

## Press release

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# FINMA publishes 2020 Risk Monitor

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**The Swiss Financial Market Supervisory Authority FINMA has published its 2020 Risk Monitor. This report provides an overview of what FINMA believes are the most important risks currently facing supervised institutions and describes the resulting focus of its supervisory activity. FINMA identified seven principal risks in the year of corona. New on its list are possible defaults or adjustments to corporate loans or bonds abroad.**

The year 2020 was clearly marked by the corona pandemic, which had a noticeable impact on the risk landscape in the financial industry. The pandemic also put considerable pressure on the financial system. New risks are emerging for the Swiss financial institutions as a result. For example, a significant short-term risk has emerged for financial institutions due to the COVID-19-related resurgence of market turbulence and a resulting decrease in liquidity. Furthermore, the pandemic is exacerbating some of the already existing risks. FINMA identified seven principal risks in 2020. That is one more than in 2019.

The new risk identified by FINMA as a principal risk concerns possible defaults or adjustments to corporate loans or bonds abroad. Such defaults are becoming increasingly likely because health-policy measures are resulting in a massive downturn in numerous companies' sales and earnings and the threat of a global recession is looming on the horizon. In FINMA's view, the topics identified as principal risks in 2019 remain central for the supervised institutions and the Swiss financial centre:

- the persistent low interest-rate environment (increasing);
- a possible correction on the real estate and mortgage market (increasing);
- a disorderly abolition of LIBOR benchmark interest rates (decreasing);
- cyberattacks (increasing);
- money laundering (same);
- increased impediments to cross-border market access (same).

### **Long-term trend towards “transparent” insurance clients**

Furthermore, each Risk Monitor highlights one selected trend with the potential to impact on the Swiss financial market over the long term. This year’s report addresses the risks in connection with extensive data collections (big data) in the insurance sector that may lead to “transparent” insurance clients.

Other long-term risks identified by FINMA include demographic ageing, declining financial instrument valuations in asset management, and financial risks arising from climate change. FINMA presented the subject of climate risks in more detail in last year’s Risk Monitor. In the current report, FINMA describes how it has continued to pursue the topic since then.

### **Transparency about risk-oriented supervision**

The main focus of FINMA’s work is the supervision of the financial sector. This is designed to ensure that the supervised financial institutions remain stable going forward, given the possible risks they are facing. Assessing the risk position of the whole sector as well as that of the supervised institutions is therefore a critical part of FINMA’s supervisory activity. This makes its supervisory focus essentially forward-looking. The Risk Monitor – which is being published for the second time this year – will create transparency both for supervised institutions and the wider public about how FINMA fulfils its statutory responsibilities.