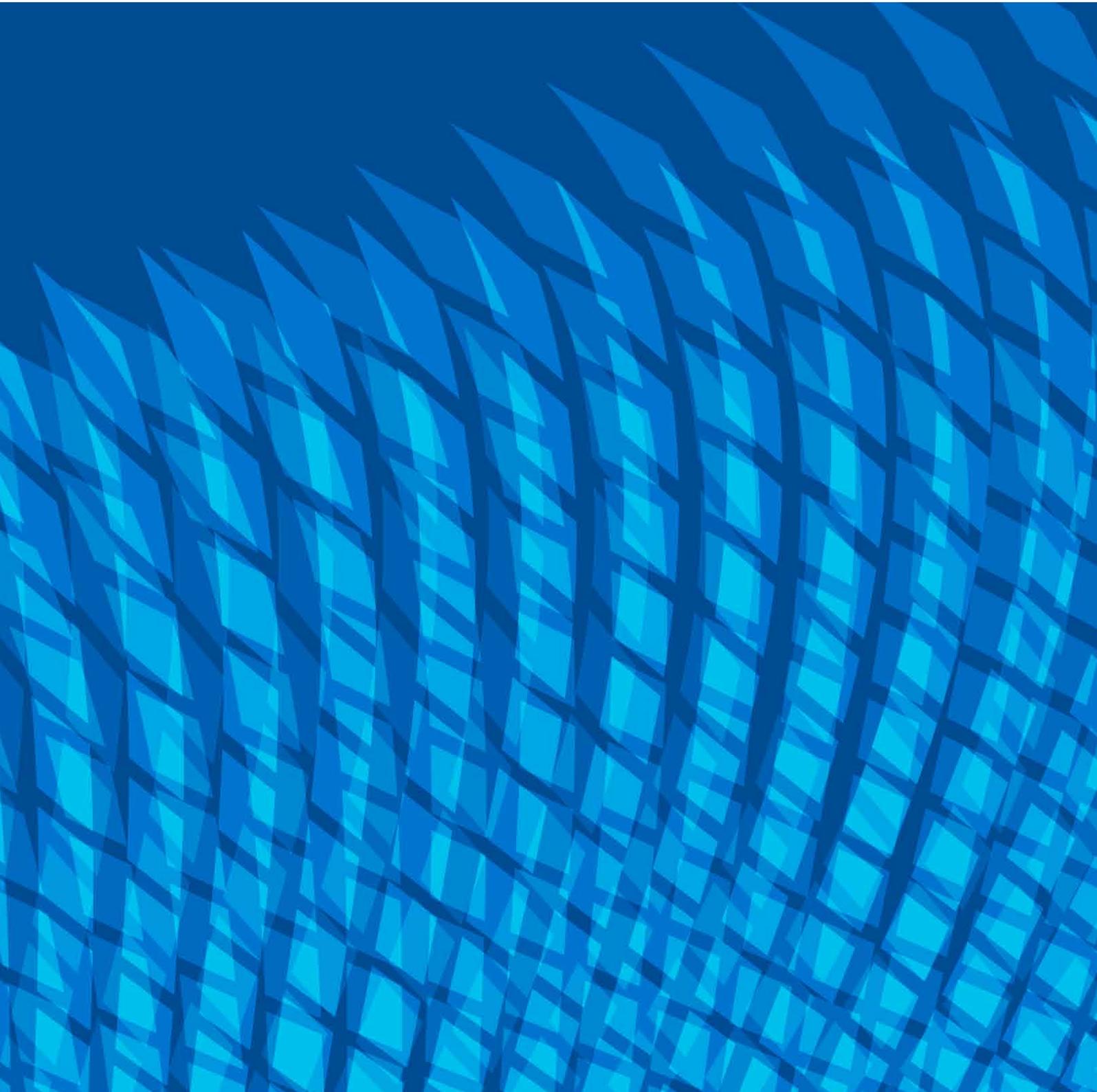




Eidgenössische Finanzmarktaufsicht FINMA
Autorité fédérale de surveillance des marchés financiers FINMA
Autorità federale di vigilanza sui mercati finanziari FINMA
Swiss Financial Market Supervisory Authority FINMA

