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Board of Directors and Executive Board

To secure FINMA's institutional independence, it has been structured by legislators as a public-law institution with its own legal personality. Its governing bodies are the Board of Directors and the Executive Board.

The Board of Directors

The Board of Directors is FINMA's strategic management body. It directs, supervises and controls FINMA's executive management. It decides on matters of substantial importance, issues ordinances and circulars, and is responsible for FINMA's budget. The Board of Directors bears this responsibility as a collective body. Its decisions are taken by a majority of the votes of the members present.

Members of the Board of Directors

Prof. Anne Héritier Lachat	Chair
Paul Müller	Vice-Chair
Bruno Frick	Member
Prof. Yvan Lengwiler	Member
Günter Pleines	Member
Joseph L. Rickenbacher	Member
Franz Wipfli	Member
Prof. Jean-Baptiste Zufferey	Member

On 19 December 2012, the Federal Council appointed Günter Pleines to the Board of Directors; he has been in post since 1 May 2013. Eugenio Brianti resigned from FINMA's Board of Directors at the end of June 2013. On 26 June 2013, the Federal Council appointed Bruno Frick to FINMA's Board of Directors; he has been in post since 1 August 2013.

Committees of the Board of Directors

The Board of Directors forms an Audit and Risk Committee, a Nomination Committee and a Takeover Committee from among its members. Except where otherwise stipulated, the committees⁷⁹ act in an advisory capacity and submit proposals to the Board of Directors. They are headed by a Chair who liaises with the Board of Directors and the Executive Board. In addition to the standing committees, the Board of Directors may form ad hoc committees to prepare business or commission individual members to undertake special tasks.

The standing committees of the Board of Directors and their members as of 31 December 2013

	Prof. Anne Héritier Lachat	Paul Müller	Bruno Frick	Prof. Yvan Lengwiler	Günter Pleines	Joseph L. Rickenbacher	Franz Wipfli	Prof. Jean-Baptiste Zufferey
Audit and Risk Committee						Chair	x	x
Nomination Committee	Chair	x				x		
Takeover Committee			x ⁸⁰	x				Chair

⁷⁹ The Takeover Committee is the complaints body for decisions made by the Swiss Takeover Board.

⁸⁰ Prof. Anne Héritier Lachat was a member of the Takeover Committee until 5 December 2013.



From left to right:
Prof. Yvan Lengwiler, Prof. Jean-Baptiste Zufferey, Paul Müller,
Prof. Anne Héritier Lachat, Joseph L. Rickenbacher, Franz Wipfli,
Bruno Frick, Günter Pleines.

The Executive Board

The Executive Board is FINMA's operational management body and is responsible for supervising banks, insurance companies, exchanges and securities dealers as well as other financial intermediaries in accordance with the law and respective strategy. It prepares the necessary files and materials for decisions on items of business that fall within the remit of the Board of Directors, and is responsible for implementing the resolutions of the Board of Directors and its committees.

Members of the Executive Board

Dr Patrick Raaflaub	CEO
Mark Branson	Deputy CEO and Head of Banks division
Dr Nina Arquint	Head of Strategic Services division
Dr René Schnieper	Head of Insurance division
Yann Wermeille	Head of Markets division
Dr David Wyss	Head of Enforcement division
Andreas Zdrenyk	Head of Operations division

Dr Urs Zulauf resigned his post as Head of Strategic Services division on 31 January 2013 and left FINMA on 31 March 2013. The FINMA Board of Directors appointed Dr Nina Arquint, previously Head of the General Secretariat, to the Executive Board and as Head of the Strategic Services division. Nina Arquint has been in post since 1 February 2013.

Enforcement Committee

The Enforcement Committee (ENA) is a standing committee of the Executive Board with responsibility for making decisions concerning enforcement. Except for matters of substantial importance that are reserved for the Board of Directors, it decides on enforcement rulings as well as initiating and discontinuing important proceedings, in particular against supervised institutions and individuals.

Permanent members of the Enforcement Committee

Dr Nina Arquint	Chair
Dr Patrick Raaflaub	
Dr David Wyss	

Where a supervised institution is the subject of enforcement proceedings, the Executive Board member responsible for its supervision joins the Enforcement Committee for that specific case.



From left to right:
Yann Wermeille, Dr David Wyss, Dr René Schnieper, Dr Nina Arquint,
Dr Patrick Raaflaub, Andreas Zdrenyk, Mark Branson.

Staff

FINMA initiated and implemented a variety of measures on the personnel front in 2013. A competency model was introduced as an evaluation tool for the annual employee performance reviews. Talent management, talent development and succession planning have become fixed items on FINMA's management agenda.

