

Press release

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FINMA Risk Monitor 2021: focus remains on the mortgage market

In its 2021 Risk Monitor the Swiss Financial Market Supervisory Authority FINMA identified six significant risks for the financial sector. It derives its supervisory focus from these. FINMA sees heightened risks in the real estate and mortgage market.

FINMA today published its Risk Monitor 2021. 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. Unchanged from the previous year, FINMA identified the following six principal risks:

- the persistent low interest rate environment,
- a possible correction in the real estate and mortgage market,
- defaults or adjustments to corporate loans or bonds abroad,
- cyberattacks,
- money laundering, and
- increased impediments to cross-border market access.

With the exception of the real estate and mortgage market, FINMA considers the above-mentioned risks to be equally significant as in the previous year. FINMA sees heightened risks in the real estate and mortgage market. On the basis of progress made by supervised entities, FINMA has downgraded last year's principal risk of a disorderly abolition of LIBOR benchmark rates (no longer considered a principal risk).

The real estate and mortgage market is heating up

The real estate market has proved resilient in the face of the coronavirus pandemic, not least thanks to government support packages and monetary policy interventions. Indeed, mortgage volumes have actually increased further. The investment property sub-market shows indications of overheating, while investor and user markets have diverged in recent years. Price growth has accelerated further in the owner-occupied housing market, with property prices having increasingly decoupled from the development of income and consumer prices.

FINMA's Head of Banking Supervision, Jan Blöchliger, says: "The real estate and mortgage market has been a key focus of FINMA's supervisory activities for many years. The development of the market and credit portfolios for investment properties remain a specific point of focus." Within the scope of its mandate, FINMA will therefore also continue to develop its analysis and supervisory tools (data collection, stress tests) in this area.

Focus on financial risks due to climate change

The 2021 Risk Monitor also discusses climate risks for the financial sector as a longer-term trend. Together with the supervised institutions, FINMA is working intensively to adequately capture the financial risks associated with climate change and to incorporate them into the institutions' risk management systems. Particular emphasis will also be placed on analysing the first climate risk-related disclosures based on the requirements specified in FINMA circulars. In the area of investor protection, FINMA is addressing the risk of greenwashing in the distribution of financial products and services. To avoid and prevent deception in relation to sustainability claims, Swiss funds must ensure satisfactory transparency, among other things.