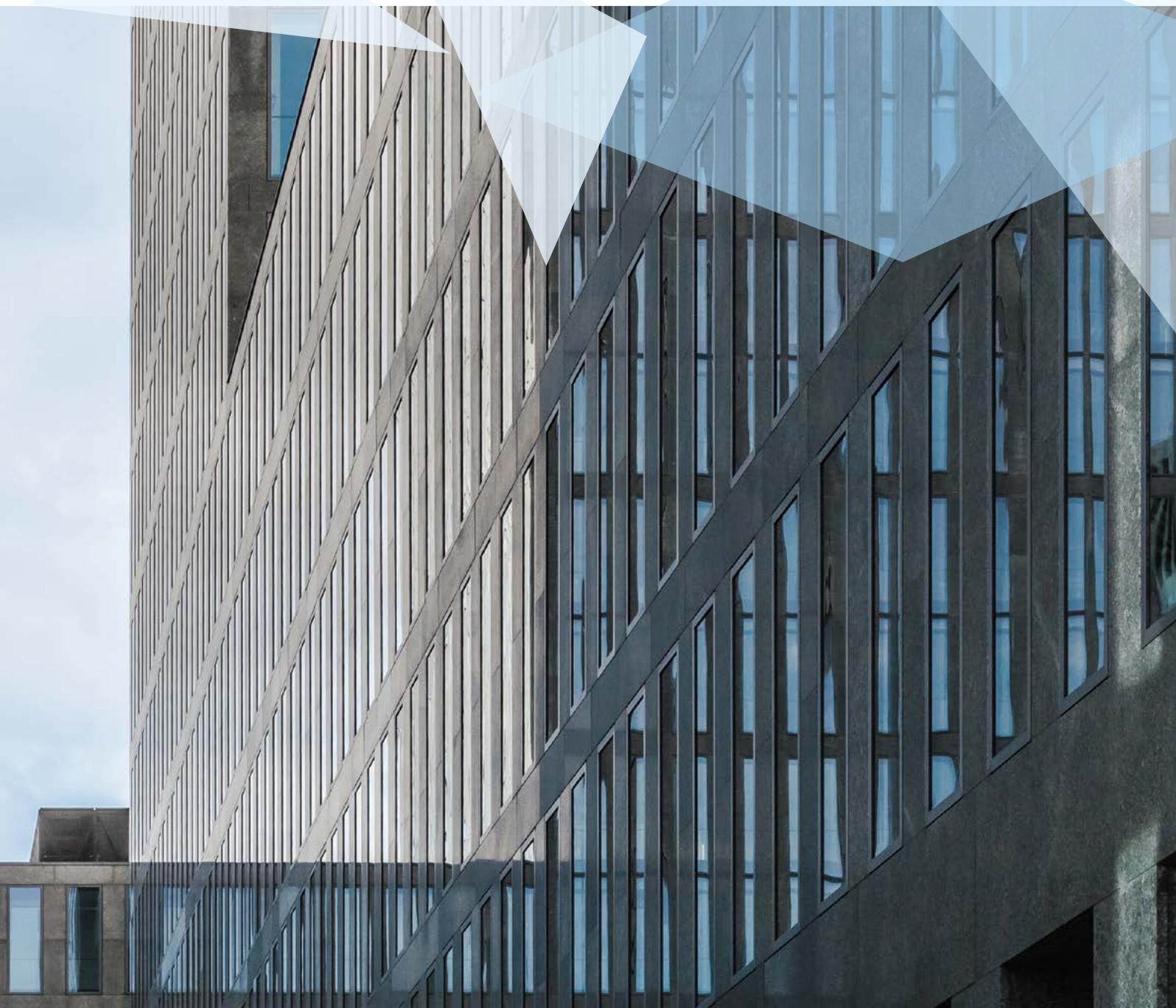


# Appendix

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## Supervisory categories

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. Each institution is also given a rating which 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 degree

to which external firms are used to audit individual institutions. These measures ensure that supervisory activities are more systematic in terms of their risk orientation and that risk-relevant institutions receive closer scrutiny.

