

On-site supervisory reviews: one of FINMA's key supervisory tools

FINMA can carry out on-site supervisory reviews as part of its supervisory activities. It decides to do so on the basis of general financial market risks or specific events. On-site supervisory reviews provide important insights for supervision and if necessary result in further measures.

FINMA can carry out on-site supervisory reviews at supervised institutions or outsourcing partners commissioned by these institutions. It also participates in on-site supervisory reviews of foreign subsidiaries and branches of supervised institutions conducted by foreign supervisory authorities. FINMA conversely supports foreign financial market supervisory authorities with their direct reviews in Switzerland.

FINMA carries out on-site supervisory reviews in addition to its ordinary audit activities. It uses this supervisory tool on the one hand for an assessment of risks associated with particular circumstances or the specific institution. On-site supervisory reviews enable FINMA to gain a better understanding of an institution's situation and offer the opportunity for direct dialogue. At the same time, FINMA also uses this supervisory tool to assess specific financial market risks. A comparison of the review results between the institutions also enables important assessments of general financial market risks to be carried out.

FINMA conducts risk-based reviews

FINMA carries out on-site supervisory reviews in a risk-based manner in accordance with its supervisory approach. The subject of the review can be a detailed review of a supervisory topic that is considered relevant for the supervisory area in question based on the risk assessment of FINMA. It also selects the institutions to be reviewed with due regard to their business models and risk profiles. For example, such reviews can be triggered from FINMA's supervisory activities or from audit firms and media reporting.

Subject and scope of reviews

Before conducting a review, FINMA defines its subject and scope. Concerning scope, a distinction is drawn between two types of on-site review: the first of these are longer supervisory reviews lasting several days during which FINMA not only obtains information on conceptual issues but also reviews and assesses the implementation of concepts. Such an operation normally lasts two to five days but can be extended further if necessary. Apart from this FINMA also conducts "deep dives", which are narrower in scope and/or depth.

Organisation

FINMA has specialised teams for on-site supervisory reviews of banks and insurance companies. In the other supervisory areas the responsible supervisory teams coordinate the reviews. Depending on the content focus, employees from the specialised on-site supervisory review teams, regular supervision or experts take part in such reviews. Before embarking on the on-site supervisory review, FINMA requests information and documents from the institution and simultaneously informs it of the topic and scope of the review. The insights gained in advance are then verified during the on-site review and open questions investigated further in dialogue with the institution.

Results may if necessary lead to measures

The results of the on-site supervisory review culminate in a qualitative assessment by FINMA regarding the scope defined in advance. This assessment is made available to the institution concerned in the form of a summarising report or feedback letter that contains the key findings of the on-site supervisory review and their evaluation. FINMA can also define follow-up measures if required. FINMA evaluates additionally gained information and findings concerning general issues for internal purposes as part of cross-institutional benchmarking.