The maximum headcount approved by the Board of Directors for 2013 was 481 full-time equivalent positions. In 2013, FINMA employed an average of 504 employees (2012: 477) across 468 full-time equivalent positions (2012: 442). Approximately 20% of staff work part-time (2012: 19%). For 2014, the Board of Directors has again approved a headcount of 481 full-time equivalent positions.

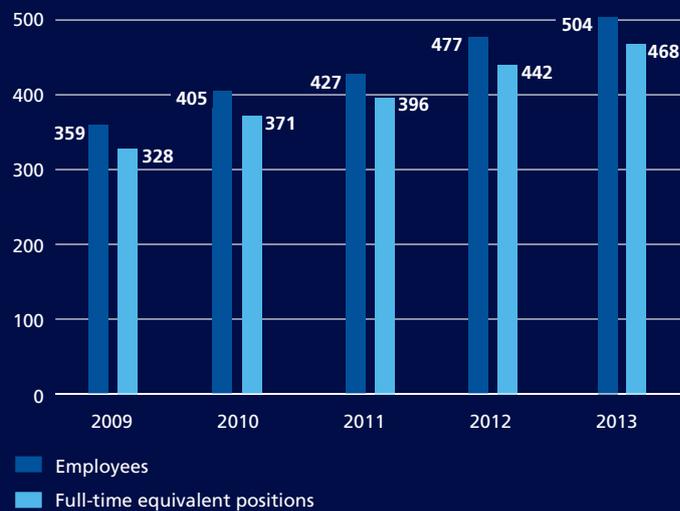
The average age of employees in 2013 was 41, the same as in 2012. Approximately 69% of staff are aged between 30 and 49 (2012: 68%), while 21% are aged 50 or over (2012: 20%), and 11% are young talents (2012: 12%). Senior management positions are held by 214 employees or 42% (2012: 188/38%). The term 'senior management' at FINMA covers all line management and specialist functions in salary bands 1 to 3. Of senior management, 75 employees or 35% have a line management function (2012: 36%), with women accounting for around 19% of line managers (2012: 18%). In 2013, women accounted for 37% of the organisation as a whole (2012: 38%).

At the end of December 2013, staff turnover (excluding retirement) was 11% (previous year: 10%). Employee retention measures, which include secondments, continuing education and developing potential, appear to be working. FINMA remains committed to achieving a good mix of young and more experienced specialists. One consequence of this strategy may be a certain level of staff turnover. FINMA has boosted its attractiveness to younger specialists by enhancing the staff development function and offering other incentives such as secondments to other countries. FINMA expects its younger employees to remain with the organisation for an average of three to four years.

The job market for financial specialists remains stretched. Recruitment costs have risen, and more time is needed in some cases to persuade specialists to continue their career within FINMA. In addition, the salary expectations of experienced professionals are often beyond the scope of the FINMA salary system. Indeed, FINMA quite frequently reaches its limits where the salaries of experienced professionals are concerned.

Selected FINMA staff data

Average headcount



Breakdown by language

At the end of 2013, FINMA employed 75 non-Swiss staff (previous year: 76).



Operational development at FINMA

A new IT system was successfully rolled out across FINMA in 2013, replacing a range of systems implemented by FINMA's predecessor authorities. The new system provides a solid and unified basis for more efficient business processes.

FINMA's operational strategy ensures that the organisation receives the support it needs to implement its strategy and achieve its objectives through a range of measures over the short to long term. It supports decision-making and priority-setting for planned operational initiatives, projects and measures.

Ongoing optimisation of processes

For all FINMA employees, clear processes form a standard 'language' which defines who has to do what, when and how. At FINMA, disciplined process management is a management responsibility and provides, among other things, the basis for technology and instrumentation decisions. The processes are subject to continuous controls for quality assurance reasons.

In 2013, FINMA standardised and simplified its project methodology and governance and streamlined its process management guidelines. Progress was also made in consolidating the three locations in Bern at Laupenstrasse. The plan is to move to the new FINMA headquarters in the first quarter of 2014.

New process management system launched

The introduction of FINMA's new cross-organisational, IT-based process management system means that the foundations have now been laid for stable, secure and clearly defined information and document management. In FINMA's core processes (i.e. licensing, supervision, enforcement and regulation), it is vital that the organisation should have access to and be able to evaluate and assess the right information and data at the right time in a secure and effective way.

FINMA has committed itself to creating the legal, technical and organisational basis for electronic communication in administrative proceedings (i.e. licensing and enforcement) by 1 January 2017 at the latest.

Now the focus is on continuing to develop the new process management system, replacing the few remaining legacy systems and archiving the old collections of information and documents in line with relevant legal requirements and in consultation with the Swiss Federal Archives.

The installation of SAP on 1 January 2014 will make planning, controlling and reporting processes more robust and reliable. This represents another important element in information and document management at FINMA.