### Supervisory categories<sup>83</sup> for banks

The categories for banks are defined in FINMA Circular 2011/2.<sup>84</sup>

Category	Criteria (CHF in billions)	Number of institutions			
		2014	2013		
1	Total assets	≥	250	2	2
	Assets under management	≥	1,000		
	Privileged deposits	≥	30		
	Required equity capital	≥	20		
2	Total assets	≥	100	3	3
	Assets under management	≥	500		
	Privileged deposits	≥	20		
	Required equity capital	≥	2		
3	Total assets	≥	15	26	27
	Assets under management	≥	20		
	Privileged deposits	≥	0.5		
	Required equity capital	≥	0.25		
4	Total assets	≥	1	65	66
	Assets under management	≥	2		
	Privileged deposits	≥	0.1		
	Required equity capital	≥	0.05		
5	Total assets	<	1	211	223
	Assets under management	<	2		
	Privileged deposits	<	0.1		
	Required equity capital	<	0.05		

<sup>83</sup> The sixth category comprises market participants that are not prudentially supervised by FINMA.

<sup>84</sup> See FINMA Circular 2011/2 "Capital buffer and capital planning – banks" (<http://www.finma.ch/e/regulierung/Documents/finma-rs-2011-02-e.pdf>).

**Supervisory categories<sup>85</sup> for insurance companies**

Category	Criteria (CHF in billions)	Number of institutions	
		2014	2013
1	–	–	–
2	Total assets > 50bn or complexity	5	5
3	Total assets > 1bn or complexity	39	41
4	Total assets > 0.1bn or complexity	60	52
5	Total assets < 0.1bn or complexity	115	125

<sup>85</sup> The sixth category comprises market participants that are not prudentially supervised by FINMA.

# Financial market regulation: pending projects

(Status and outlook as of 31 December 2014)

Project	Regulatory level	Status and next steps		
		Hearing / consultation	Adopted / to be adopted	Planned entry into force
<b>Cross-sector</b>				
<b>Financial services and financial institutions*</b>				
The new Federal Financial Services Act (FFSA) should govern the requirements for providing financial services and offering financial instruments (rules of business conduct at points of sale, prospectus requirements, strengthening of private law enforcement), as well as improving client protection in the financial market. The new Financial Institutions Act (FinIA), on the other hand, will set out supervisory requirements for financial service providers (banks, securities dealers, fund management companies, asset managers).	law	Q3/14	open	17/18
<b>Financial market infrastructures*</b>				
The Financial Market Infrastructure Act (FMIA) focuses on the organisation and operation of financial market infrastructures (stock exchanges, central counterparties, central depositories, trade repositories) and over-the-counter (OTC) trading with derivatives. It will thus implement the G-20 and the Financial Stability Board (FSB) regulations on derivatives trading, aligning the provisions on financial market infrastructures with international standards. In addition, market rules of conduct set out in the Stock Exchange Act will be incorporated into FMIA.	law	Q1/14	open	Q1/16
Implementing provisions for the FMIA will be set out in a federal ordinance and a FINMA ordinance.	ordinance	open	open	Q1/16
<b>Combating money laundering*</b>				
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, financing weapons of mass destruction. Amendments to the Anti-Money Laundering Act (AMLA) include shareholder transparency, tax fraud as predicate offences to money laundering, the definition of politically exposed persons (PEPs), and cash payments for the purchase of personal property and real estate.	law	Q1/13	Q4/14	Q2/15
The FINMA Anti-Money Laundering Ordinance will undergo major revision to incorporate the revised FATF recommendations, the changes made to the Anti-Money Laundering Act and other adjustments.	ordinance	Q1/15	open	open
<b>Supervision of audit firms*</b>				
Audit firm supervision (regulatory and financial audits) was bundled and transferred to the Federal Audit Oversight Authority (FAOA) following adjustments to the Auditor Oversight Act (AOA) and the Financial Market Supervision (FINMASA).	law	Q3/13	Q2/14	Q1/15
Transfer of audit firm supervision to the FAOA also involved making amendments to the Financial Market Audit Ordinance (FMAO-FINMA).	ordinance	Q3/14	Q4/14	Q1/15

\* See SIF web page (<https://www.sif.admin.ch/sif/en/home/dokumentation/finweb.html>) for the content and status of significant financial sector regulatory projects in which FINMA does not take the lead.

