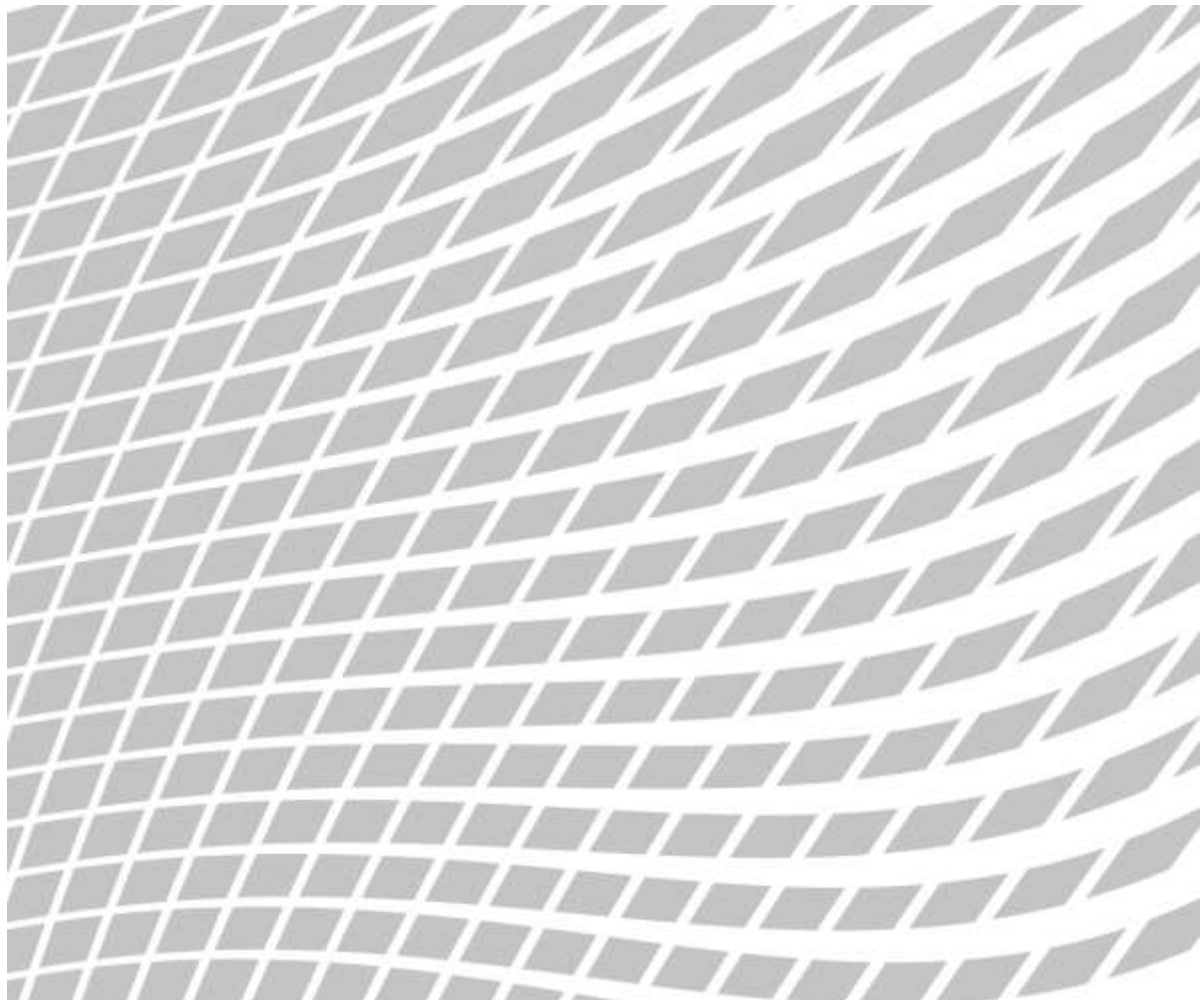


1 March 2016

Circular 2016/x “Corporate governance – banks”

Key points



FINMA is carrying out a total revision of its Circular 08/24 “Supervision and internal control – banks”, which was issued by the Swiss Federal Banking Commission in 2006 and has only undergone minor adjustment since then. The circular does not reflect fundamental developments in corporate governance and important risk management lessons learned from the financial market crisis. The comprehensive revision is motivated by the fact that international standard-setting bodies such as the Basel Committee on Banking Supervision have in the meantime updated their guidelines for modern corporate governance and effective risk management. Recommendations made by the International Monetary Fund as part of its 2014 Financial Sector Assessment Program will also be taken into account.

Specifically, the following main changes and additions are planned:

1. Besides control aspects, principles and structures for the supreme governing body and executive board will be introduced (checks and balances). As regards the supreme governing body, the existing FAQs will be largely incorporated into the circular.
2. Banks in supervisory categories 1 to 3 will be obliged to appoint separate audit and risk committees.
3. All institutions must have a risk management framework drawn up by the executive board and signed off by the supreme governing body.
4. All banks in supervisory categories 1 to 3 must have risk control headed by a chief risk officer (CRO). For banks in supervisory categories 1 and 2, the CRO must be a member of the executive board.
5. Minimum corporate governance disclosure requirements will apply to all banks. Banks in supervisory categories 1 to 3 will be subject to extended disclosure requirements similar to those outlined in SIX’s Directive Corporate Governance.

In connection with the total revision of FINMA Circular 08/24, FINMA Circulars 08/21 “Operational risks – banks” and 10/1 “Remuneration schemes” will undergo a partial revision.

The points to be included in the “Corporate governance – banks” circular as overarching requirements will be removed from the section of FINMA Circular 08/21 on qualitative risk management requirements. The risk management principle on technological infrastructure will be expanded to include IT and cyber risks, and a new principle on risks in cross-border services will be introduced. In addition, the principle on business continuity will be expanded to include requirements for maintaining critical services when resolving systemically important banks.

Mandatory implementation of FINMA Circular 10/1 is to be restricted to banks with capital of CHF 10 billion or more. Minor amendments will also be made to the circular’s requirements for the design of remuneration schemes.