Strategic goals of FINMA



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STRATEGIC GOALS OF FINMA

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Introduction

The Swiss Financial Market Supervisory Authority FINMA bases its supervisory activities on Art. 5 of the Financial Market Supervision Act (FINMASA). The supervisory tasks are derived from the statutory mandate set down in more detailed form in the legislation on financial markets (the Banking Act, the Insurance Supervision Act, the Insurance Contract Act, the Stock Exchange Act, the Collective Investment Schemes Act, the Mortgage Bond Act and the Anti-Money Laundering Act).

In addition to this legal basis, FINMA's Board of Directors defines the longer-term focus of FINMA's work in line with its strategic goals. The Board of Directors of FINMA defined the focal points in terms of seven subordinated strategic goals which are scheduled to be implemented through concrete initiatives and projects within the next three years.

The overriding aim of the strategic goals is to improve client protection. The key role of FINMA is to protect creditors, investors and insureds, and this forms the basis of its supervisory activity. The focus of this remit is to increase resistance to crises in the areas under supervision, protect investors and insureds from the repercussions of insolvency risks and enhance transparency with regard to trading and distributing products.

The strategic goals of FINMA were approved by the Swiss Federal Council in September 2009 in its discussions with FINMA.

Reducing systemic risks and complexities

FINMA will strive to identify, limit and reduce systemic risks in close cooperation with the Swiss National Bank (SNB). The ability of the Swiss financial system, institutions of systemic importance and the financial centre infrastructure to weather crises needs to be increased without recourse to state aid.

The systemic importance and damage potential of large, complex institutions must be restricted to a level deemed economically and fiscally appropriate from a political perspective. In line with international requirements, a review of the structure of institutions of systemic importance needs to be carried out so as to enable split-ups and partial sales even under difficult market conditions. In the case of insolvency, the separation and continued operation of functions of systemic importance should be striven for. Cross-border processing and, as a long-term objective, the sharing out of responsibility for state aid packages has to be coordinated with the major partner countries.

- FINMA will build on its competencies with regard to analysing the risks resulting from the mutual dependencies among the individual institutions; it will cooperate even more closely with the SNB and international organisations for this purpose.
- FINMA – in cooperation with the SNB and the Federal Department of Finance (FDF) – will work to strengthen international minimum standards on a sustainable basis and foster their consistent implementation within the international supervisory organisations. It will apply internationally recognised parameters for internationally active financial institutions and lobby for more far-reaching requirements in so far as this is necessary to attain the given goal.
- In order to reduce the systemic risks resulting from intransparency, FINMA will support international efforts in the area of clearing and settlement for OTC products, taking into account central platforms and counterparties.
- Institutions of systemic importance (too-big-to-fail) must comply with more stringent prudential requirements in order to strengthen their crisis resistance and support the preventive limitation of inherent risks, especially in terms of governance, risk management and control (including remuneration policy), organisation, capital adequacy, liquidity and disclosure with regard to FINMA, the SNB and the market. It should be examined whether this principle can be enshrined in law (FINMASA), where necessary; the option of enforcing stricter requirements on domestic market participants that are not of systemic importance and in international competition should not be deliberately ruled out.
- In the event of a crisis, it should be possible to quickly reduce risk positions and split off and sell entire business areas subject to international consensus. In the case of insolvency, the functions of systemic importance should be spun off and continued. As a result, the crisis resistance and independence of the individual elements of the group will need to be strengthened. Such interventions at group structure level need to be weighed up against the benefits of integrated group management.
- For cross-border institutions of systemic importance, the long-term objective is to implement globally applicable international insolvency legislation. In the medium term, however, agreements on the mutual recognition of reorganisation and insolvency measures and the way these measures are coordinated should be reached with the authorities of the major countries of domicile.