Project	Regulatory level	Status and next steps		
		Hearing / consultation	Adopted / to be adopted	Planned entry into force
<b>Banks</b>				
<b>Dormant assets*</b>				
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 (BO) has been fully revised to incorporate these adjustments.	ordinance	Q4/13	Q2/14	Q1/15
<b>Accounting*</b>				
Legislation on accounting standards was amended by revising the Stock Corporation law (Code of Obligations) and the Banking Act (BA), which subsequently involved a full revision of the Banking Ordinance (BO).	ordinance	Q4/13	Q1/14	Q1/15
FINMA Circular "Accounting – banks" was revised appropriately to include those changes.	circular	Q4/13	Q1/14	Q1/15
<b>Leverage ratio</b>				
Leverage ratio must be disclosed starting in 2015. Calculation and disclosure of leverage ratio will be clearly defined in a new circular.	circular	Q3/14	Q4/14	Q1/15
<b>Liquidity risks</b>				
The Liquidity Ordinance (LiqO) had to be aligned with the Basel III liquidity requirements (short-term liquidity ratio [LCR]). FINMA Circular "Liquidity risks – banks" thus also required adjustment.	circular	Q4/13	Q2/14	Q1/15
<b>Adjustments: Basel III</b>				
The Basel Committee on Banking Supervision (BCBS) introduced a series of changes to its Basel III regime. In line with the international schedule for implementation, revised disclosure standards will be introduced as of 31 December 2016. Further, starting on 1 January 2017, a new standard approach to determining credit equivalents for derivatives, as well as changes made to underpinning securities (fund shares in the banking book) and credit risk exposures against central counterparties will be introduced. On 1 January 2018, new securitisation rules will come into force. The Basel Committee also issued for the first time detailed standards on risk diversification to be introduced as of 1 January 2019. Owing to these changes, the Capital Adequacy Ordinance (CAO) must subsequently be amended.	ordinance	open	open	16–19
The changes to the CAO must be incorporated into the following circulars: "Credit risks – banks", "Disclosure – banks" and "Risk diversification – banks".	circular	open	open	16–19
<b>Insurance companies</b>				
<b>Insurance supervision</b>				
Practical application of the fully revised Insurance Supervision Act (ISA, in force since 1 January 2006), together with current market developments and international trends, has revealed a need for change at the regulatory level. Revision of the Insurance Supervision Ordinance (ISO) aims to eliminate contradictions related to the supervision of private insurance companies, while enhancing the protection of insured persons and international compatibility.	ordinance	Q4/14	Q1/15	Q2/15
Changes to the ISO necessitate amendments being made to a number of FINMA circulars dealing with insurance.	circular	Q3/15	open	16–17
<b>Markets</b>				
<b>Collective investment schemes</b>				
Following the partial revision of the Collective Investment Schemes Act (CISA), the FINMA Collective Investment Schemes Ordinance (CISO-FINMA) has subsequently been amended.	ordinance	Q2/14	Q3/14	Q1/15

## Statistics

(31 December 2014)

### Supervised<sup>86</sup> financial market participants

#### Supervised banks<sup>87</sup>

	2014	2013
Banks, of which	292	301
– under foreign control	99	101
– branches of foreign banks	29	31
Raiffeisen banks	312	316
Representative offices of foreign banks	55	53

#### Supervised securities dealers<sup>88</sup>

	2014	2013
Securities dealers, of which	58	62
– under foreign control	16	15
– branches of foreign securities dealers	12	14
Representative offices of foreign securities dealers	42	45
Recognised foreign market participants	121	124

#### Supervised stock exchanges

	2014	2013
Swiss stock exchanges	3	3
Swiss organisations similar to stock exchanges	2	2
Recognised foreign stock exchanges	56	54
Recognised foreign organisations similar to stock exchanges	3	4

#### Supervised collective investment schemes

	2014	2013
<b>Swiss collective investment schemes</b>		
Total Swiss collective investment schemes, of which	1,515	1,447
– open-ended collective investment schemes (under Art. 8 CISA)		
– contractual investment funds and SICAVs	1,498	1,431
– of which intended for qualified investors only	716	694
– closed-ended collective investment schemes (under Art. 9 CISA)		
– limited partnerships and SICAFs	17	16
<b>Foreign collective investment schemes</b>		
Total foreign collective investment schemes, of which	6,701	6,171
– EU-compatible (UCITS)	6,577	5,959
– non-EU-compatible (non-UCITS)	124	212

<sup>86</sup> Does not necessarily mean prudential supervision.

<sup>87</sup> All institutions supervised individually by FINMA included in these statistics are counted once, whereas in the chart "Number of banks by banking group" in the section on FINMA and structural adjustments in the banking sector, p. 42, a financial group and all its related institutions supervised individually by FINMA count as one unit.

<sup>88</sup> See footnote 87.

