

Client protection: measures against illegal financial intermediaries

FINMA's mandate is to protect creditors, investors and policy holders and ensure the smooth functioning of the financial markets. To that end, it monitors that institutions and service providers subject to licensing fulfil the licensing requirements at all times and that they are also able to provide the services promised. FINMA is also tasked with enforcing compliance with financial market law for unauthorised institutions, i.e. those that do not have a licence from the supervisory authority.

Since FINMA does not monitor these companies on a systematic and regular basis, intervention by FINMA usually comes as a response to having been notified of irregularities and potential illegal activities, e.g. by investors who have suffered losses. For this reason, FINMA is appealing to investors to consider their purchase decisions carefully and to thoroughly examine offers and providers.

What does FINMA do for investors?

To combat illegal financial intermediaries, FINMA has been equipped with effective instruments under financial market law:

- FINMA receives reports of potentially unauthorised activities in the financial market and examines them carefully.
(However, since FINMA must respect official secrecy requirements, it cannot provide any information to the complainant on individual proceedings, nor give its opinion on the legitimacy of any given product or service provided. Neither may FINMA confirm, deny or comment on its investigations, even when invited to do so. It does, nevertheless, reserve the right to correct information that is wrong or misleading.)
- FINMA maintains a list of supervised institutions. Investors can consult the FINMA website (www.finma.ch/e/beaufsichtigte) to ascertain if a company or individual has been licensed by FINMA. In the event of uncertainty, please contact info@finma.ch for further information.
- FINMA places companies on a black list if they engage in activities requiring a licence but are not actually present in Switzerland (www.finma.ch/d/sanktionen/unbewilligte-institute). To avoid the impression that the company in question is a Swiss company, FINMA may block the homepage and Swiss phone numbers.
- FINMA can determine onsite whether an institution is engaging in activities that require a requisite licence. If this is the case, FINMA may prohibit the activities and liquidate the illegally active company. If the company makes a breach of licensing requirements as prescribed in the banking and stock exchange financial market law and is over-indebted, FINMA also initiates and conducts bankruptcy proceedings.
- FINMA files criminal charges, if in the course of its investigations it receives knowledge of crimes.
(FINMA cannot comment on civil lawsuits, as these are a matter for the civil courts.)

- FINMA cooperates closely with Swiss criminal prosecutors, other inland authorities and foreign regulatory agencies.

What can you do to protect yourself?

Investors can also assist in protecting themselves against illegal financial intermediaries. The following recommendations should help to prevent making investments with illegally active providers:

1. Take sufficient time when making investment decisions. Never let yourself be put under pressure.
2. Conduct your own checks into providers and products before proceeding with an investment and do not be dazzled by fancy prospectuses or skilful telemarketing.
3. Check whether the providers have the necessary licences from FINMA at www.finma.ch/e/beaufsichtigte.
4. Check whether the providers appear on FINMA's black list at <http://www.finma.ch/e/sanktionen/unbewilligte-institute/pages/default.aspx>.
5. If the provider is a Swiss company, check the company's excerpt from the Commercial Register for anything unusual (frequent changes of company name, address, authorised signatories) at www.zefix.ch.
6. Use Google or other search engines to find information about providers and products. See for example www.google.com.
7. Consult appropriate online forums and consumer websites. Any evidence you find of investors who have already suffered losses or are feeling uncertain should be taken as a warning sign.
8. Compare the products, returns and commissions with those of other providers, in particular with those of institutions licensed by FINMA.
9. Always diversify your investments; do not put all your eggs in one basket.
10. Remember the rule that high returns usually go hand in hand with a high risk of incurring losses.