Small Bank Symposium, 7 September 2026 in Bern
Stefan Walter, FINMA CEO

FINMA's supervision of small banks: proportionality as a guiding principle for effective supervision

Ladies and gentlemen, esteemed representatives of small banks

I am delighted to welcome you today to FINMA's Small Bank Symposium. I would like to start by talking about a topic that is central to this symposium: proportionality. We keep hearing criticism that FINMA supervises small institutions too intensively. Or, to put it more bluntly: The small banks are subject to particularly strict supervision, while the big ones are largely left to their own devices.

We take this view seriously. After all, an inspection by FINMA involves a lot of effort. And this effort is felt more greatly at a small institution than at a large one. That is why it is worth taking a look at actual supervisory practice. The figures paint a clear picture.

FINMA carries out over 40 on-site inspections at UBS each year. On average, a small bank is subject to an on-site inspection only once every eight to ten years. And it's not just the size that matters. Risk is also a key factor. In 2025, we carried out twelve times as many on-site inspections at institutions with a medium or high risk rating as at those with a low risk rating. We see the same pattern with other supervisory instruments. FINMA imposes additional requirements on around 30% of applications for guarantees of irreproachable business conduct from large banks. For small banks, the figure is less than 10%.

This is also evident in the area of enforcement: We do not place a disproportionate focus on small institutions. In a ten-year analysis, significantly more investigations and enforcement proceedings in the banking sector related to category 1 and 2 banks, even though these accounted for only around 2% of the banks under supervision.

What does this tell us? Our supervision is based on an institution's risk potential for the financial system and on our risk assessment. For smaller institutions with lower inherent risk, supervision is predominantly carried out on a data-driven basis. We step up our supervision if we see signs of increased risks or any particular anomalies.

This categorisation is not merely a label without consequences. Together with our internal rianomaliesosely we supervise a financial institution. Categories 1 and 2 comprise the largest and most complex institutions with the highest risk potential for the financial system. In categories 4 and 5, this potential is lower. Consequently, there are differences in reporting, direct contact and the level of monitoring.

For me, that is the essence of proportionality: We want to focus our supervisory resources on where the risks lie. However, proportionality is not only reflected in the way we carry out our supervisory role.

Laupenstrasse 27
3003 Bern
Tel. +41 (0)31 327 91 00
www.finma.ch

It is also reflected in the requirements. The clearest example of this is the small banks regime. It has been in force since 2020 and is the only one of its kind in the world. There are currently 56 institutions taking part.

The regime is voluntary. Banks and securities firms in categories 4 and 5 that are particularly liquid and well capitalised may participate, provided they meet the relevant criteria. And the relief measures are tangible. These institutions no longer need to calculate their risk-weighted assets (RWA), among other things. They are not required to calculate or comply with the net stable funding ratio. In addition, there are qualitative simplifications, for example in the areas of risk management, internal audit and disclosure.

The regime is deliberately subject to certain conditions. These relief measures are available to institutions that are particularly sound. That is the other side of proportionality: Relief and stability go hand in hand. The idea behind it is simple: Requirements should serve a purpose under supervisory law. Where this objective can be achieved with less effort at a small, stable institution, we should make use of this possibility.

This line of thinking does not stop at the small banks regime. Even though we set out our supervisory practice in detail in circulars, we assess where it is appropriate to make exceptions. A recent example is our circular on nature-related financial risks. Banks operating under the small banks regime that are particularly liquid and well capitalised are exempt from this requirement on grounds of proportionality. The circular is intended to provide them with guidance. The principle of proportionality also applies to smaller banks and securities firms that do not fall under the small banks regime: How they implement the requirements depends on their size and complexity, their risk profile and their business model.

Proportionality is therefore not a one-off project. It is a fundamental principle of our supervision. But this principle has its limits. And we should talk openly about that too. A smaller balance sheet does not necessarily minimise every risk. In the case of money laundering, market conduct or sanctions, for example, the supervisory requirements apply regardless of the size of an institution. Where the size of the institution does not significantly alter the risk, there is no objective reason to apply different standards for compliance with the rules.

This also applies to an institution’s responsibility for its risks. Let’s take cyber risks and outsourcing, for example. Smaller banks stand to benefit particularly from outsourcing technology or services. They don’t need the same structures as a large bank to do this. However, responsibility for appropriately managing the associated risks remains with the supervised institution.

This is not a theoretical question. The increasing use of external technology and cloud service providers gives rise to dependencies and concentration risks. At the same time, artificial intelligence is altering the possibilities on both sides: It can assist banks with processes and with detecting attacks. However, it can also make attacks easier to automate and scale.

The appropriate response to this by a small bank may differ from that of a large bank. The aim remains the same: They must be aware of their key risks and be able to manage them effectively. That is precisely why we do not view proportionality simply as less supervision.

Proportional supervision must be able to distinguish between different cases. It must take into account the size and complexity of an institution. However, it must also recognise when risks change or when irregularities arise at an individual institution.

That’s not going to get any easier in the coming years. Geopolitical tensions can also affect institutions with a primarily Swiss business model: through financial markets, client relationships, sanctions, cyber risks or reliance on service providers. Instability affecting a group of smaller banks can also become systemically relevant, as we saw in 2023 with the regional banks in the United States.

The implications of this for risk management will be the subject of the keynote speech in a moment. And later on, in our breakout sessions, we will explore three topics in greater depth that are closely linked to today’s discussion: on-site inspections, proportionality in the regulation of small banks, and our expectations regarding the use of artificial intelligence.

I do not wish to pre-empt these discussions. However, what matters to me is how we approach them. FINMA has a statutory mandate to protect financial market clients and ensure the proper functioning of the financial markets. We fulfil this remit effectively when our supervision is rigorous where the risks are high, and allows for flexibility where a less rigorous approach is appropriate.

That is also our aim for our dialogue with you. We want to understand where regulatory requirements pose particular challenges for smaller institutions. However, we also want to speak openly about where the risks lie and what measures are needed to manage them. The Small Bank Symposium provides an ideal setting for this. I look forward to discussing these topics with you and I hope we will all have some interesting discussions.

Thank you very much.