



finma

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

16 NOVEMBER 2016

Strategic goals 2017 - 2020

The Swiss Financial Market Supervisory Authority FINMA is an independent, public law institution. Under Article 5 of the Financial Market Supervision Act (FINMASA), FINMA is charged with protecting creditors, investors and insured persons, and ensuring the proper functioning of the financial markets. FINMA thus contributes to enhancing the reputation and competitiveness of the Swiss financial centre.

FINMA's remit comprises a range of responsibilities which include authorisation, supervision and, where necessary, enforcement of regulation. In its role as supervisor, FINMA adopts a risk-oriented approach designed to ensure consistency, predictability and proportionality. FINMA can also issue regulations at a technical level. It publishes its own ordinances and clarifies its practice in circulars.

Because FINMA exercises regulatory and supervisory functions in the public interest it has been given institutional and financial independence. It chooses its own structure, makes its own decisions and is

funded by levies and fees paid by the institutions it supervises. On the other hand, however, FINMA is subject to parliamentary oversight and the judicial control of specific decisions. It also reports regularly to the public on its supervisory activities and finances.

FINMA's statutory remit and institutional autonomy allow it considerable scope to establish its own priorities. These priorities, which are set down in this document in the form of strategic goals, are reviewed every four years, presented to the Federal Council for approval in accordance with Article 9 FINMASA, and subsequently published.

FINMA and competitiveness

The Financial Market Supervision Act (FINMASA) defines a hierarchy of goals. Protecting financial market participants and ensuring the stability of the Swiss financial market is FINMA's primary mandate. Its secondary goal of contributing to the competitiveness of the Swiss financial centre is also important. To this end, FINMA has called for the removal of regulatory obstacles to financial innovation. Moreover, it has a risk-oriented approach to supervisory activities, and consistently applies the principle of proportionality in its regulatory role. FINMA also invests considerable resources in ensuring that Swiss regulation and supervision are internationally recognised as equivalent, with the ultimate aim of preserving or extending market access, hence boosting competitiveness. By delivering credible and strong supervision, FINMA strengthens the international reputation of the Swiss financial centre and sustains the trust of clients and investors.

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Macroeconomic and political uncertainty has been widespread in 2016. Growth rates are moderate at best and there is widespread concern about the prospects for global economic growth. The political and security situation in some regions of the world is fragile, and the future direction of monetary policy in the major economies, including Switzerland, remains unclear.

Interest rates which are very low or negative are directly impacting financial market participants and posing fundamental challenges for banks and life insurers. Traditional business models and products are generating lower profits and are in some cases becoming less attractive to clients. The pressure on margins and the search for yield create incentives to generate returns by making riskier investments.

Besides these wider economic concerns, the financial services sector faces challenges of its own. Banks are facing a paradigm shift in cross-border private banking. Weaknesses in money laundering prevention have become apparent, and instances of misconduct have been all too common in recent years. That not only damages the reputation of the financial institutions directly involved, but undermines the trust of clients and society at large in the financial system.

Technological advances bring both opportunity and risk. Innovation helps increase efficiency and allows new business models with growth potential. However, technological evolution also breeds hazards such as cyber criminality.

A changing, innovative financial sector presents challenges to its supervisors. FINMA is meeting these challenges actively by questioning the status quo and adapting itself to new circumstances. It has adopted a pro-innovation stance and has been focusing increasingly on the opportunities and risks of technological change.

In defining its strategic goals and setting new priorities for the next four years, FINMA can build on past successes as well as setting some new accents. Since its formation in 2009, its underlying direction has proved itself. It has established itself as an efficient and effective supervisory authority, and professionalised its approach to supervision. These kind of internally focused goals can now move more into the background.

FINMA's commitment to a strong and stable financial system is unchanged. On the other hand, there is scope for more weight to be put on an innovation-friendly approach to regulation and supervision. Innovation will be essential for the long-term success of the Swiss financial centre. FINMA will also increase its focus on fighting misconduct, market manipulation and financial crime. It will also work to free up resources to dedicate to the analysis and supervision of emerging risks. To these ends, FINMA's Board of Directors has drawn up the following strategic goals for the period 2017 to 2020.

Goal 1:

FINMA will ensure that banks and insurance companies have a strong capitalisation.

Strong and stable financial institutions are necessary for the protection of their clients and to drive an international reputation as a sound financial system. This requires stringent prudential requirements¹ for banks and insurance companies. Switzerland has a reputation for stability, and the financial security of its institutions is crucial to the industry's value proposition. Against the backdrop of an uncertain global economy and persistently low interest rates,

this financial stability provides the foundation for both client protection and the commercial success of the banking and insurance sectors. FINMA will continue to make the case for strong and credible standards, and will work to raise the credibility of its solvency systems inside and outside Switzerland, especially where internal models are used to weight banks' risks.

