FINMA position paper 'Legal and reputational risks in cross-border financial services' (http://www.finma.ch/e/finma/publikationen/Documents/positionspapier_rechtsrisiken_e.pdf).

[27] See FAQs 'Legal and reputational risks in cross-border financial services' (http://www.finma.ch/e/faq/beaufsichtigte/pages/faq-grenzueberschreitendes-geschaeft.aspx).

[28] See FINMA Newsletter 50 (2013) 'The US programme to end the tax dispute between the Swiss banks and the United States' (German version) (http://www.finma.ch/d/finma/publikationen/Lists/ListMitteilungen/Attachments/67/finma-mitteilung-50-2013-d.pdf).

[29] See FINMA Newsletter 56 (2014) 'The US programme to end the tax dispute between the Swiss banks and the United States – FINMA's expectations (German version) (http://www.finma.ch/e/finma/publikationen/Lists/ListMitteilungen/Attachments/68/finma-mitteilung-56-2014-d.pdf).

Real estate market remains tight

Despite self-regulatory measures and the countercyclical capital buffer, real estate prices and mortgage volumes once again rose in 2013 – somewhat more slowly than before, but still faster than gross domestic product. Excessively slow amortisation and, in some cases, poor financial sustainability of mortgages and investment properties are giving rise to risks.

In summer 2012, the Swiss Bankers Association (SBA) supplemented its self-regulatory regime for granting mortgages. Anyone wishing to buy a property must now supply at least 10% of the lending value in the form of hard equity not drawn from pension entitlements. Additionally, the loan-to-value ratio is to be reduced to two thirds within 20 years. The aim is to prevent mortgage lenders incurring losses in the event of a moderate drop in property prices and buyers making excessive inroads into their pension entitlements. FINMA approved the SBA's new minimum requirements for mortgage financing as a supervisory minimum standard.

Moreover, the Federal Council introduced the countercyclical capital buffer[30] in February 2013. As of 1 September 2013, banks are required to hold additional core capital amounting to 1% of their risk-weighted mortgages on Swiss residential properties.

Modest slowdown at a high level

Under the influence of the self-regulatory measures, the countercyclical capital buffer and a slight rise in general long-term interest rates, growth in mortgage volumes fell marginally to below 5% by the middle of the year. However, this is still significantly above the growth in gross domestic product (GDP).

Risks accumulating due to slow amortisation

In the current low interest rate environment, interest payments and amortisation are largely affordable. However, a normalisation of interest rates can quickly lead to financial sustainability squeezes and loan defaults. Unless adequate countermeasures are adopted, the later the upward correction in interest rates, the greater the accumulated risks will be.

A further aggravating factor is that owing to tax incentives, mortgages are only being amortised slowly despite low interest rates. At 140% of GDP, mortgage debt in Switzerland has now reached a very high level (see figure, p. 31) by international standards. Set against this high figure are assets that are often illiquid and are therefore only available to a limited extent to pay down mortgage debt in the short term. More systematic amortisation is therefore a desirable objective.

Dangers of a high vacancy rate

There are also particular risks attached to investment properties, given the historically low gross initial yields. Financial sustainability could be rapidly jeopardised not only if interest rates rose but also if there were high vacancy rates.