Key pillars of implementation

Improving client protection

One of the key roles of FINMA is to protect creditors, investors and insured persons. This protection is being reinforced on a targeted basis. The comprehensive supervision of individual institutions (prudent supervision) aims to bolster the robustness and performance of the supervised institutions in the long term and thus create the basis for effective client protection. The range of regulatory tools available is also geared towards strengthening the crisis resistance of the areas under supervision and, should a crisis arise, safeguarding client requirements and ensuring that they are handled correctly. Other essential elements of client protection include high requirements in terms of transparency and risk disclosure when trading and distributing products as well as rigorous implementation of the regulations governing market supervision. In conducting its activities, FINMA assumes that the client is responsible on the basis of existing legislation.

- To protect investors, FINMA will support the planned extension of market supervision in line with international standards (cf. Section 5).
- FINMA will extend risk-oriented supervision in the area of collective investment schemes.
- FINMA will promote appropriate due diligence, disclosure and information requirements when distributing financial products (point of sale), with an emphasis on shedding clarity on products' risk profiles (earnings opportunities and risks of loss). For this purpose, FINMA will draw up the necessary basic principles, throughout the financial sector yet neutral in terms of product.
- FINMA will verify whether supervisory requirements governing the training given to persons entrusted with client contact could make a positive contribution towards protecting clients and reputation.
- FINMA will examine distribution regulations on a cross-sector basis, including the supervisory regulations applying to intermediaries and the demarcation between qualified investors and small clients. This will also involve examining the relationship between sales and product regulations and coordination within these product regulations. The international environment will be taken into account as part of this analysis.
- FINMA will intensify the fight against unauthorised providers since there is no prudent supervision to protect clients in this area.
- FINMA will concentrate on strengthening prudential supervision and its impact on client protection. In areas where preventive product control is envisaged in addition to prudential supervision, FINMA is committed to reversing this external supervisory approach over the medium term.
- FINMA will not carry out any training programmes for investors with regard to financial matters (investor education).

Key pillars of implementation

Streamlining and optimizing regulation

Regulations will be simplified, standardised within suitable parameters and geared towards integrated supervision. Based on the experience gained from both integration work and the financial crisis, FINMA will examine the existing regulatory framework in view of the specific risks of the different areas under supervision and align these, where required, in cooperation with the responsible federal authorities. FINMA will ensure a transparent regulation process which takes optimum account of the people concerned and the general public.

- FINMA will define and structure an efficient regulation process for the regulatory issues under its area of responsibility and promote cooperation with the relevant federal authorities for regulatory issues under its lead management. It will issue guidelines for its regulatory activities which set down the regulatory principles.
- As part of its regulatory remit, FINMA will implement international standards while also taking into account the supervisory scope contained therein.
- FINMA will acknowledge the possibilities, value and limits of self-regulation as well as delegated self-regulation and create a stable government framework for this. FINMA intends to carry out more quality controls in the implementation of self-regulation.
- FINMA will regulate only if there is a sufficient, proven need and indication of market failure, pursuing a fundamentally functional and product-neutral approach. The purpose of regulation is to address the identified risk and assess its intensity and effect in order to pave the way for possible downgrades for the supervised institutions.
- FINMA will oversee the existing regulatory framework and explain its application. It will review its effectiveness and repercussions on a regular basis. Existing financial market legislation will also be checked for anomalies and opportunities for simplification in the interest of all stakeholders.
- FINMA will draw up basic decision-making principles addressing the issue of whether a materially integrated supervision law is reasonable in the medium term.

