

Asset Management Day 13 June 2025

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Current challenges and supervisory priorities in asset management

Ladies and gentlemen

I'm delighted to join you at the Asset Management Day today and am very grateful for the opportunity to participate in this very important event for the Swiss asset management industry for the first time. The asset management industry is a key component of our financial centre. It is dynamic, internationally interconnected and of critical importance for the Swiss financial centre, and therefore also for FINMA. I also read with great interest the AMAS 2025 Asset Management Study which shows both the continued global growth and success of the Swiss asset management industry, as well as some of the challenges for the future in a rapidly changing environment.

What am I going to talk to you about today? The headline of today's event is "Risks, Rules, Returns". As the CEO of a supervisory body it is my job to raise awareness of risks and ensure they are regulated appropriately. I will start by summarising some of the complex challenges the asset management industry is currently facing. I will then discuss the main risks for the industry in greater detail and consider the impact of these risks on our supervisory priorities.

FINMA is an integrated supervisory authority whose supervision covers banks, insurance companies, the asset management industry and the markets. The asset management business is an important component of this overall supervision. Our focus is on efficient and effective supervision. We concentrate both on prudential supervision to ensure the resilience of the institutions and the market, as well as on promoting good conduct. All of this in a context where the range of products and services offered in asset management is steadily growing, while at the same time the geopolitical situation and macroeconomic environment are highly uncertain.

I want to focus, by way of example, on three challenges the industry is currently facing:

1. Volatile markets are underscoring the importance of the resilience of collective investment schemes with regard to liquidity risks.
2. Rising numbers of cyber attacks are creating considerable operational challenges.
3. Climate change and transparency requirements are putting pressure on conduct rules and customer protection.

In this complex environment with a whole range of challenges, the industry needs to find the right balance. Being well-prepared for new risks while continuing to mitigate the existing risks appropriately is the name of the game.

I will now turn to some of the specific risk areas that have emerged as a result of the developments I have mentioned.

1) Geopolitical situation, volatile markets and liquidity risks

Just as they have elsewhere, the current geopolitical tensions – for example as a result of new tariff policies – along with the continuing economic uncertainty also affect the Swiss financial centre. This volatile backdrop leads to nervousness among investors and creates new challenges for the asset management industry. However, even in these turbulent times, the Swiss asset management industry benefits from the stability that Switzerland offers in the shape of its economy, its political system and its strong currency, among others.

One issue in particular has moved into the spotlight in this environment: the effective management of liquidity risks in collective investment schemes. Collective investment schemes are a central component of our financial system. Their ability to remain stable even in periods of stress is critical – both for investor confidence and the stability of the entire market.

As we discussed in our 2024 annual report, funds with investments in less liquid asset classes – for example Swiss small and mid-cap equities but also real estate – pose increased liquidity risks for such funds. The geopolitical situation and macroeconomic environment also give rise to liquidity risks for bond and money market funds.

For FINMA this means ensuring that funds focus on the proactive management of liquidity risks – particularly in open-ended collective investment schemes. Our aim is to promote the resilience of these products and thus ensure investor protection in the long term.

The regulatory framework for managing the liquidity risk of open-ended collective investment schemes was extended with the revision of the Collective Investment Schemes Act and Collective Investment Schemes Ordinance (CISO) last year. The FINMA Financial Institutions Ordinance already imposes an explicit duty on managers of collective investment schemes to manage liquidity risk appropriately.

This has been extended in the revised legislation so that – in line with international standards – fund management companies now also have a duty to ensure that the liquidity profile of a collective investment scheme's investments is in line with the scheme's investment policy and redemption terms and compatible with its existing liabilities.

A further principle of liquidity risk management that has been added to CISO is the requirement for ongoing monitoring of the liquidity of each portfolio to recognise liquidity risks early and be able to respond to them in a timely manner.

CISO now requires regular stress tests to appropriately manage and monitor the liquidity of open-ended collective investment schemes. These are based on both normal and exceptional market conditions and make use of historic and hypothetical scenarios. Stress tests do not have to be carried out if the collective investment scheme's net fund assets are less than CHF 25 million.

The fund management company is also required to draw up a crisis plan in which it sets out the measures it would take to deploy the proposed liquidity management tools along with the internal processes and reporting lines. It must review the crisis plan regularly to ensure that the tools for managing liquidity can be implemented promptly and in the intended manner if required.

The conclusions for our supervisory practice are as follows:

- We expect firms to carry out robust and forward-looking liquidity risk management.
- We carry out industry-wide liquidity stress tests at fund level to identify vulnerabilities at an early stage.
- We use the data on exposure, leverage and liquidity, which we collect annually, to inform risk-based supervision.

2) Cyber risks

I now want to focus on another risk category that has dramatically increased in importance in recent years and also affects the asset management sector:

➔ Cyber and operational risks.

The Swiss financial sector, like others around the world, is increasingly being targeted by cyber attacks. These aim to undermine the confidentiality, integrity and availability of information, as well as infrastructures and services. Not only are cyber attacks becoming more common, they are also becoming more coordinated and ever more complex.