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

	2014	2013
Fund management companies	44	44
Asset managers	151	119
Representatives of foreign collective investment schemes	88	99
Distributors under CISA	285	293

### Supervised insurance companies and general health insurance companies

	2014	2013
Life insurance companies, of which	21	23
– insurance companies domiciled in Switzerland	18	19
– branches of foreign insurance companies	3	4
Non-life insurers, of which	127	124
– insurance companies domiciled in Switzerland (incl. 22 supplementary health insurance providers [2013: 20])	79	80
– branches of foreign insurance companies (incl. 1 supplementary health insurance provider [2013: 1])	48	44
Reinsurers (total)	62	62
– Reinsurers	29	28
– Reinsurance captives	33	34
General health insurance companies offering supplementary health insurance	14	14
Supervised insurance and general health insurance companies	224	223
Insurance groups (groups and conglomerates)	7	8

### Supervised financial intermediaries

	2014	2013
Total supervised SROs	12	12
Total directly subordinated financial intermediaries (DSFIs)	259	310
Total group companies subject to FINMA money laundering supervision	141	141
Total registered insurance intermediaries	14,900	14,248

### Authorised audit firms and recognised credit rating agencies

	2014	2013
Total authorised audit firms	20	23
Total recognised credit rating agencies	5	5

## Licences

### Banks

	2014	2013
Bank licences (Art. 3 BA)	3	1
Branches (Art. 4 FBO-FINMA)	0	1
Representative offices (Art. 14 FBO-FINMA)	5	8
Additional licences (Art. 3 <sup>ter</sup> BA)	2	7
Removed from supervision	6	6

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### Securities dealers

	2014	2013
Securities dealer licences (Art. 10 SESTA)	0	2
Branches (Art. 41 SESTO)	0	2
Representative offices (Art. 49 SESTO)	1	6
Additional licences (Art. 10 para. 6 SESTA and Art. 56 para. 3 SESTO)	0	3
Removed from supervision	0	1
Recognition of foreign market participants	3	5

### Exchanges

	2014	2013
Recognition of foreign exchanges (incl. organisations similar to stock exchanges)	7	4

### Collective investment schemes

	2014	2013
Swiss collective investment schemes	125	139
Foreign collective investment schemes	1,140	721

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

	2014	2013
Fund managers	2	1
Asset managers	38	22
Representatives of foreign collective investment schemes	17	4
Distributors under CISA	34	13

## Insurance companies and general health insurance companies

	2014	2013
Life insurance companies, of which	1	0
– insurance companies domiciled in Switzerland	1	0
– branches of foreign insurance companies	0	0
Non-life insurers, of which	4	3
– insurance companies domiciled in Switzerland	0	0
– branches of foreign insurance companies	4	3
Reinsurers	2	2
Reinsurance captives	0	0
General health insurance companies offering supplementary health insurance	0	0
Total	7	5
Insurance groups (groups and conglomerates)	0	0

## Financial intermediaries

	2014	2013
Directly subordinated financial intermediaries	12	5
Group companies subject to FINMA money laundering supervision	9	7
Insurance intermediaries	920	696

## Audit firms and credit rating agencies

	2014	2013
Total rulings on changing audit firms	98	198
Authorisation of audit firms	0	2
Deregistration of audit firms	3	81
Recognition of credit rating agencies	0	0

## Enforcement rulings

	2014	2013
Enforcement rulings (final and interim rulings)	115	110
Swiss Takeover Board rulings	2	1

## Appeals and criminal complaints filed

	2014	2013
Appeals filed against enforcement rulings	29	24
Appeals settled	35	19
Complaints filed with criminal prosecution authorities	117	79

## Memorandums of understanding at national and international level

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FINMA cooperates with numerous authorities both in and outside Switzerland. A number of new agreements were signed in 2014.

### Memorandums of understanding at national level

#### Memorandum of understanding between esisuisse and FINMA

Based on Article 37k BA, the Swiss Banks' and Securities Dealers' Depositor Protection Association (esisuisse) and FINMA have agreed to share information required to meet their respective responsibilities. International standards for depositor protection require that institutions involved in ensuring financial security should coordinate their activities and share essential information promptly. The basis for this cooperation is set out and implemented in a memorandum of understanding. The 2014 agreement between esisuisse and FINMA defines the general principles on which the two institutions will work together.

### Memorandums of understanding at international level

#### General

International agreements are non-binding administrative conventions relating to supervisory cooperation. The term "memorandum of understanding" (MoU) is widely used for such agreements, as are the terms "cooperation agreement" and "coordination arrangement". With due consideration for national legislation, the participating supervisory authorities agree to cooperate and define the arrangements for this cooperation. Since these agreements are not legally binding, they cannot be used by FINMA or the foreign partner authorities and/or third parties to establish any rights or obligations.