¹ Prudential supervision sets out to safeguard solvency and liquidity, and guarantee adequate risk control.

Goal 2:

FINMA will make a sustainable positive impact on the conduct of financial institutions, especially in money laundering prevention.

In recent years, Switzerland has seen numerous cases of unacceptable business conduct by financial institutions in a variety of sectors. Interest rates and exchange rates have been manipulated, money laundering regulations ignored, and basic principles of good corporate governance breached. Such abuses undermine trust in the financial institutions directly involved and in the financial system as a whole. With its risk-based supervisory approach, FINMA aims to identify at an early stage supervised institutions which are exposed to conduct risk

and intervene preventively. Targeted and effective enforcement is also key to achieving this strategic goal. Enforcement measures against institutions and individuals are an effective deterrent. In this context, FINMA will focus in particular on combating money laundering. As one of the world's leading centres for private wealth management, it is vital that Switzerland maintains the integrity of its financial system.

Goal 3:

The “too big to fail” problem will be further mitigated thanks to viable emergency plans and credible resolution strategies.

The damage that can be caused by financially unstable institutions (especially systemically important institutions) is particularly significant for a small country with a large financial industry. The aim here must be to mitigate the risks such institutions pose, through strong capitalisation (Goal 1) and appropriate structural measures. Systemically important

institutions must be able to exit the market without state support. Resolution strategies and effective emergency plans for all such institutions must therefore be put in place.

Goal 4:

In accompanying structural change in the financial industry, FINMA will contribute to systemic stability and the protection of creditors and insured persons.

As well as mitigating the risks posed by systemically important financial institutions, FINMA will accompany structural change in the Swiss financial centre in such a way that the impact on creditors, insured persons and the system as a whole is minimised. Here

FINMA needs the capacity and expertise to handle market exits of complex or multiple supervised institutions with a minimum of collateral damage.

Goal 5:

FINMA will push for the removal of unnecessary regulatory obstacles for innovative business models.

Innovation is key to the future success of the Swiss financial centre. The appropriateness of the regulatory framework is crucial in this context. FINMA is committed to ensuring that Switzerland's regime presents no unnecessary obstacles to innovative business models. Current regulations should be reviewed to

ensure that they do not hinder innovation, and new authorisation categories should be introduced for innovative providers of financial services.

Goal 6:

FINMA remains committed to principle-based financial market regulation and will continue to promote equivalence with relevant international requirements.

The financial markets require appropriate, clear regulation delivering a high degree of legal certainty. Because the impact of regulation can be difficult to predict in advance, FINMA is committed to ensuring that its regulations are regularly reviewed, simplified and, where necessary and possible, amended. Proportionality is also very important. Compared with other leading international financial centres, Switzerland has traditionally pursued a more principle-based approach to financial market regulation. FINMA is convinced of the advantages of this approach, and will continue to advocate it internationally and apply it when formulating its own regulations. FINMA is also

convinced of the need for internationally recognised and compatible regulation and supervision. Equivalent regulation is often a prerequisite for cross-border market access, especially where the EU is concerned, and therefore essential to the competitiveness of the financial centre. FINMA, working closely with the Federal Department of Finance (FDF), will continue to support this objective, for example in connection with stock exchanges and financial services under EU MiFID II/MiFIR.

Goal 7:

In principle, the cost of supervision will only rise if FINMA's remit is expanded. Further efficiency gains are achievable through the strict application of risk-based supervision approaches and clear prioritisation both in-house and in the regulatory audit process.