One of the key results of our analysis I want to share with you is that around 30% of reported cyber attacks in 2024 were caused by attacks on external service providers. This underlines that the risks do not just exist within the institutions, but also derive from their dependence on third-party providers, particularly in the area of cloud services.

FINMA therefore classifies the outsourcing of significant functions as a key operational risk. Continuing digitalisation gives rise to many opportunities, but also creates more targets for attack. We can no longer treat cyber attacks as isolated incidents. They are part of a structural trend that will continue to challenge the operational resilience of the financial industry.

FINMA has observed that although many financial institutions identify cyber attacks quickly, there is often a lack of clearly defined response plans and responsibilities. This is a dangerous shortcoming that could lead to significant damage in the event of a major attack.

With its closer supervision of smaller market players such as independent asset managers and untied insurance intermediaries, FINMA has registered a growing number of cyber attacks on these supervised entities. More than half of the cyber attacks last year involved the smallest institutions in our supervisory category 5. At smaller institutions, email traffic remains the most common vector of infection for cyber attacks. These institutions' cyber defence measures are often limited in scope or sophistication – both with regard to raising awareness and the technical defence measures in place.

FINMA's recent guidance sets out findings from its supervision of cyber risks and clarifies the reporting requirements for cyber attacks as well as the requirement for firms to conduct scenario-based cyber exercises.

FINMA therefore follows a clearly defined supervisory approach. In the area of cyber risks this means:

- We expect the institutions to carry out robust cyber risk management. This must comprise outsourced functions as well as appropriate training and exercises on cyber incidents. Regular training and raising staff awareness of how to deal with cyber risks are key for a robust cyber defence policy.
- We check whether emergency and recovery plans are in place and up-to-date and whether they have been tested. Particularly when dealing with cyber risks, it is important that the institution has clearly defined the tasks, responsibilities and reporting lines and has also planned how it would communicate with affected customers, business partners and others if needed.
- We carry out on-site inspections both at supervised institutions and their service providers.
- We systematically analyse reports of cyber incidents and draw sector-specific conclusions from them.

Ladies and gentlemen, given the growing threat from targeted cyber attacks, these measures are essential to protect investors and safeguard the entire Swiss financial centre.

3) Customer protection in a time of climate change and transparency

When it comes to climate change-related risks with a large impact on the asset management industry, FINMA's focus is on greenwashing risks. Demand from investors for sustainable financial products has grown significantly in recent years. Hence the number of financial products labelled as “sustainable”, “green” or “ESG” has also grown significantly.

If a fund is labelled as sustainable or makes claims relating to sustainability, FINMA pays close attention when authorising and supervising the fund as to whether the promised sustainability characteristics are explained in a clear and transparent manner. It ensures they are disclosed appropriately and examines whether investors have been misled in any way.

However, the fact is that FINMA again identified an increased risk of greenwashing on the financial market last year. We have published our expectations on preventing and combating greenwashing in FINMA Guidance. This relates both to the funds and to conduct rules at the point of sale.

However, due to the gaps in the statutory basis, FINMA is limited in what it can do to prevent and combat greenwashing effectively. This is likely to remain so in the medium term. In June 2024, the Federal Council decided not to take additional regulatory steps to combat greenwashing. While the self-regulation of the industry bodies represents progress, it is not enough. In FINMA's view, adequate minimum supervisory requirements are indispensable to combat greenwashing credibly and effectively – particularly uniform definitions, rules of conduct at the point of sale across the whole sector as well as binding minimum requirements for product transparency and reporting.

But I would also like to point out that these risks exist not just in the fund management area, but also in managing individual asset management mandates. Alongside the risks associated with the financial service or financial instruments themselves, investors may not be informed of these risks appropriately.

Moreover, one of the most important conduct duties for financial market participants is to avoid potential conflicts of interest or – if they are unavoidable – disclose them, for example if an institution is offering its own products. Equally, payments an institution may receive from third parties also need to be disclosed.

FINMA sets out its supervisory practice on key rules of conduct in a recent circular on rules of conduct under the Financial Services Act. This creates transparency and legal certainty along with a level playing field for all supervised institutions.

Ladies and gentlemen, I am now coming to the end of my address and would like to return once more to the title of today's event "Risks, Rules, Returns". I've spoken at length about risks and rules facing the Swiss asset management industry. It would be remiss of me not to say a few words about returns as well.

In a period of upheaval and uncertainty, Switzerland will undoubtedly benefit from its reputation for political and economic stability, its culture of reliability, and a sound regulatory environment. The close cooperation between supervisors at both national and international level also is a key element of this stability.

I'm delighted to be able to give a very recent example of such successful cooperation: as you will have seen in the media, the US Securities and Exchange Commission (SEC) has resumed processing applications from FINMA supervised Swiss entities who want to conduct business as Registered

Investment Advisers (RIAs) in the USA." We can only achieve successes such as these if our financial centre continues to enjoy a good reputation.

And a good reputation is always based on solid and serious supervision. This underpins my belief that the success of a financial centre depends on innovation, strong risk management and compliance with the rules. I am firmly of the view that risks, rules and returns are inseparable.

Thank you for your attention.