#### Agreements under Article 120 para. 2 let. e CISA

A FINMA licence is required before foreign collective investment schemes can be distributed to non-qualified investors in Switzerland. Article 120 para. 2 let. e CISA states that no licence will be issued unless the foreign supervisory authorities responsible for the funds have signed a cooperation agreement with FINMA. This provision is intended to offer additional cross-border protection to small investors in Switzerland.

In 2014,<sup>89</sup> FINMA concluded bilateral agreements with the following supervisory authorities in accordance with Article 120 para. 2 let. e CISA:

Country	Foreign authority	Type	Area of application
Belgium	Financial Services and Markets Authority (FSMA)	bilateral	Cooperation agreement under Art. 120 CISA
Denmark	Finanstilsynet (FSA)		
Estonia	Finantsinspektsioon (EFSA)		
Guernsey	Guernsey Financial Services Commission (GFSC)		
Jersey	Jersey Financial Services Commission (JFSC)		
Liechtenstein	Financial Market Authority Liechtenstein (FMA)		
Luxembourg	Commission de Surveillance du Secteur Financier (CSSF)		
Malta	Malta Financial Services Authority (MFSA)		
Netherlands	Netherlands Authority for the Financial Markets (AFM)		
Norway	Finanstilsynet (FSA)		
Sweden	Finansinspektionen (FI)		
United Kingdom	Financial Conduct Authority (FCA)		

#### Other agreements concluded in 2014

Country	Foreign authority	Type	Area of application
Gibraltar	Financial Services Commission (FSC)	bilateral	Cooperation agreement on the supervision of alternative investment fund managers (AIFMs)

<sup>89</sup> FINMA had already concluded agreements in accordance with Article 120 para. 2 let. e CISA with the following countries / supervisory authorities prior to 2014: Germany (German Federal Financial Supervisory Authority [BaFin]), France (Autorité des marchés financiers [AMF]), Ireland (Central Bank of Ireland [CBI]) and Austria (Austrian Financial Market Authority [FMA]).

### International organisations and committees<sup>90</sup>

#### Financial Stability Board (FSB)

- Standing Committee on Supervisory and Regulatory Cooperation

#### 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
- IOSCO Task Force on Cross-Border Regulation

### 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

<sup>90</sup> This list is confined to bodies of which representatives of the Board of Directors and/or Executive Board of FINMA are members. Numerous FINMA employees also play an active role in working groups.

### **Alternative Investment Fund Managers Directive**

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.

### **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 which represent Pillar 1 of Basel III. Pillar 2 covers the supervisory process, while Pillar 3 focuses on banks having to disclose key risk information and indicators designed to enhance transparency and market discipline. The key changes under Basel III 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.

### **Business conduct letter**

FINMA uses a letter of this kind to inform individuals about reservations it may have regarding their fulfilment of the proper business conduct requirements. It states that the authority will conduct enforcement proceedings to examine the addressee's fitness if they intend to take up a position subject to the business conduct requirements in future. The outcome of the proceedings is fully open.

### **Central counterparty**

An institution that acts as a contractual party between buyer and seller in transactions involving financial instruments.

### **Central Securities Depositories Regulation**

The Central Securities Depositories Regulation (CSDR; Ordinance [EU] No. 909/2014) enhances securities settlement processing in the European Union and therefore also contains provisions on central depositories.

### **Client procedure (international cooperation)**

If a foreign authority asks FINMA to provide data on Swiss and foreign clients of Swiss financial intermediaries, these clients may seek to prevent the handover of their data in a "client procedure". Rulings issued by FINMA in such cases can be appealed to the Federal Administrative Court.

### **Combined ratio**

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

### **Commitment approaches I and II**

The commitment approach is a way of measuring the risk impact of derivatives on a fund's assets based on the value of the underlying assets. Commitment approach I prohibits the use of leverage, while commitment approach II permits it within the statutory limits.

### **Common Equity Tier 1 capital**

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

### **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.

### **Enforcement proceedings**

If prudential supervision and preliminary investigations require FINMA to enforce compliance with supervisory law, it intervenes by initiating proceedings under the Administrative Proceedings Act. Enforcement proceedings allow FINMA to impose and enforce measures to restore compliance with the law.