Key pillars of implementation

Increasing the effectiveness and efficiency of supervision

FINMA strives towards effective and efficient supervision. The consistent pursuit of a risk-based approach in all areas of supervision is an important element in this process. Comprehensive risk identification gives the supervisory activities the necessary effect in the sense of targeted supervision and implementation of the supervisory regulations. FINMA will examine the previous supervisory approach and instruments used up until now and expand on or hone these with a view to consistent implementation of risk-oriented supervision. Developing new key figures and improved assessment mechanisms and making targeted use of audit companies and investigators will help ensure that FINMA remains a flexible and streamlined regulatory body.

- FINMA will develop its competencies and network with a view to recording and identifying economic, political, legal and demographic risks at an early stage which influence the activities of the supervised institutions as general conditions. This will be a key factor for effective, risk-oriented supervision.
- All supervised institutions will be divided in terms of their risk structure into categories with specific risk-oriented supervisory regimes. The supervisory intensity and resources required will be based on the supervisory risks of the individual supervised institutions and the individual areas.
- Supervision will become more prompt and comprehensive since FINMA will modernise and – as far as possible – automate the exchange of data with the supervised institutions. The direct recording of relevant data and the expansion of automatic assessments will allow the desired key figures to be prepared quickly and the supervisory authorities to issue a rapid response.
- FINMA intends to facilitate a cross comparison – especially for the purposes of risk analysis – for both supervised institutions and other market participants by making statistical information about the supervised institutions available to the general public and the market.
- FINMA will develop improved key figures and assessment mechanisms and broaden the targeted use of audit companies and investigators. Audit companies will also be required to present a comprehensive account of the risk analyses they conduct at the supervised institutions.
- Within the scope of its supervisory activities at major institutions, FINMA will place greater emphasis on investigating their medium-term capital planning – in particular with regard to their respective strategic focus – and overseeing this from a regulatory perspective.
- In the area of non-prudential supervision, FINMA will examine the option of outsourcing further tasks to self-regulating bodies.

Key pillars of implementation

Implementing sustainable market supervision and effective enforcement

FINMA will lobby for effective and high-quality market supervisory regulations and structures internationally with the aim of making improvements in material criminal and supervisory law as well as sharpening sanctioning instruments and simplifying the procedures involved.

In the area of stock exchange supervision, FINMA will enhance cooperation with self-regulation authorities. It will closely follow changes in stock market structures, activities and products and examine the need for action in terms of Swiss supervision.

FINMA will implement financial market legislation in the interests of the creditors, investors and insured persons under its supervision as well as the public interest to be protected with measured judgement but in a nonetheless decisive manner. For this purpose, it will practise homogeneous and professional financial market enforcement across all monitored sectors. It will manage proceedings in a rapid and targeted yet transparent and fair manner. In so doing it will exploit the scope of the legal sanctioning instruments available.

FINMA will foster the integrity of the financial system, in particular by implementing the provisions to combat money laundering and terrorist financing.

- FINMA will support the reform effort in the area of market supervision and promote timely extensions of the existing draft.
- FINMA will perform its task as principal supervisory authority over stock exchanges acting as self-regulators with increased vigour and supplement this with instruments such as quality controls.
- FINMA will monitor structural changes on the stock markets and innovations in terms of products and trading practices. These include the automatic separate matching of large transactions (dark pools) and the insight of selected market participants into securities transactions fractions of a second before the market as a whole (flash orders). FINMA will examine the supervisory need for action and implement the measures derived from this.
- FINMA will keep a close and constant eye on derivatives and commodities trading and analyse the resulting system and reputation risks for the Swiss financial centre.
- FINMA will develop an enforcement strategy derived from the legal basis using uniform criteria and implement the principles derived from this.
- Enforcement will take place via a central unit in accordance with all prevailing financial market legislation. FINMA will efficiently implement the stronger sanctioning options developed by the FINMASA.
- FINMA will strengthen its enforcement activities and, in particular, build up the resources to combat unauthorised providers since there is no prudent supervision to protect clients in this area.
- FINMA will develop its best practices to combat money laundering and terrorist financing in line with international standards.

