



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

## Strategic Goals 2013 to 2016

**Publication details**

Published by: Swiss Financial Market Supervisory Authority FINMA  
Einsteinstrasse 2  
CH-3003 Bern  
Phone +41 (0)31 327 91 00  
Fax +41 (0)31 327 91 01  
info@finma.ch  
www.finma.ch

Design: BBF AG, Basel  
Printing: Salvioni Ltd, Bellinzona

# Contents

## Strategic Goals 2013 to 2016

|  |    |
|--|----|
| <b>FINMA's mandate</b>                                 | 5  |
| <b>FINMA's approach to supervision</b>                 | 6  |
| Licensing as a mark of quality                         | 6  |
| Consistent, risk-oriented supervision                  | 7  |
| Effective enforcement                                  | 8  |
| Internationally recognised financial market regulation | 8  |
| <b>FINMA's strategic goals</b>                         | 9  |
| Prudential supervision                                 | 10 |
| Business conduct                                       | 11 |
| National and international cooperation                 | 12 |
| Regulation   | 13 |
| FINMA as an authority                                  | 14 |



# FINMA's mandate

The Swiss Financial Market Supervisory Authority FINMA is an institution under public law with its own legal personality. It is responsible for implementing the Financial Market Supervision Act and financial market legislation. As an independent supervisory authority, FINMA acts to protect the interests of creditors, investors and insured persons, and to ensure the proper functioning of the financial markets (Art. 5 FINMASA). Their protection lies at the heart of FINMA's mandate.

FINMA's aim is to provide **protection for creditors, investors and insured persons** against insolvencies among financial institutions, unfair business practices and unequal treatment in securities markets. FINMA has wide-ranging responsibilities and competencies as an insolvency authority. These empower it to wind up banks, insurance companies and collective investment schemes that are no longer financially viable quickly and with the least possible damage to financial markets and the system as a whole. The focus of FINMA's mandate is to protect the public interest and not the interests of private individuals. Interests under civil law must be asserted through civil court proceedings.

FINMA also seeks to **protect the functioning of the financial markets**, which serves to maintain the stability of the financial system and promote confidence. FINMA's mandate therefore extends beyond ensuring the financial soundness of any individual institution. Its job is to identify risks that jeopardise the ability of

the financial system to function and to ensure, wherever possible, that these risks are avoided or mitigated. As an integrated financial supervisor, FINMA observes and evaluates the markets, their dynamics and dangers from a holistic perspective. Financial institutions active around the world are part of a global financial system with ever-increasing interdependencies. The risks inherent in this system mean that it must be considered and assessed in its entirety.

As a further objective of financial market supervision, FINMASA prescribes sustaining the **reputation and competitiveness of Switzerland's financial centre**. Through professional and reliable supervision, FINMA contributes to preserving and enhancing the competitiveness of a strong financial centre. Effective protection of clients and market functionality also indirectly enhances the reputation and prestige of the market place. Direct promotion of the financial centre falls outside the supervisory authority's remit.

# FINMA's approach to supervision

In the first four years of its existence, FINMA has continued to develop the supervisory methods implemented by its predecessors, the Swiss Federal Banking Commission, the Federal Office of Private Insurance and the Anti-Money Laundering Control Authority. In order to fully understand its strategic goals, it is important to know the supervisory approaches currently adopted by FINMA.

FINMA fulfils its statutory supervisory responsibilities through the instruments of licensing, monitoring, enforcement and regulation. In doing

so, it consistently pursues a risk-oriented approach and focuses in all its actions on professionalism, continuity and predictability.

## Licensing as a mark of quality

Licensing, as required for institutions subject to prudential supervision, is an important preventive instrument in financial supervision. The intention is to prevent business practices, ownership structures and members of corporate bodies with conflicts of interest that do not meet the supervisory standards from obtaining the supervisor's seal of approval. Depending on the law, 'licensing' entails different forms of authorisation and varying degrees of supervisory intensity on the part of FINMA. These range

from close prudential supervision to simple registration with no ongoing monitoring. In order to ensure transparency for financial market clients, it must be clear how stringent the licensing requirements are, which reliefs form a deliberate part of the regulatory framework, and how intensively FINMA pursues its supervisory role. This prevents unrealistic expectations and creates clarity regarding the possibilities and limitations of financial market supervision.

## Consistent, risk-oriented supervision

In its supervisory role, FINMA focuses on the prudential supervision of banks, insurers, collective investment schemes and other financial intermediaries. Prudential supervision is an ongoing activity in which FINMA scrutinises the supervised institutions and the market with a focus on the future. Its aim is to maintain the financial soundness of these institutions, primarily by ensuring that they are solvent, have adequate risk controls and provide assurance of proper business conduct.