### **Equivalence**

A country's financial market regulator may exempt foreign market participants from the requirements under local law if they are subject to equivalent regulation and supervision in their home market. Equivalence is generally assessed through an equivalence recognition process. EU financial market regulation in particular requires recognition of equivalence in many sectors for cross-border activities conducted in non-EU/non-EEA countries.

### **European Market Infrastructure Regulation**

The European Market Infrastructure Regulation (EMIR; 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 Institutions Act**

The aim of the Financial Institutions Act (FinIA) is to combine the supervisory regulations for financial service providers (banks, securities dealers, fund management companies and asset managers) in one piece of legislation.

### **Financial Market Infrastructure Act**

The Financial Market Infrastructure Act (FMIA) regulates the organisation and operation of financial market infrastructures (exchanges, central counterparties, central securities depositories and trade repositories) and over-the-counter (OTC) trading in derivatives. The Act implements the derivatives trading requirements defined by the G-20 and the Financial Stability Board (FSB) and also brings the provisions on financial market infrastructures in line with international standards. In addition, the market conduct rules from the Stock Exchange Act (SESTA) are carried across into the FMIA.

**Financial market infrastructures**

Financial market infrastructures include stock exchanges and similar trading institutions, central counterparties (CCPs) with their clearing systems, and securities settlement and payment systems. Accordingly, CCPs and securities settlement and payment systems are referred to as post-trading infrastructures. Trade repositories for the reporting of derivative transactions are now also included. The proposed Financial Market Infrastructure Act (FMIA) will recognise financial market infrastructures for trading, clearing, settlement and reporting.

**Financial Services Act**

The new Financial Services Act (FFSA) will define the rules governing the provision of financial services and the offering of financial instruments (e.g. requirements at point of sale, prospectus requirements and increased scope for private legal action) and improve client protection in the financial services sector.

**FINMA circular**

FINMA circulars codify and standardise its supervisory practice. They do not have the force of law and are not legally binding. The parties concerned are provided with an explanatory report and their responses are published in consultation reports. FINMA can issue circulars if supervisory practice has become established or if there is a clear need on the part of supervised institutions for it to be codified.

**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 solvency risks under the Swiss Solvency Test (SST), based on a company-specific risk profile. Insurance companies may wholly or partly use internal models provided these have been approved by FINMA.

**Leverage ratio**

Ratio of equity capital to debt capital. As a regulatory provision, the leverage ratio also refers to the minimum requirement for equity capital in relation to the total exposure. A leverage ratio is not a risk-weighted indicator.

**Liquidity coverage ratio**

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%.

**Markets in Financial Instruments Directive II**

The MiFID II legislative package consists of a directive (Markets in Financial Instruments Directive; MiFID; No. 014/65/EU) and an ordinance (Markets in Financial Instruments Regulation; MiFIR; No. 600/2014/EU) and 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.

**Model approach (asset management)**

A risk measurement procedure for complex derivatives or investment strategies for which the commitment approach does not provide an adequate measure of market risk. The model calculates the maximum possible loss (the "value-at-risk") for a defined probability.

**Net stable funding ratio**

Part of the Basel III framework, the NSFR has a one-year time frame and has been developed to provide a sustainable maturity structure of assets and liabilities. The aim is to promote resilience over a longer time frame 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-UCITS**

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

**OTC derivative**

OTC ("over the counter") derivatives are derivative financial instruments that are traded bilaterally outside an exchange or other regulated market.

**Parabanking**

The term "parabanking" refers to financial intermediaries such as asset managers, fiduciaries and payment service providers referred to in Article 2 para. 3 AMLA.

**Private equity fund**

Private equity funds are collective investment schemes which invest in unlisted companies. Typical private equity strategies include leveraged buyouts, management buyouts and venture capital. A private equity manager will attempt to boost the value of a company in which it holds a stake by exerting influence on the company's management. The eventual aim is to sell the company on at a profit. Private equity funds are generally closed-ended funds with a maturity of seven to ten years.

**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 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.

### **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.

### **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. 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 the Swiss Solvency Test (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 colleges**

Meeting of representatives of national supervisory authorities to discuss the supervisory issues affecting institutions with international operations.

### **Swiss Solvency Test**

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 (ISA) and the Insurance Supervision Ordinance (ISO) 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 is 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) therefore contains 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.

