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FINMA's supervision of the asset and wealth management sector in Switzerland

Ladies and gentlemen,
Esteemed representatives of the Ticino financial centre

I am very pleased to be here with you in Ticino again today. This is the third opportunity for me to present our FINMA perspective of the Swiss financial services sector. Thank you for your hospitality.

When we speak of the Swiss financial services sector, the focus quickly turns to asset and wealth management. And there's a good reason for this.

At the end of last year, banks and securities firms in Switzerland serviced client assets amounting to around 2,500 billion francs under investment advisory and portfolio management mandates. This accounts for close to 43 per cent of actively serviced investment assets in Switzerland.

The international dimension is particularly well developed here: almost every second actively serviced invested franc originates abroad. Switzerland is therefore still one of the major centres worldwide for the cross-border servicing of client assets. Swiss banks play an important role in cross-border wealth management; they advise private clients and manage assets of just under 370 billion francs for them.

This shows us that asset and wealth management is not just one of many areas of business. It is one of the main pillars of the Swiss financial sector.

And this is particularly true here in Ticino.

Lugano is one of the main financial centres in Switzerland. Asset and wealth management has a long tradition here. At the same time, the Ticino financial sector has a clear international orientation.

At the end of last year, banks and securities firms in Ticino serviced client assets amounting to around 33 billion francs under investment advisory and portfolio management mandates. 70 per cent of these come from abroad.

Overall, financial institutions in Ticino service around 95 billion francs in the form of investment advisory or portfolio management services. Here too, the numbers highlight the clear international orientation of this financial centre: around 75 per cent of these assets come from abroad.

Many of you in the room know this business from your own daily experience. And you also know that asset and wealth management is essentially a business based on trust.

Clients entrust their assets to a financial institution. They expect professional expertise. They expect their interests to be taken into account. And they expect risks to be managed professionally.

This trust is a key chapter of the Swiss financial services sector. And not one that can be taken for granted.

Let's take a closer look at our data:

FINMA pays close attention to the asset and wealth management sector. In doing so, we take a holistic view of the business models of the institutions we supervise. We are not only interested in the licensing category under which an activity is carried out. We are interested in the type of activity carried out as well as the risks it entails.

This is why we have been collecting cross-sector data on asset and wealth management for two years. The figures as at the end of 2025 paint an interesting picture.

Within asset and wealth management, if we now look at individual portfolio management mandates and fund assets under management, we are talking about approximately 4,222 billion francs. Fund assets account for around half of this figure, and the other half is in individual portfolio management mandates.

Broken down by licence category, managers of collective assets cover 38 per cent, the lion's share, of these assets. Right behind them are the banks and securities firms with 32 per cent or around 1,370 billion francs.

And it is precisely in banks and securities firms where the individual mandates constitute the main business: around two thirds of these assets are managed in the form of individual portfolio management mandates. This shows how central individual portfolio management is to the business model of many Swiss banks.

But it also shows why we as a supervisory authority monitor this sector closely.

Not because we want to make the management of this business more difficult – on the contrary: because it is so important for both clients and the financial services sector of Switzerland. It also entails key risks, such as the loss of client assets and in turn possible reputational damage for the sector as a whole. In addition, the environment in which assets are managed is becoming increasingly challenging.

Geopolitical tensions, trade conflicts and political uncertainty all impact on the financial markets. Interest rate and inflation developments in the context of increasing sovereign debt abroad remain key risk factors. At the same time, technological progress is changing the markets, the products and also, to a growing extent, the way in which investment decisions are made.

This is a major opportunity for Switzerland as a financial centre.

Switzerland's seal of quality in global competition is the stability of its political system, its economy and its currency. Add to this principle-based regulation, risk-based and effective supervision of the financial market and proportional implementation of supervision at supervised institutions.

One good example of this is our small banks regime. This proportional approach is now attracting considerable interest from international supervisory authorities.

These are key strengths that form the foundation of the Swiss financial sector's competitiveness.

But competitiveness does not depend only on good threshold conditions. It also depends on the assets distributed by the financial services sector meeting sound standards in the areas of compliance with national and international sanctions, effective combating of money laundering, and investor protection standards. This in turn supports the strong reputation of the Swiss financial centre over the long term.

I have talked about FINMA's activities in the area of sanctions and the fight against money laundering on several occasions in the past. Here too, we are guided by international best practices.

Today, I would like to focus on another, equally important factor for the reputation and competitiveness of Switzerland's financial centre: effective investor protection.