Increased inspections by FINMA

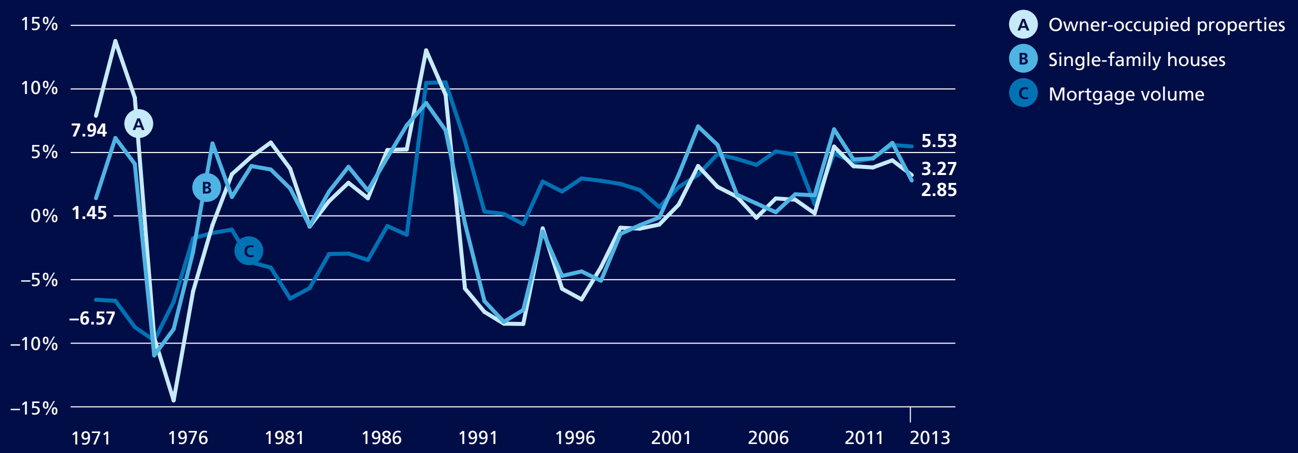
FINMA responded to the increasingly acute risk situation by carrying out supervisory reviews and stress tests specifically focused on the mortgage market. This involved stimulating the impact of a rapid rise in interest rates on income and equity capital based on the assumption of a decline in real estate prices coinciding with a deterioration in the economic environment.

Supervisory reviews were carried out at six banks. To obtain a precise picture of mortgage lending, FINMA focused not only on the financing of owner-occupied properties but also on residential investment properties.

[30] See Glossary, p. 111.

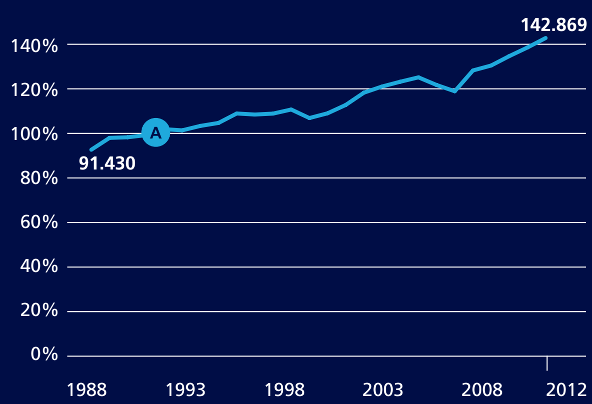
Trends in the Swiss real estate and mortgage market

Swiss real estate prices and mortgage volumes: annual inflation-adjusted growth rates



Sources: SNB Monthly Statistical Bulletin (real estate prices), SNB Monthly Bulletin of Banking Statistics (mortgage volumes) and SNB Historical Time Series (mortgage volumes before 1988).

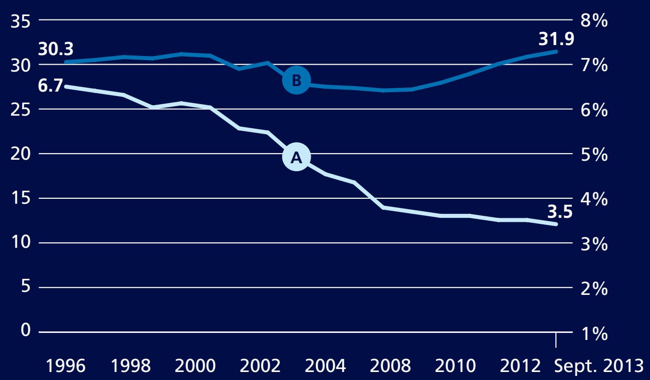
Mortgage volume as a percentage of GDP



Source: SNB Monthly Bulletin of Banking Statistics (mortgage volume), SECO (GDP).