## Abbreviations

- ACPR** Autorité de contrôle prudentiel et de résolution (France)
- AFM** Netherlands Authority for the Financial Markets
- AIFM** Alternative Investment Fund Manager
- AIFMD** Alternative Investment Fund Managers Directive (EU)
- AMF** Autorité des marchés financiers (France/Canada)
- AMLA** Swiss Federal Act of 10 October 1997 on Combating Money Laundering and Terrorist Financing in the Financial Sector (Status as of 1 January 2015) (Anti-Money Laundering Act; SR 955.0)
- AMLO-FINMA** Ordinance of 8 December 2010 of the Swiss Financial Market Supervisory Authority on the Prevention of Money Laundering and Terrorist Financing (Status as of 1 January 2011) (Anti-Money Laundering Ordinance-FINMA; SR 955.033.0)
- AOA** Swiss Federal Act of 16 December 2005 on the Licensing and Supervision of Auditors (Status as of 1 January 2015) (Auditor Oversight Act; SR 221.302)
- AOO** Swiss Federal Ordinance of 22 August 2007 on the Licensing and Supervision of Auditors (Status as of 1 January 2015) (Auditor Oversight Ordinance; SR 221.302.3)
- ASC** Alberta Securities Commission (Canada)
- AT1** Additional Tier 1 capital
- BA** Swiss Federal Act of 8 November 1934 on Banks and Savings Banks (Status as of 1 January 2015) (Banking Act; SR 952.0)
- BaFin** Federal Financial Supervisory Authority (Germany)
- BCBS** Basel Committee on Banking Supervision
- BCR** Basic Capital Requirements
- BCSC** British Columbia Securities Commission (Canada)
- BO** Swiss Federal Ordinance of 30 April 2014 on Banks and Savings Banks (Status as of 1 January 2015) (Banking Ordinance; SR 952.02)
- CAO** Swiss Federal Ordinance of 1 June 2012 on Capital Adequacy and Risk Diversification for Banks and Securities Dealers (Capital Adequacy Ordinance; SR 952.03)
- CBI** Central Bank of Ireland
- CCs** Control Committees of the Federal Assembly
- CCP** Central counterparty
- CDB** Agreement on the Swiss Banks' Code of Conduct with regard to the exercise of due diligence
- CEAT** Committees for Economic Affairs and Taxation of the (Swiss) Federal Assembly
- CET1** Common Equity Tier 1 capital
- CFTC** U.S. Commodity Futures Trading Commission
- CHF** Swiss franc
- CIS** Collective investment schemes
- CISA** Swiss Federal Act of 23 June 2006 on Collective Investment Schemes (Status as of 1 January 2015) (Collective Investment Schemes Act; SR 951.31)
- CISO** Swiss Federal Ordinance of 27 August 2014 on Collective Investment Schemes (Status as of 1 January 2015) (Collective Investment Schemes Ordinance; SR 951.311)
- CISO-FINMA** Ordinance of 21 December 2006 of the Swiss Financial Market Supervisory Authority on Collective Investment Schemes (FINMA Collective Investment Schemes Ordinance; SR 951.312)
- CMG** Crisis Management Group
- ComFrame** Common Framework for the Supervision of Internationally Active Insurance Groups
- CONSOB** Commissione Nazionale per le Società e la Borsa (Italy)
- CPMI** Committee on Payments and Market Infrastructures
- CSD** Central securities depository
- CSDR** Central Securities Depositories Regulation
- CSSF** Commission de Surveillance du Secteur Financier (Luxembourg)
- DoJ** U.S. Department of Justice
- DFS** Department of Financial Services (USA)
- DSFI** Directly subordinated financial intermediary
- EBA** European Banking Authority
- ECB** European Central Bank
- EFSA** Finantsinspektion (Estonia)
- EMIR** European Market Infrastructure Regulation
- ENA** FINMA Enforcement Committee
- ESMA** European Securities and Markets Authority
- ETF** Exchange-traded funds
- FAOA** Swiss Federal Audit Oversight Authority
- FATF** Financial Action Task Force on Money Laundering
- FBO-FINMA** Ordinance of 21 October 1996 of the Swiss Financial Market Supervisory Authority on Foreign Banks in Switzerland (Status as of 1 January 2015) (FINMA Foreign Banks Ordinance; SR 952.111)
- FCs** Finance Committees of the (Swiss) Federal Assembly
- FCA** Financial Conduct Authority (UK)
- FDf** Swiss Federal Department of Finance
- FDIC** Federal Deposit Insurance Corporation (USA)
- Fed** Federal Reserve System
- FFSA** Financial Services Act (planned legislation)
- FI** Finansinspektionen (Sweden)
- FinIA** Financial Institution Act (planned legislation)
- FINMA** Swiss Financial Market Supervisory Authority
- FINMASA** Swiss Federal Act of 22 June 2007 on the Swiss Financial Market Supervisory Authority (Status as of 1 January 2015) (Financial Market Supervision Act; SR 956.1)
- FINRA** Financial Industry Regulatory Authority (USA)
- FMA** Financial Market Authority for Liechtenstein/Austria
- FMAO-FINMA** Ordinance of 5 November 2014 of the Swiss Financial Market Supervisory Authority on Auditing (Status as of 1 January 2015) (FINMA-FMAO; SR 956.161)