Technology and security management

FINMA is obliged to meet exacting security requirements when using new technologies. The key question in this context is whether to buy the required technologies ready-made or to develop them in-house. For FINMA, it is vitally important that the technologies and security features used meet statutory requirements.

In 2013, following a WTO procurement process, FINMA's IT operations were handed over in their entirety (i.e. computer centre, servers and network) to Swisscom IT Services. This means that FINMA is in a position to guarantee stable services in relation to infrastructure, applications and tools, while also meeting stringent security, integrity, performance and availability criteria and keeping pace with changes in technology.

Since its foundation on 1 January 2009, FINMA has grown at a rate similar to other European financial market supervisors. FINMA invests most of its resources in its core tasks of licensing, supervision and enforcement.

The pressure of regulation has risen across the board since the onset of the financial crisis in 2008. Requirements on financial market supervisory bodies have also become more demanding worldwide. In response, FINMA has consolidated its organisation and professionalised its procedures and processes.

Professionalisation and the pressure of regulation

FINMA has introduced a new risk-based supervisory approach that is applied across all supervised sectors. The associated intensification and professionalisation of supervision led to a growth in demand for personnel (see chart on page 96). At the same time, the increase in FINMA's capacities is also due to more stringent statutory requirements. 'Too big to fail' regulations, Basel III, the Swiss Solvency Test (SST) and other national and international norms have led to expansion in all the bodies responsible for monitoring compliance with these regulations.

Growth trends in FINMA's divisions

FINMA has deliberately boosted investment in its Markets division because supervision of collective investment schemes had previously been under-resourced. Increased staffing in areas such as monitoring asset management had also become necessary due to new regulatory requirements following the revision of the Collective Investment Schemes Act (CISA).

Enforcement became a separate division in its own right in April 2011. This made the enforcement of supervisory law an integral part of FINMA's supervisory approach. Of FINMA's three predecessor authorities, only the Federal Banking Commission had developed and implemented enforcement practice.

Relatively few new positions were created in the Banks and Insurance divisions. Supervision of the two large banking groups was slightly intensified and some additional units (e.g. Risk Management, Solvency and Capital, and Team Intensive Supervision) were created or existing units reinforced. The Insurance division supervised the implementation of the Swiss Solvency Test (SST) and intensified its supervision of insurance groups.

Growth in line with international trends

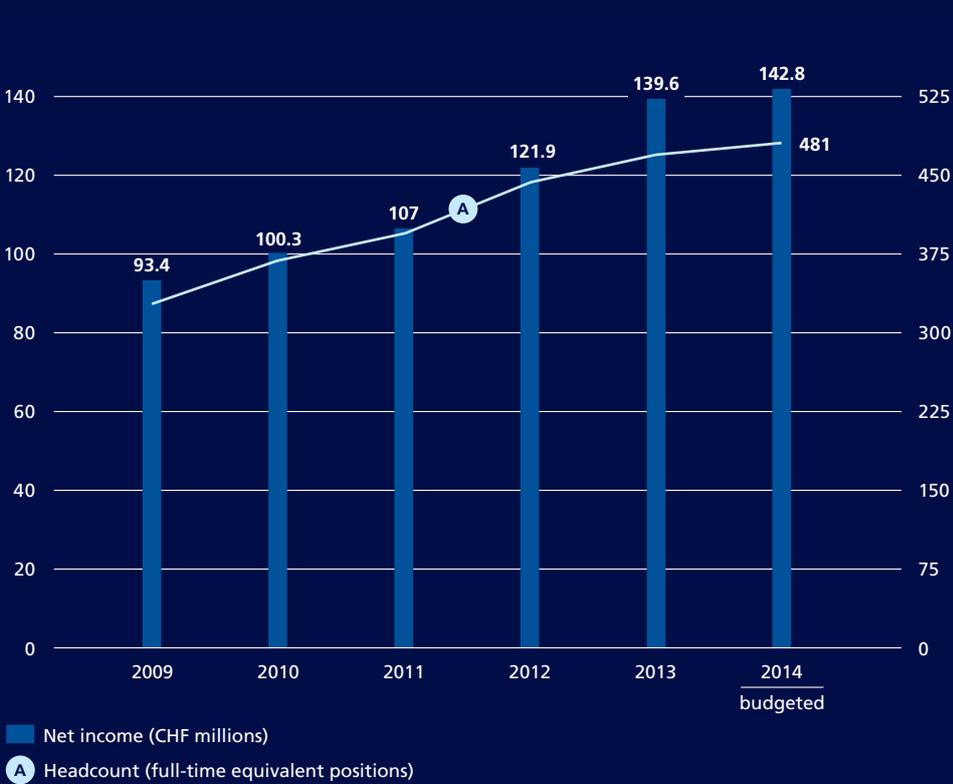
Growth of 30% at FINMA between 2009 and 2012 is broadly in line with growth at comparable supervisory authorities. Over the same period, the considerably larger German Federal Financial Supervisory Authority (BaFin) increased staffing levels by 22%, compared with 30% for the UK's Financial Services Authority (FSA).⁸¹ Moreover, the supervisory functions of the Bank of Ireland more than doubled in size (by 105%) over these four years.