In order to set the right priorities in prudential supervision, FINMA consistently pursues a risk-oriented approach. FINMA cannot provide full-spectrum monitoring of all the supervised institutions. It must therefore concentrate on the key risks for creditors, investors and the system as a whole. Supervision of large, interconnected institutions and segments with greater inherent risk is necessarily more intense than for smaller market participants with lower risk profiles. The risk-oriented approach is reinforced by continuous monitoring of the financial market and, more recently, targeted spot checks.

In line with international trends, FINMA has substantially increased its activities to identify system-wide and systemic risks at an early stage. The focus here is on large, interconnected financial institutions and market participants that perform non-substitutable functions. FINMA aims to ensure that Switzerland's financial institutions meet international norms in terms of capital, liquidity and resolvability. Systemically important institutions must exceed the international norms.

In the event of the insolvency or bankruptcy of a supervised institution, it is FINMA's task to protect financial market clients from the consequences. If an institution gets into difficulties, FINMA reacts rapidly and professionally to take the necessary measures. If there is no prospect of successful restructuring, an orderly market exit must be possible.

FINMA analyses the conduct of financial market participants. However, in order to effectively protect financial market clients from abuses, clear rules of conduct for financial services providers are imperative, as are better product documentation and increased transparency.

## Effective enforcement

Where appropriate, FINMA enforces supervisory law by applying the coercive instruments defined in the relevant legislation. Where breaches of supervisory law occur, FINMA steps in to remedy and penalise irregularities and violations of the law by making rulings which can be challenged in court.

If there are no alternative options, FINMA applies the enforcement regime, always with a view to its overall supervisory goals. It conducts enforcement proceedings in a fair and focused manner, exercises restraint in proceedings against natural persons, and takes due regard of

core principles of administrative law (prohibition of arbitrary action, equality before the law, proportionality and action in good faith).

FINMA takes the necessary action against unauthorised companies and individuals active in the financial sector. It creates transparency and makes information available publicly while taking due regard of the principle of proportionality.

In its role as market supervisor, FINMA intervenes against market abuses such as insider offences, market manipulation and unfair take-overs. The objective is to protect clients against unfair business practices and unequal treatment.

## Internationally recognised financial market regulation

Financial market regulation is one of the prerequisites of a functioning and efficient financial sector. Whereas the international trend is towards ever more density in regulation, FINMA promotes principle-based regulation that enables the financial market supervisor to intervene at the right time, in the right place and with the right tools to enforce supervisory law. FINMA supports lighter regulation in areas that are less relevant to Switzerland.

FINMA keeps a close eye on international regulatory trends and is actively involved in defining international standards. It identifies where

action is necessary, initiates legislative projects, makes its expertise available to legislators as appropriate, and contributes its own views. In taking part in these activities, FINMA aims to enhance the reputation of Switzerland as a financial centre. A good reputation is a key factor in securing access to markets, and this in turn is indispensable for competitiveness. FINMA therefore also takes account of the impact on competitiveness. FINMA also considers it important that the relevant authorities monitor the success of any measures taken to boost competitiveness and facilitate market access.

# FINMA's strategic goals

The strategic goals are derived from FINMA's mandate under law. They explain FINMA's attitude to relevant developments in its field and the associated challenges, and highlight the key focuses of its activities for the period 2013 to 2016.

FINMA's strategy is intended to make an impact. In accordance with the liberal principles of Swiss economic policy and the market-friendly orientation of the Swiss financial market, FINMA, in implementing its strategic goals over the coming years, wants to contribute to a situation in which supervised institutions operate on a sound financial basis, structural change takes place in as orderly a manner as possible without

competition-distorting state intervention, and the biggest market players are as well prepared as possible for restructuring or resolution. This will enhance the reputation of the financial centre.

At the core of this strategy is the prudential supervision of financial institutions and the way that they conduct their business. Goals are also formulated for national and international cooperation, regulation and FINMA as an authority.

## Strategic focus

**FINMA has set itself strategic goals in the following five areas:**

- **Prudential supervision**
- **Business conduct**
- **National and international cooperation**
- **Regulation**
- **FINMA as an authority**

## Prudential supervision

### Strengthening financial stability and crisis resistance through prudential supervision

The interest rate situation, the changed environment in cross-border business and the pressure on margins and prices are presenting banks and insurers with major financial and organisational challenges in their core business. Significant structural change in the Swiss financial centre can be expected in the medium term.

Historically low interest rates are depressing the earnings of almost all supervised institutions. Banks and insurers, especially life

insurers, are being forced to find investments that generate higher returns. This means, however, that they are also taking greater risks. Low interest rates also pose a danger to supervised institutions in the Swiss real estate market.

