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

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Demanding tasks in a challenging environment

2012 posed numerous challenges for FINMA at all levels. Much work was put into intensively supervising exposed areas in the financial sector. Last year, FINMA also concluded large-scale proceedings against supervised institutions. Key regulatory projects progressed well or were implemented. At strategic level, FINMA defined new strategic goals in line with which it will carry out its activities in the next four years.

The persistently low interest rate environment and the risks involved meant that FINMA had to intensively supervise exposed areas such as long-term guarantees offered by life insurance companies and mortgage loans granted by banks. With its rulings against KPT, Supra Assurances, Valiant and unauthorised trading at the UBS Investment Bank in London, FINMA concluded a number of important enforcement proceedings against supervised authorities. At the regulatory level, new provisions for the 'too big to fail' issue, Basel III, liquidity regulations for banks and insurance companies, and an extensive set of rules for restructuring and a bankruptcy scenario were finalised.

New strategic goals for the period 2013 to 2016

Both FINMA Chair, Anne Héritier Lachat, and FINMA CEO, Patrick Raaflaub, stressed the challenges posed by the current economic environment. In Anne Héritier Lachat's words: "Naturally, this backdrop also represents an additional challenge for financial market supervision. […] We are therefore seeking to adapt our activities to reflect the changes in the overall environment; and to do this we need to set ourselves appropriate objectives." In her presentation, the Chair picked out one of the five new strategic goals that FINMA defined for the next four years in autumn 2012. The goal on business conduct aims to promote financial integrity, improve client protection in Switzerland, thereby strengthening the reputation of the Swiss financial centre.

Anne Héritier Lachat then pointed out how FINMA can contribute to attaining this goal: strict licensing practices and the prudential supervision of licensing requirements, i.e. regularly examining compliance with standards such as solvency, equity capital, liquidity and risk management, are essential. The Chair then went on to comment on the future financial services act, which is currently been drawn up by the Federal Department of Finance. According to Anne Héritier Lachat, FINMA welcomes this move.

Credible resolution and restructuring

Patrick Raaflaub's presentation focused on the impact of the low interest rate environment on the financial sector. "In light of the low interest rate environment, it has become increasingly difficult for many market players in the financial sector to remain profitable and honour the obligations towards their clients, some of which were entered into years or decades ago.", he remarked. The FINMA CEO pointed out the consequences of the low interest rate environment for supervised institutions by taking life insurers and mortgage loans granted by banks as examples, and explained the specific supervisory measures FINMA has taken to address these issues.

Patrick Raaflaub emphasised how important it is to have an adequate legal basis in order to be able to credibly restructure and liquidate financial institutions. Here FINMA has made considerable progress by bringing the new Insurance Bankruptcy Ordinance and the Banking Insolvency Ordinance into force. Nevertheless, important issues still require attention. It is essential that the Swiss insolvency measures are accepted at the international level and recognised by the competent authorities. "By participating in international supervisory committees and bilateral interactions with important foreign authorities, we will continue working intensively in this area.", he said.

FINMA's net income higher, but within budget

FINMA's annual financial statements for 2012 are within the budget approved by the FINMA Board of Directors. Net income in 2012 totalled CHF 121.9m (previous year: CHF 107m) of which CHF 102.4m (previous year: CHF 89.5m) came from supervision fees. Operating costs for the 2012 financial year amounted to CHF 110.8m (previous year: CHF 97.1m), which is due in particular to the planned and realised increase in staff. Up from CHF 87.9m in the previous year, staff costs rose to CHF 77.9m. As a result of the low interest rate environment and IFRS market-consistent valuation, pension fund liabilities increased to CHF 55.3m. This will not lead to additional charges for supervised institutions or any asset outflow in the near future. The higher pension fund liabilities under IAS 19 result, however, in negative equity of CHF 23.5m (previous year: CHF 25.4m) as at 31 December 2012.

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