**FMIA** Financial Market Infrastructure Act (planned legislation)

**FSA** Finanstilsynet (Denmark and Norway)

**FSAP** Financial Sector Assessment Program

**FSB** Financial Stability Board

**FSC** Financial Services Commission (Gibraltar)

**FSMA** Financial Services and Markets Authority (Belgium)

**G-20** Group of the 20 leading industrialised and developing economies

**G-SIB** Global systemically important bank

**G-SIFI** Global systemically important financial institution

**G-SII** Global systemically important insurer

**GFSC** Guernsey Financial Services Commission

**HNWI** High-net-worth individual

**IAIG** Internationally active insurance group

**IAIS** International Association of Insurance Supervisors

**ICP** Insurance Core Principles

**ICS** Insurance Capital Standard (Global capital standard for insurers)

**IMF** International Monetary Fund

**IOSCO** International Organization of Securities Commissions

**IRB** Internal ratings-based

**ISA** Swiss Federal Act of 17 December 2004 on the Supervision of Insurance Companies (Status as of 1 January 2015) (Insurance Supervision Act; SR 961.01)

**ISDA** International Swaps and Derivatives Association

**ISO** Swiss Federal Ordinance of 9 November 2005 on the Supervision of Private Insurance Companies (Status as of 1 January 2013) (Insurance Supervision Ordinance; SR 961.011)

**JFSC** Jersey Financial Services Commission

**LCR** Liquidity coverage ratio

**LiqO** Swiss Federal Ordinance of 30 November 2012 on the Liquidity of Banks (Status as of 1 January 2015) (Liquidity Ordinance; SR 952.06)

**MbO** Management by Objectives

**MFSA** Malta Financial Services Authority

**MiFID** Markets in Financial Instruments Directive

**MiFIR** Markets in Financial Instruments Regulation

**MoU** Memorandum of understanding

**NAIC** National Association of Insurance Commissioners (USA)

**NSFR** Net stable funding ratio

**OCC** Office of the Comptroller of the Currency (USA)

**ORSA** Own Risk and Solvency Assessment

**OSC** Ontario Securities Commission (Canada)

**OTC** Over the counter

**PEP** Politically exposed person

**PRA** Prudential Regulation Authority (UK)

**QIS** Quantitative impact study

**RAP** Resolvability Assessment Process

**RCAP** Regulatory Consistency Assessment Programme

**RWA** Risk-weighted assets

**SBA** Swiss Bankers Association

**SEC** U.S. Securities Exchange Commission

**SESTA** Swiss Federal Act of 24 March 1995 on Stock Exchanges and Securities Trading (Status as of 1 January 2015) (Stock Exchange Act; SR 954.1)

**SESTO** Swiss Federal Ordinance of 2 December 1996 on Stock Exchanges and Securities Trading (Status as of 1 January 2015) (Stock Exchange Ordinance; SR 954.11)

**SFAMA** Swiss Funds & Asset Management Association

**SIA** Swiss Insurance Association

**SICAF** Investment company with fixed capital

**SICATC** Swiss Institute of Certified Accountants and Tax Consultants

**SICAV** Investment company with variable capital

**SIF** Swiss State Secretariat for International Financial Matters

**SNB** Swiss National Bank

**SRO** Self-regulatory organisation

**SRO-SIA** Self-Regulatory Organisation of the Swiss Insurance Association

**SSM** Single supervisory mechanism

**SSPA** Swiss Structured Products Association

**SST** Swiss Solvency Test

**T1** Tier 1 capital

**T2** Tier 2 capital

**TLAC** Total loss-absorbing capacity

**TOB** Swiss Takeover Board

**TSX** Toronto Stock Exchange (Canada)

**UCITS** Undertaking for Collective Investment in Transferable Securities