A Mortgage volume as a percentage of GDP

Mortgage exposures and insurers' market share



Source for insurers: FINMA.
Source for banks: SNB Monthly Bulletin of Banking Statistics.

A Insurers' share of mortgage market
B Insurers' mortgage portfolio (CHF in billions)

Swiss insurers in the real estate and mortgage market

FINMA follows closely Swiss insurers' exposure to the country's real estate market, carrying out half-yearly monitoring of their mortgage and real estate portfolios.

Insurers account for less than 4% of the Swiss mortgage market, and mortgages on average add up to just 6% of their capital investments – far less than the 1996 figure of 10%. The loan-to-value ratio of these mortgages averages 52% (gross, excluding collateral), significantly below the limit set by FINMA.[31] Over 90% of mortgages held by insurers are first-rank, more than 31% include additional collateral, and in excess of 32% are amortised. Faced with low interest rates, customers are demanding fixed-rate mortgages, and more than 90% of mortgages granted by insurers fall into this category, with an average remaining term of four to five years.

In 2013, insurance companies held real estate valued at CHF 50.5 billion directly in their portfolios, mostly consisting of investment properties. This figure has grown in recent years. In relative terms, however, the proportion of directly held real estate in insurers' total capital investments has fallen slightly over the last five years, and now stands at an average of 11.2% for life insurers and 6% for non-life insurers. When making direct investments in the real estate market, insurers are required to comply with FINMA rules on property types and valuations.

[31] FINMA Circular 2008/18 'Investment guideline – insurers' permits a maximum loan-to-value ratio of two thirds.

Technical provisions

Technical provisions are vitally important in all areas of the insurance industry. In 2013, FINMA again paid particularly close attention to those provisions, especially in the context of life insurance.

FINMA measures the economic strength of every insurance company on the basis of two key factors. On the one hand, solvency indicates the level of an insurer's equity capital, measured using the Swiss Solvency Test (SST) over a one-year horizon. On the other hand, technical provisions are there to secure the obligations arising from insurance contracts continuously and over the long term.

In order to protect policyholders, it is essential to have sufficient disposable and unencumbered assets, referred to as tied assets, to cover all technical provisions for the full term of the contract. In other words, the level of technical provisions determines the amount of tied assets which would be used to satisfy claims arising from insurance contracts if an insurance company became insolvent.

Life insurers may face gaps in cover

Life insurers offer guarantees that extend over several decades. If, for example, young customers purchase a contract for a retirement pension, they will pay premiums right up to the date of retirement, after which the insurance company will pay them a pension until life's end. The premium and pension amounts are defined when the contract is signed and cannot, as a rule, be changed for almost half a century. The length of this period makes it impossible to factor in all the contingencies that may arise, such as longer life expectancy or an unusually long phase of low interest rates.

Especially in the case of Pillar 2 plans with a statutory pension conversion rate, the current level of actuarial reserves has long been insufficient to fund the new pensions that have to be paid out each year. Insurance companies close this financing gap by cross-financing using premiums from high-margin death and disability risk contracts and other sources. In the long term, however, the gap in cover will continue to grow, posing a major challenge for life insurers.

FINMA is aware of this problem and paid particularly close attention to it in its oversight of life insurers' technical provisions in 2013. If insurers cannot meet their obligations, FINMA intervenes and instructs the life insurer in question to increase its technical provisions.

No general need for action in non-life insurance

In 2013, FINMA reviewed the processes used by a number of non-life insurers to form technical provisions and also calculated the provisions needed to cover required technical reserves. Findings from these analyses fortunately indicate a need for making changes only in a few exceptional cases. Claims frequency in the private client sector is relatively steady.