For investors, this challenging environment means that risks can change quickly and sometimes materialise unexpectedly. At the same time, certain financial instruments and product structures have become more complex.

It is precisely in this type of environment that professional management of client portfolios takes on a special responsibility. Clients have to be able to rely on their assets being managed in line with their financial situation, their investment objectives and their risk appetite.

This year in June, FINMA published its "Guidance on the risks associated with the use of products in individual portfolio management". The starting point was specific cases with institutions providing individual portfolio management services which were directly observed by FINMA or reported to FINMA by the supervisory organisations overseeing portfolio managers according to Article 17 of the Financial Institutions Act. The number of cases has increased significantly in recent years, especially in the sector of portfolio managers.

In 2023, we opened seven such supervisory cases that were escalated to FINMA by the supervisory organisations overseeing portfolio managers or from other sources. There were 32 cases in 2024. Last year, there were 60. It's important to put these figures into context. The cases refer to portfolio managers pursuant to Article 17 of the Financial Institutions Act and thus only to a small portion of the market. It would be incorrect to make a general judgement about the entire asset and wealth management industry from these particular cases.

But an analysis of these cases does show important recurring risk patterns. These are relevant for all institutions that provide individual portfolio management services – including banks.

What did we observe specifically?

In particularly serious cases, complex, high-risk or illiquid products were included in client portfolios without their suitability being sufficiently assessed. In some cases, this involved foreign investment funds without equivalent supervision, structured products – in particular so-called actively managed certificates – or products of foreign, unregulated issuing or structuring companies.

Such products are not problematic per se. Rather, it is important to ascertain if their characteristics and risks are understood – and whether they are suitable for the respective client. It is precisely here that we identified considerable deficiencies in individual cases.

In other cases, the clients' risk capacity and risk appetite had not been taken sufficiently into account. Risk disclosure was inadequate. Sometimes, a disproportionately high amount was invested in concentrated complex, high-risk or illiquid products.

In some cases, this type of combination resulted in considerable losses for clients, inconsistent with their risk profile and appetite. This is particularly serious when less sophisticated private clients are involved. In some cases, even money required for retirement provision was affected.

The consequence is not to categorically exclude certain product classes from the outset. Instead, the key question is: does the product suit the client? This is the core of the suitability assessment.

In the assessment of suitability for portfolio management mandates and ongoing advisory relationships, the client's financial situation, investment objectives, as well as their knowledge and experience must be considered. Only then can a suitable risk profile and investment strategy be developed. And the financial instruments that are included in the portfolio must suit both.

Particular attention is required when complex, high-risk or illiquid financial instruments are included in portfolios of less sophisticated private clients.

This responsibility does not end with the inception of the portfolio management mandate. Within the scope of a permanent portfolio management or investment advice relationship, the risks must be assessed and appropriately monitored throughout the duration of the mandate.

A second pattern relates to conflicts of interest.

This question is particularly relevant for banks. Many banks take on several roles at the same time: that of portfolio manager, product provider, distributor or custodian bank.

This can lead to conflicts of interest.

Our supervisory escalation cases have shown what can happen if such conflicts are not sufficiently managed.

For example, we have seen cases of non-transparent double fee charging. We have identified remuneration incentives favouring the use of the firm's own products. We have seen a lack of diversification that clearly contradicts the clients' risk profiles. And sometimes there was no product selection process based on objective criteria customary in the industry.

The supervisory expectation here is clear.

Conflicts of interest must generally be avoided or managed in such a way that the clients are not disadvantaged. Financial service providers must inform clients whether the market offer taken into account when selecting the financial instrument comprises only their own or also other financial instruments.

And the use of their own financial instruments must not be favoured through specific incentives in the remuneration of staff involved in providing these financial services.

In addition to client-focused conduct obligations, there is a second level: risk management by the institution itself.

Any institution that includes complex or high-risk products in a client's portfolio must understand the risks that they entail. These include, for example, concentration, liquidity, valuation and conflict of interest risks.

This includes a thorough and risk-based understanding of the financial instruments used in the client's portfolio.

This check must not be made only the first time a product is included. Particularly in the case of complex or high-risk products, we saw that both the initial and recurring risk assessment was sometimes inadequate.

The underlying principle is simple:

Anyone who includes a product in a client portfolio must understand the risks involved and be able to monitor them on an ongoing basis.

The same applies to outsourcing.

Especially smaller institutions often outsource their risk management or compliance to specialised service providers. That may make sense. But it is only the function – and not the responsibility – that should be outsourced.