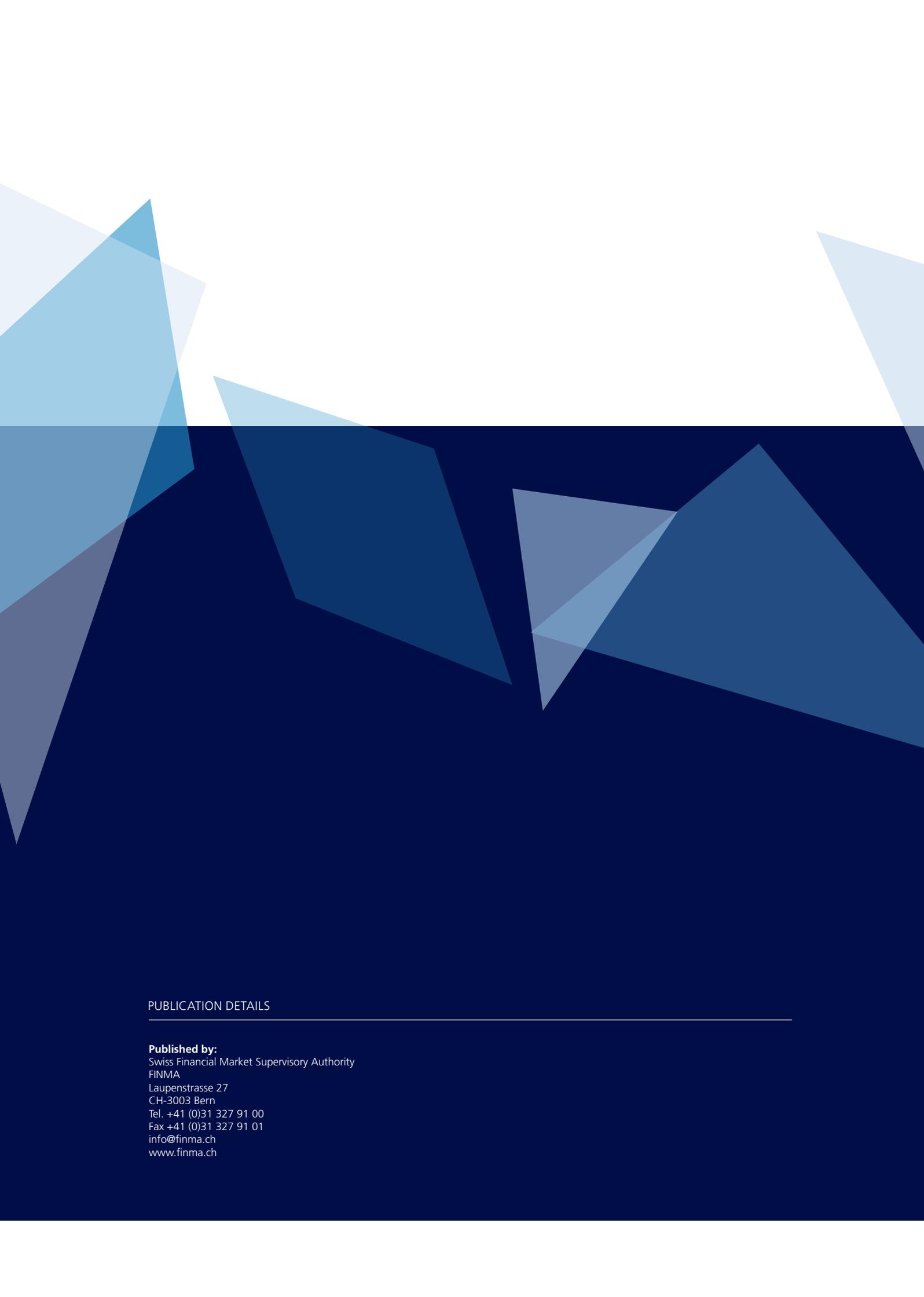
FINMA grew substantially in the wake of the financial crisis and in its early years. The additional funding was used to make fundamental improvements to the Swiss supervisory system. Since it last defined its strategic goals in 2013, FINMA's remit has further expanded, while the resources available to it have remained unchanged. It has been assigned new responsibilities by Parliament and has intensified international cooperation. FINMA has fulfilled those new responsibilities and its own quality standards by increasing

efficiency and implementing a strictly risk-oriented approach to supervision. In the future, there is also room to improve the cost-benefit relationship of regulatory audits assigned to third-party firms. To meet future challenges, FINMA will also be even more rigorous in setting priorities, freeing up the capacity it needs to address emerging trends such as the risks associated with technological advances.

FINMA's autonomy requires it to be accountable. It reports on its activities to the public in the form of its annual report. FINMA also reports annually on the achievement of its strategic goals, and discusses current issues of financial market policy and the focus of its supervisory activities with the Federal Council at least once a year.

The Financial Market Supervision Act (FINMASA) provides the framework for FINMA's external communications. Where individual supervisory actions and enforcement proceedings are concerned, the law requires FINMA to exercise discretion in its

public communications. As a result, FINMA does not generally provide information about ongoing supervisory activities and only makes public statements in cases where there is a public interest. FINMA reports on its enforcement activities as actively and openly as the law permits. By clearly highlighting the conduct it regards as unacceptable, FINMA provides transparency and creates a preventive effect.



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