The fact that staffing levels at FINMA are relatively low can be explained in part by Switzerland's supervisory system, which relies to a large extent on external audit firms to carry out some of its supervisory activities. In 2012, external auditors carried out regulatory audits at banks, insurance companies and collective investment schemes at FINMA's request. The workload involved equated to 260 full-time equivalent positions. Assigning external experts as investigating agents relieves FINMA considerably in its supervisory and enforcement activities.

⁸¹ On 1 April 2013, the Financial Services Authority was split into two separate bodies: the Prudential Regulation Authority (PRA), which is part of the Bank of England, and the Financial Conduct Authority (FCA).

FINMA's staff and budget trends

Trends 2009–2014



Two thirds of the budget for core supervisory activities

Two thirds of FINMA's annual budget is spent on licensing, supervision and enforcement activities. Support processes account for just under 20% of expenditure, while around 5% goes to management processes and a good 6% of FINMA's budget is spent on projects.

These efforts have resulted in a rise – from CHF 11.5 million to CHF 18.9 million – in annual fee income from proceedings, rulings and other enforcement instruments. Consequently, the proportion of fees collected on the basis of the 'originator pays' principle has risen from 12.3% in 2009 to 15.5% in 2012 (see table below).

Financing through charges and fees

FINMA finances its activities from two sources. On the one hand, it levies supervision charges which relate directly to the size of the supervised institution (e.g. in terms of total assets, securities turnover and premium income). On the other hand, FINMA – like every other administration body – is required to cover its costs by applying fees based on the 'originator pays' principle wherever possible.

FINMA's income from 2009 to 2012

YEAR	FEE INCOME	SUPERVISION CHARGES	OTHER INCOME	TOTAL INCOME	% FEES
2009	11,518	82,015	-154	93,379	12.3
2010	15,592	84,080	623	100,295	15.5
2011	16,517	89,539	970	107,026	15.4
2012	18,871	102,381	677	121,929	15.5

Fees and supervision charges, in CHF thousands.

In 2012, FINMA introduced selected amendments to its Code of Conduct and updated its regulations on the holding of securities. Compliance with these regulations is now additionally verified by external auditors.

It is vitally important to FINMA that the people who act on its behalf conduct themselves with integrity. To this end, it has issued a Code of Conduct. The aim of the code is to ensure the integrity of the members of FINMA's Board of Directors and employees and to define how conflicts of interest are dealt with.

In mid-2012, FINMA revised its Code of Conduct and defined some of the regulations in greater detail. As a result, FINMA employees are no longer allowed to hold securities issued by supervised institutions, even under a discretionary asset management mandate.

FINMA's revised Code of Conduct now also specifies that an independent external person must verify annually that all members of the Board of Directors and the Executive Board are in compliance with the regulations on securities issued by supervised institutions. Spot checks are carried out on FINMA's other employees. The first compliance check of this kind was carried out in 2013.

Finally, the Federal Council has revised the incompatibility rules for members of the Board of Directors. The new regulations have been incorporated into FINMA's Organisational Rules and specify, among other things, that members of FINMA's Board of Directors are no longer permitted to act in any capacity for supervised institutions. Individuals affected must resign from relevant executive positions by 31 December 2015 at the latest.

Agents appointed by FINMA

FINMA has modified its process for working with external agents and defined specific requirement profiles for their mandates.

In order to fulfil its remit, FINMA is permitted under the Financial Market Supervision Act and other financial market legislation to appoint agents to act on its behalf. FINMA makes use of this cost-efficient supervisory tool on a case-by-case basis. FINMA maintains a list of candidates for these mandates.

The FINMA mandates place different requirements on the agents and demand relevant specialised skills. FINMA has now defined the following standard types of mandate:

- investigations or audits of authorised financial intermediaries;
- investigations into activities conducted without the required licence;
- restructuring and crisis management of authorised financial intermediaries;
- bankruptcy liquidation proceedings and liquidations of supervised institutions.

Providers who are interested in acting as FINMA agents can apply to be added to the list of candidates provided they have the required expertise.

Previous experience with assigning mandates to agents shows that legal certainty is a key priority in this area. Consequently, FINMA will in future only deploy agents on the basis of a ruling. The requirements for fulfilling a FINMA mandate are now defined in a new set of guidelines.