Major significance of ageing provisions in supplementary health insurance

In supplementary health insurance, insurers generally waive their right of termination in the event of a claim. This leads to insurance contracts that run for an entire lifetime. Depending on the policyholders' enrolment age, on which the rates are based, the company must accrue technical provisions, referred to as ageing provisions, in advance. These are vitally important, and FINMA therefore has a special focus on them, especially by analysing the technical section of the business plan for every product. In addition, FINMA demands that technical provisions that are no longer required should be paid out to the insured persons who financed them.

More frequent controls in reinsurance

Reinsurance often covers the whole spectrum of the insurance business, a fact that is reflected in provisions. As of the 2013 accounting year, FINMA will have better information on provisions in the following year because FINMA Circular 2011/3[32] requires insurance companies to break down their overall portfolio into sub-portfolios. As with the other insurance sectors, FINMA is paying increasingly close attention to provisions in the reinsurance sector. On the one hand, it reviews specific sub-portfolios systematically at predetermined intervals; on the other, it examines special transactions, for example when significant dividends are paid out.

[32] See FINMA Circular 2011/3 'Provisions in reinsurance' (German version) (http://www.finma.ch/d/regulierung/Documents/finma-rs-2011-03-d.pdf).

Asset management

Internationally, the trend in the institutional asset management business is towards greater transparency and investor protection. These developments, driven by the regulatory environment, have also led to a steady decrease in the size of the non-regulated institutional asset management segment in Switzerland.

As of the end of 2013, there were 119 authorised asset managers of collective investment schemes, an increase of 20 year-on-year. FINMA authorised a total of 22 asset managers of collective investment schemes in 2013, with just two existing licence holders withdrawing from FINMA's supervision. Meanwhile, one fund management company was newly authorised in 2013.

Across the world, requirements on investor protection and transparency in the institutional asset management segment have been tightened in recent years. This has had a noticeable impact on Swiss asset management, with the non-regulated segment shrinking steadily as a result.

Preserving market access is the driving force

This trend began with the UCITS Directive in the EU, which from February 2007 made asset managers of standardised European undertakings for collective investment in transferable securities (UCITS) subject to supervision. The Swiss Collective Investment Schemes Act (CISA), which came into force on 1 January 2007, also brought asset managers of Swiss collective investment schemes under prudential supervision. With a view to preserving market access, asset managers of foreign collective investment schemes were also given the possibility of voluntarily subjecting themselves to CISA if required to do so under foreign law.

The EU's Alternative Investment Fund Managers Directive (AIFMD), which entered into force in July 2011, also requires managers of European alternative investment funds to be subject to prudential supervision. Managers of foreign funds in Switzerland faced the risk of being unable to continue with their cross-border asset management activities. To close this gap in the regulations and preserve market access, the Federal Council decided to conduct an urgent partial revision of CISA. All asset managers of collective investment schemes are in principle now subject to the revised CISA, which entered into force on 1 March 2013. When the notification period expired at the end of August 2013, 116 companies had reported to FINMA and now have until February 2015 to submit an application for authorisation as an asset manager of collective investment schemes.

National regulation

In addition to the more stringent international regulatory requirements, revisions to national laws have also had an impact on asset management in Switzerland. The revised Ordinance on Occupational Retirement, Survivors' and Disability Pension Plans (BVV 2) entered into force on 1 January 2014, and states that external persons and institutions may only be entrusted with the investment and management of pension fund assets if they are subject to supervision by FINMA or an equivalent foreign financial market supervisory authority. With the decision taken by the Federal Council in May 2013, the Federal Occupational Pensions Regulatory Commission (OAK BV) can now also declare other persons and institutions as being 'authorised' for the investment and management of pension plan assets. The OAK BV can also issue these asset managers with a provisional licence limited to three years, after which time they must subject themselves to recognised supervision.

