

Consultation on the full revision of FINMA Circular 2013/5 “Liquidity – insurers”

Key points

13 May 2024

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1. The revision of the ISO introduced annual reporting by insurers to FINMA on their liquidity planning (Art. 98a para. 4 ISO). At the same time, liquidity has also come under greater international scrutiny in insurance supervision in recent years. FINMA Circular 2013/5 “Liquidity – insurers” no longer meets the requirements of a modern and principle-based description of practice, which is why it is being completely revised.
2. The description of FINMA’s supervisory practice regarding liquidity management and liquidity risk management is divided into six areas.
 - Governance: Definition of a clear organisational and operational structure with allocation of tasks, competencies and personal responsibility.
 - Liquidity management/planning: Planning of future cash inflows and outflows for different time horizons and the associated available cash and cash equivalents.
 - Liquidity reserve: Provision of highly liquid assets to bridge short-term liquidity requirements.
 - Liquidity risk management: Ensuring liquidity even in stress situations and incorporating liquidity risks into the overall risk management of insurers.
 - Liquidity controlling/monitoring: Introduction of effective processes for measuring, monitoring and managing liquidity and inclusion of the corresponding business processes in the internal control system (ICS).
 - Emergency concept: Definition of processes and measures depending on the severity of a liquidity bottleneck.
3. Reporting to FINMA will be carried out as part of a standardised survey. The reporting elements will be defined according to supervisory category and risk exposure and communicated to the supervised institutions in advance.