Eidgenössische Finanzmarktaufsicht FINMA
Autorité fédérale de surveillance des marchés financiers FINMA
Autorità federale di vigilanza sui mercati finanziari FINMA
Swiss Financial Market Supervisory Authority FINMA

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Chair of the Board of Directors

Continuity and change(s)

Ladies and gentlemen,

2014 was another busy year for FINMA. While this manifested itself in the large number of proceedings that concluded in the issuing of rulings, numerous cases of unacceptable business conduct, on the other hand, focused attention on the sanctioning aspect of our work: enforcement.

Emphasis on enforcement

Investigations into currency manipulation by UBS proved the most demanding case in our history. We took tough action against the bank, ordering it to disgorge a large sum to the Confederation, and imposed stringent conditions on securities trading and the salary system in the department concerned. We also initiated proceedings against eleven individuals involved, which are still ongoing. This stronger emphasis on targeted action against individuals forms part of our new enforcement policy, which outlines our strategy for sanctioning misconduct. We also dealt with a number of cases of market manipulation and ordered one major health insurer to reimburse premiums.

However, such proceedings represent only the visible part of our activities – the part which attracts media coverage. The bulk of our work is carried out behind the scenes, ensuring that clients are protected and the market continues to function properly. Day-to-day supervision is at the heart of what we do. Our staff are in constant dialogue with supervised institutions: analysing their procedures, identifying weaknesses and ordering corrective action, asking critical questions and assessing supervised institutions' financial stability.

Important decisions on staff

2014 was also a busy year for the Board of Directors, which was required to take important decisions on senior management matters. Succession planning is one of the key tasks of any strategic body. The Board identifies and promotes suitable internal candidates. This system proved its worth with the appointment of our CEO, Mark Branson, and other division heads. We were also able to recruit a new head of the Insurance division from within the sector: Peter Giger, who additionally acts as Deputy CEO. His appointment demonstrates that FINMA is an attractive employer for highly qualified senior managers from the industry. At the end of 2015, the Federal Council will appoint a new board of directors.

External reviews of FINMA's work

FINMA was assessed by two independent authorities in 2014: the IMF and the Federal Council. The IMF acknowledged the good quality of FINMA's supervisory work and the professionalism of its staff; it also noted that Switzerland has a high level of compliance with international standards on supervision. For its part, the Federal Council offered a positive assessment in its report on FINMA's regulatory and supervisory activities.

The Federal Council considers that FINMA's structure, legal form and organisation are appropriate to its objectives. In particular, it sees no reason for amending the objectives and adding the task of promoting the financial centre's competitiveness. Such a move would result in conflicting priorities and a loss of credibility both in Switzerland and abroad.

Like the IMF, the Federal Council recommends increasing on-site supervisory reviews of supervised institutions. FINMA has been working since 2010 to make its supervision more direct, and acting decisively to build the necessary competencies. We now carry out these reviews at all categories of supervised institutions, and completed 122 such reviews in 2014.

The state of the Swiss financial centre

I would now like to make a few brief remarks about the present state and future of the financial centre.

According to the most recent available figures, the sector accounted for 10.5% of Switzerland's GDP and employed some 210,000 people in 2013. These numbers are lower than before the crisis, but are still at the – relatively healthy – level seen at the start of the 21st century. Total headcount has remained generally stable. There has, however, been an internal change in the relationship between the insurance and banking sectors: insurance will soon be as important to the economy as banking. Switzerland's financial centre remains the world's largest in terms of cross-border private wealth management.

In the banking industry, very low and even negative interest rates, reduced margins and changes to business models present major challenges, especially for small financial institutions. As a result, twelve small securities dealers and banks exited the market in 2014. This process of consolidation is likely to continue. Nevertheless, 280 banking institutions is still a large number for a country of Switzerland's size. Competition remains fierce, and a decline in the number of banks is not necessarily a pointer to troubled times ahead.

The finance industry still has a number of key assets: the expertise of the sector, extremely well-qualified staff, and an unreduced capacity for innovation. Moreover, Switzerland remains politically and economically stable. Nevertheless, the future is not entirely rosy.

Legacy issues and new risks

Over recent years, in addition to economic difficulties such as low interest rates, repeated cases of unacceptable conduct by both institutions and individuals have hit the sector and tarnished the reputation of the financial centre. As we emphasised during our 2014 media conference, change in the sector's business conduct remains essential. There are also new risks ahead. I should like to conclude by briefly mentioning two of these.

- The first is that European regulations governing financial markets very often contain rules which affect third countries, including Switzerland. These routinely stipulate equivalence of supervision and regulation as a prerequisite for access to the European market. Following acceptance of the mass immigration initiative, the risk of what is essentially a technical review turning into a political exercise has already become reality in certain areas. Any improvement in EU market access depends on the wider political situation – irrespective of whether Swiss regulation and supervision are equivalent to those in the EU.
- The second risk concerns the shift towards tax-compliant clients. A number of institutions are replacing non-tax-compliant clients from neighbouring countries with clients from further away. This change brings new risks. It is more difficult to get to know such clients and handle them appropriately. It is therefore becoming increasingly important for banks to recognise the risks associated with this new clientele and manage them carefully.

These risks, however, cannot be overcome by FINMA alone. That is a task for the sector and politicians.

For FINMA, further challenges lie ahead. Supervising the financial stability of banks and insurance companies is a central concern. Mark Branson and Peter Giger are going to address this issue.