Implications for supervision

As a result of the revisions to CISA and BVV 2, institutional asset managers who have previously chosen to operate in the non-regulated segment will have to decide whether they can or want to adjust their business model in line with the changed framework, and if so how to achieve this. In particular, this poses various challenges for institutions that focus predominantly on asset management for private clients in addition to the management of collective investment schemes, and which often offer many other services. FINMA identified organisational weaknesses in large and long-established institutions in particular. The companies in question have extended their area of activity over the course of time to include a wide range of services, but without adjusting their organisation to address the new challenges. In addition to conflicts of interest, this has led to shortcomings such as:

- inadequate corporate governance;
- a lack of separation between investment decisions and controlling functions;
- no appropriate training and insufficient experience in risk management functions.

Specifically and as part of its supervisory activities, this resulted in FINMA contacting the institutions concerned to point out those inadequacies, and imposing special conditions where necessary.

New developments

FINMA has identified an increasing trend towards cooperation between authorised asset managers subject to CISA and institutions that are not yet regulated. The latter are seeking to continue activities that now require authorisation such as managing foreign collective investment schemes or pension fund assets that are under the 'umbrella' of an authorised asset manager, without having to apply for authorisation themselves.

For example, unauthorised asset managers acquire a minority interest in an authorised asset manager, allow themselves to be hired by them on a part-time basis, and thus continue to manage their collective investment schemes or pension funds without being fully integrated in the investment and controlling process. Meanwhile, other services are still performed by the unauthorised institution, for instance, individual asset management for private clients.

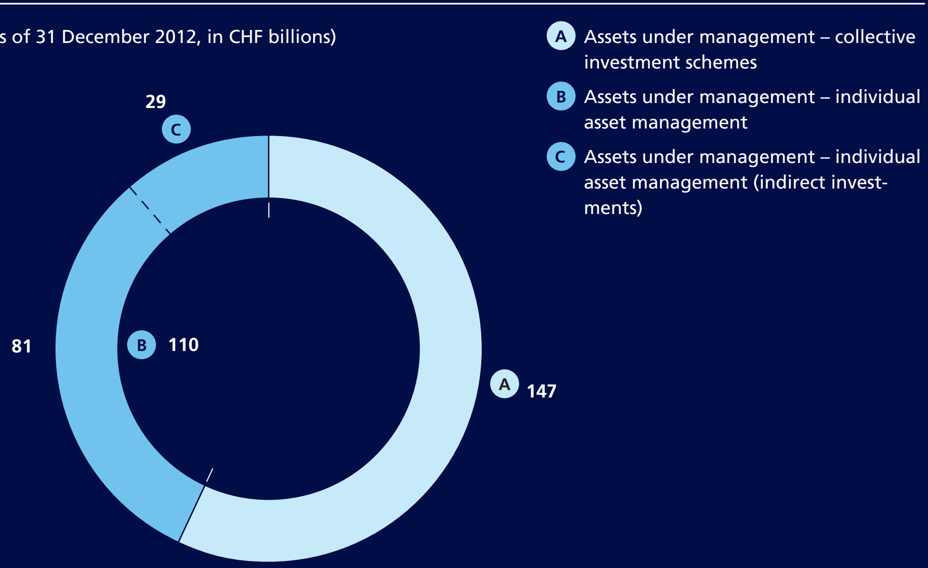
FINMA must ensure that individual asset managers in such cooperation models also have the appropriate organisation required by law, and that the risks are as a whole identified and controlled properly. Following the revision of CISA, consolidated supervision of asset managers is no longer possible, which makes FINMA's task more difficult.

Assets under management

Data collected in 2013 showed that, as of 31 December 2012, authorised CISA asset managers managed assets amounting to CHF 257 billion, of which CHF 147 billion are attributed to Swiss and foreign collective investment schemes, while CHF 110 billion are attributed to individual asset management managed for private and institutional investors. CHF 29 billion of those individually managed assets were reinvested in collective investment schemes managed by asset managers and have also been included in the assets for collective investment schemes (147 billion).

Assets of collective investment schemes and individually managed portfolios

(as of 31 December 2012, in CHF billions)



Assets of Swiss and foreign collective investment schemes managed in Switzerland

(as of 31 December 2012, in CHF billions)