An institution must still have enough expertise to understand the risks involved in its business, even when outsourced, and be able to effectively manage and control these risks.

What does this mean for FINMA's supervision?

The cases that our guidance is based on come mainly from supervision of portfolio managers pursuant to Article 17 of the Financial Institutions Act. But the underlying facts are not unique to a particular type of licence; they are also relevant to supervised institutions in other licensing categories that provide individual portfolio management services to clients. In particular I would highlight:

- Is a product suitable for the client?
- Are the concentration, liquidity and valuation risks understood?
- Are conflicts of interest effectively under control?
- Is the ongoing risk management of the product sufficient?
- And are the underlying risks still managed and controlled if individual functions are outsourced?

These questions arise wherever assets are managed for clients.

They are relevant for all institutions active in the asset and wealth management arena. But our response to these areas of risk is not to engage in more across-the-board supervision. It is to calibrate the intensity of our supervision to where the risks are greatest.

This is the core of our risk-based and proportionate approach to supervision. I emphasised this approach a few weeks ago at FINMA's Small Bank Symposium. Supervision generates costs. And these costs have a greater proportionate impact on a smaller institution than on large ones. This is why we consider the size, complexity and especially the risk profile of an institution when determining the supervision intensity.

In our supervisory approach we also take into account comparable activities and risks across the various licensing categories of institutions active in the asset management business. This is why we set up a cross-divisional asset management system at FINMA. It enables us to assess asset management issues and risks across the sector, irrespective of the type of licence.

Depending on the licensing category, the specific legal requirements may differ.

But the nature of the underlying risk doesn't change whether a bank, a manager of collective assets or a portfolio manager is involved.

There is a second principle that is important for us: We want to identify problems as early as possible. This starts at the licensing stage. The Financial Institutions Act and the Financial Services Act introduced a more comprehensive prudential framework for portfolio managers.

Not every institution that originally applied for a licence met the new licensing requirements. Then there were a large number of new market actors that only entered the market after the Financial Institutions Act and the Financial Services Act came into force, and which also needed to obtain a licence.

This is part of the licence's protective function. Ongoing supervision commences after that. For this, we rely on data analysis and early warning indicators. We conduct supervisory reviews, deep dives and on-site inspections and, wherever it makes sense, we use stress tests.

Our goal is not only to address problem cases where client losses have already occurred. Our goal is to identify risk patterns as early as possible and to take specific action – before the consequences for clients become even greater and before the risks and costs for the supervised parties increase even more. The recent guidance on risks associated with the use of products in individual portfolio management is a good example of this approach.

By identifying recurring patterns, we intend to make these findings transparent so that institutions can conduct a critical review of their own business models and controls and thus take preventive measures, making further supervisory action unnecessary. Only if we continue to observe serious breaches is it then necessary for the supervisory authority to intervene to protect clients.

This supervisory approach is also in the interests of the vast majority of institutions that carry out their business diligently and responsibly. It only takes a few serious cases to damage the trust in an entire sector.

Effective supervision therefore doesn't only protect individual investors. It contributes to the integrity and reputation of the Swiss financial centre. For a financial centre whose business model is based to a significant extent on the management of domestic and foreign assets, this trust is a decisive competitive factor.

I would like to sum up my remarks with three thoughts.

First: Asset and wealth management is a core business for the Swiss financial centre. It is based on professional expertise, customer focus, responsible governance and stress-resistant controls.

Second: The environment is becoming more challenging. Complex products, geopolitical uncertainty and market, liquidity and valuation risks as well as new technological progress are increasing the demands on risk management of client assets.

This is precisely why the interests of the clients must take centre stage.

And third: FINMA will continue to observe these risks in a comprehensive, risk-based manner across the various licensing categories.

Effective risk management and supervision help protect clients and investors alike and strengthen the proper functioning and integrity of the financial marketplace. This in turn fosters a competitive and future-proof Swiss financial centre.

This brings me to the last point.

The risks we are dealing with are evolving constantly. The development that financial institutions are dealing with most intensively at the moment is the use of artificial intelligence.

AI is opening up considerable opportunities. At the same time, it gives rise to new risks and new questions in terms of governance and supervision. Many of the principles I've talked about today apply here as well: understanding the risks, defining clear responsibilities, ensuring effective controls and using new technologies in such a way that financial institutions retain the trust of clients.

How FINMA supervises the use of artificial intelligence by banks will be addressed by Alain Girard, Head of the Banks division at FINMA.

Thank you for your attention. I will be pleased to answer your questions now.