The legal and reputational risks associated with cross-border financial services continue to be of major importance. The companies in question must recognise the need for strategic reorientation and deal appropriately with legacy issues.

### Strategic goal 1

**The stability and crisis resistance of the Swiss financial centre are strengthened through internationally recognised prudential standards and consistent compliance with them. If market exits take place, they do so in a way that is orderly and quick, and result in the least possible damage to financial market clients.**

## Business conduct

### Promoting integrity, transparency and client protection in business conduct

Current legislation does not guarantee adequate client protection as far as the business conduct of financial intermediaries is concerned. In this respect, Switzerland lags behind international regulatory standards. In the first place, Swiss clients are at a disadvantage compared with non-Swiss clients because they are often not adequately and transparently informed. Secondly, there is a risk that the Swiss financial centre could attract undesired market participants. Thirdly, client protection that is not fully equivalent can have an adverse impact on the ability of Swiss financial service providers to gain access to other markets.

Regulations that do not meet appropriate, internationally recognised minimum standards weaken the reputation of a quality-oriented financial centre. The patchy client protection regulations at point of sale are one example of this.

The supervisory legislation provides for a variety of authorised institutions with differing licensing requirements. Not every licence leads to ongoing monitoring by the authorities. As far as the quality and intensity of licensing and supervision by FINMA are concerned, there is a transparency deficit for financial market clients.

### Strategic goal 2

**In order to enhance the reputation of the financial centre and promote fair business conduct and integrity on the part of financial market participants, FINMA consistently implements licensing procedures, creates transparency regarding the varying degrees of supervisory intensity, and promotes internationally recognised regulations on client and investor protection.**

## National and international cooperation

### Joining forces at the international level and working together efficiently at the national level

The scope and intensity of international activities have increased markedly. This trend will persist into the near future. FINMA must prioritise the deployment of its resources on international initiatives effectively. Against this backdrop, cooperation at the national level with other institutions and authorities must be streamlined so that Switzerland's interests can be more effectively represented at the international level. Because of the different mandates of the authorities involved, their responsibilities have to be prioritised differently depending on the situation:

- The Federal Department of Finance promotes Switzerland as a place to do business. The State Secretariat for International Financial Matters works to strengthen the inter-

national position of Switzerland in the field of finance and tax. It represents the interests of Switzerland vis-à-vis other countries in international finance and tax matters and is leading the international negotiations in these areas.

- FINMA fulfils its international remit from the point of view of a financial market supervisor.

In the field of financial stability, FINMA works closely with the Swiss National Bank. Responsibility for supervising the individual financial institutions lies with FINMA. It is crucially important that the differing statutory responsibilities and decision-making powers are preserved.

### Strategic goal 3

**In its international activities, FINMA concentrates its resources and uses them to address important core issues. In the context of national cooperation, the information flow is efficient and the decision-making scope of the authorities is clear.**

## Regulation

### Engaging expertise and regulating in light of its supervisory goals

Financial market supervisory law defines FINMA's competences in financial market regulation. FINMA generally regulates by way of circulars which explain how financial market regulation is to be applied. It also regulates by way of ordinances where this is enshrined in the law. Financial market legislation, on the other hand, is a political responsibility. The legislature

defines the regulatory framework binding on FINMA. The financial market laws are therefore the result of a political process and hence the subject of political discussions and compromises. In accordance with its supervisory mandate, FINMA is guided by its supervisory goals, explaining its position early and transparently, but without taking part in political debates.

### Strategic goal 4

**FINMA analyses existing regulations and legal trends from the perspective of financial market supervision, proposes relevant amendments, uses its specialist expertise to support the proposed regulations that are important and highlights its own concerns early and transparently. Within its area of responsibility, FINMA regulates only in so far as this is necessary in light of its supervisory goals.**

## FINMA as an authority

### Effective as an authority and open to dialogue

FINMA is accountable for its activities to the Swiss Parliament, the Federal Council, the supervised institutions and the public. There is a justified expectation that it should comply with the principles of good corporate governance and efficient management of its operations. In particular, FINMA must be in a position to give a credible account of the targeted and efficient use of the funds it receives.

In an environment characterised by conflicting interests, FINMA engages in clear and respectful communication with the supervised

institutions. It is guided by its supervisory goals and is constantly aware of its role as a sovereign supervisory authority, acting in the public interest. In return, FINMA expects that others respect its function and that dialogue is objective, open and direct.

FINMA requires a very diverse workforce. This ensures that FINMA, in addition to its indispensable supervisory expertise, also gains access to up-to-date market know-how and receives fresh impetus from young experts.

### Strategic goal 5

**By using efficient processes, FINMA performs its function with the help of employees who have both competence and integrity. It conducts an open, objective dialogue with its stakeholders and keeps the public informed about its activities.**