Key pillars of implementation

Positioning for international stability and close integration of markets

In its role as regulator and supervisory authority, FINMA intends to make a proactive and professional contribution to the international stability of the financial markets and create optimum regulatory conditions for integrating the Swiss financial centre closely with foreign markets.

- FINMA will take an active role in structuring the relevant international committees such as the Basel Committee on Banking Supervision (banks), the International Association of Insurance Supervisors (insurers) and the International Organization of Securities Commissions (securities supervision) as well as, indirectly, the Financial Stability Board. In doing so, it will concentrate on its strategic goals and focus on technical competency and professional dialogue.
- The regulation and supervision of FINMA will comply with international standards but at the same time take advantage of its own room for manoeuvre so as to create the optimal conditions for the Swiss financial centre.
- Cooperation with foreign regulatory authorities will be stepped up in order to identify risks at an early stage and minimise them where necessary as well as to eliminate irregularities. Regular cross-comparison of internationally active institutions in Switzerland and abroad will enable risks to be assessed more effectively. Intensified and institutionalised cooperation (e.g. Supervisory Colleges) with foreign regulatory authorities will pave the way for implementation of these risk analyses.
- The aim is to have Swiss regulation and supervision recognised internationally as a prerequisite for market access.
- International developments will be followed on an ongoing basis. FINMA will take the necessary precautions and inform the general public and political bodies so that any measures that may be required can be taken in Switzerland in good time.
- FINMA intends to sign the IOSCO Multilateral Memorandum of Understanding in order to be recognised as a fully-fledged partner in the cross-border exchange of information among securities and exchange commissions. This will necessitate the extensive application or, where necessary, abolition of the client procedure vis-à-vis administrative assistance as required by the Stock Exchange Act.

Key pillars of implementation

Strengthening FINMA as authority

FINMA will establish itself as an independent and credible integrated regulatory supervisory authority. FINMA will act as a strong partner in cooperation with the Federal Department of Finance, the various federal authorities and the Swiss National Bank. Together they will ensure that the financial market is both stable and competitive. FINMA will be characterised by clear leadership and operational structures, goal-oriented public relations and media work, and the effective enforcement of supervisory law.

- FINMA will assert its independence and further develop its competencies.
- To do this, it will consolidate its management structure and organisation.
- FINMA will extend its personnel resources in a targeted and timely manner. In particular, it will strengthen its workforce by hiring people with experience in senior roles within the finance and risk management sector.
- FINMA will intensify its policy of staff training and development by evaluating specialist careers versus the current situation.
- In order to promote the exchange of ideas and experiences, FINMA will promote the use of secondments with the financial sector, other regulatory authorities and the relevant international organisations.
- FINMA will manage budget autonomy in a responsible manner.
- FINMA's headcount should not exceed 400 employees in the medium term, provided that the remit of its supervisory duties is not expanded.

Key pillars of implementation

Implementing the strategic goals

The focus of FINMA's activities over the next few years will be to effectively merge structures and steadily improve the quality of supervisory work as an integrated authority. It will also be important to implement the lessons learned from the financial markets crisis. The seven thematic areas of FINMA are intended to provide longer-term orientation for staff. These goals are based on FINMA's legal mandate and contain highly specific targets to be accomplished within three years.

The first step in implementing the strategic goals is to specify the targets stated in the focal points of the implementation. The next stage is to prioritise these focal points in light of the time schedule envisaged and the resources to be applied and deal with them into concrete initiatives and projects. Once these initiatives and projects have been formulated they will be implemented within the organisation by means of annual operational objectives. Implementation will be coordinated in dialogue with the major interest groups such as political and administrative bodies, associations and the supervised institutions. The strategic goals are based on a regular and wide-ranging assessment of the situation. These will be checked for validity every year in reviews conducted by the FINMA Board of Directors. Reporting on implementation will take place as part of the annual meeting held between FINMA and the Federal Council on the strategic direction of supervisory activity and financial centre policy.



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