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

Annual Report

FINMA's mandate

FINMA is an independent supervisory authority with the legal mandate to protect clients and ensure the proper functioning of the financial markets. FINMA thus contributes to enhancing the reputation, competitiveness and future sustainability of the Swiss financial centre.

FINMA is an integrated supervisory authority. As such, it supervises banks, securities firms, insurance companies, financial market infrastructures, collective investment scheme products and institutions, and entities under the Financial Services Act and the Financial Institutions Act, in addition to insurance intermediaries. It carries out its activity independently and in a consistent manner. Its staff are responsible, have high standards of integrity and are able to deliver results. In its role as supervisor, FINMA adopts a risk-oriented approach. Its activities cover the following areas:

Licensing
FINMA is responsible for licensing companies operating in the sectors it supervises.

Supervision
FINMA monitors permanent compliance with statutory regulations and licensing requirements. It is also responsible for combating money laundering. In addition, together with the trading venues, it supervises compliance with market conduct rules as well as the disclosure of shareholdings at listed companies.

Enforcement
To enforce supervisory law, FINMA conducts proceedings, issues rulings, implements sanctions and is the body to which appeals against decisions of the Swiss Takeover Board may be brought. Where wrongdoing is suspected, it files criminal complaints with the competent criminal authorities.

Resolution
FINMA is responsible for the restructuring proceedings and bankruptcies of companies subject to financial market laws.

Regulation
Where it is authorised to do so and when necessary to meet its supervisory objectives, FINMA issues its own ordinances. It also publishes circulars detailing the interpretation and application of financial market law.

International activities
FINMA fulfils the cross-border tasks that are related to its supervisory activity. It represents Switzerland in international fora and cooperates with foreign regulators.

2022 in milestones

JANUARY

The Federal Council reactivates the countercyclical capital buffer.

FEBRUARY

FINMA holds two virtual symposia with 1,600 participants on the topic of asset management.
p. 77

Switzerland adopts EU sanctions against Russia.

MARCH

FINMA orders protective measures at Sberbank (Switzerland) AG.
p. 29

FINMA informs the public about the status of recovery and resolution planning.
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The consultation on the partial revision of the FINMA Anti-Money Laundering Ordinance (AMLO-FINMA) begins.
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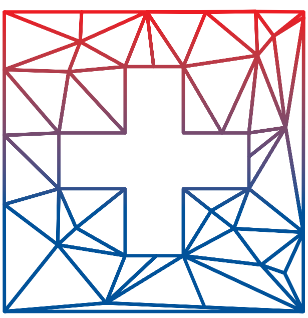
The Federal Assembly adopts the revision of the Insurance Supervision Act (ISA).

APRIL

FINMA finds market manipulation at Blackstone Resources AG.

FINMA holds a Small Bank Symposium again.
p. 77



FINMA informs portfolio managers and trustees about important next steps.
p. 35

On 4 July 2022, the consultation on the adoption of the final Basel III standards starts.
p. 67

FINMA orders CSS Versicherungs AG to reimburse premiums.

MAY | **JUNE** | **JULY** | **AUGUST**

The Federal Council decides on amendments to the Liquidity Ordinance for systemically important banks.

Switzerland adopts new EU sanctions against Russia.

FINMA reports on developments in the Swiss insurance market in the past year in the 2021 Insurance Market Report.
p. 44 ff.

FINMA publishes partially revised FINMA Anti-Money Laundering Ordinance.
p. 38

FINMA publishes the 2022 Risk Monitor.
p. 33

FINMA provides information on its analysis of the disclosure of climate-related financial risks.
p. 32

FINMA publishes its Circular "Operational risks and resilience – banks".
p. 69

FINMA publishes partially revised FinMIO-FINMA.
p. 68

The Federal Council elects Martin Suter as Vice-Chair of FINMA for a further term of office.
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SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER

At the end of December, the transitional period for portfolio managers and trustees comes to an end.

Steering a steady course in stormy times

The financial market under FINMA's supervision was buffeted by extraordinary geopolitical tensions and economic uncertainties in 2022. After languishing at zero for many years, interest rates rose rapidly around the world. The COVID pandemic, with its lockdowns and interrupted supply chains, continued to inhibit the economic recovery in important markets and have a global impact. The Russian invasion of Ukraine further exacerbated geopolitical tensions and market volatility, while also triggering rising commodity prices and deep uncertainty about European energy supplies. Around the world, inflation jumped to its highest levels for forty years. The high valuations that have built up in many asset classes in recent years, together with the associated financial market vulnerabilities, faced a new environment in 2022 in the shape of this exceptional mix of geopolitical, economic and financial uncertainties and risks at a global level.

Focus on pressure points

In keeping with its risk-based approach to supervision, FINMA again concentrated on the most important pressure points in 2022. Following the outbreak of the war in Ukraine, it immediately analysed the loss potential in the market as a whole along with sector-specific risks, and called on the more exposed institutions to take action to mitigate risk. It carried out on-site checks at individual institutions to review how sanctions were being implemented. Against the backdrop of the changing interest rate environment and rising inflation, it examined supervised institutions' risk tolerance in various interest rate scenarios and carried out targeted stress tests and on-site reviews.

One of the lessons that emerged from the COVID crisis is that capital and liquidity buffers are effective in protecting the financial sector against shocks. In this context FINMA began implementing the revised Liquidity Ordinance for banks, which tightens up the liquidity requirements for large institutions. FINMA also requested liquidity data from asset managers and called on them to create appropriate tools for managing liquidity at fund level.

In business conduct supervision, FINMA investigated supervised entities' anti-money laundering policies and procedures, particularly with regard to complex structures and cryptocurrencies. New wide-ranging transparency requirements for green and sustainable investments were also imposed on collective investment schemes.

Supporting innovation

The Swiss financial industry has maintained a rapid rate of innovation. The market continued to show strong interest in crypto-based financial services and assets in 2022. Alongside specialist FinTech companies, a growing number of banks supervised by FINMA also expanded the range of services they provide in this area. At the same time, 2022 saw huge fluctuations in cryptocurrency values and spectacular failures of several large foreign FinTech companies. FINMA took these events as confirmation of its long-established practice of licensing and supervising products and services on the basis of a technology-neutral, functional approach. The aim is to promote innovation while also ensuring an appropriate degree of protection for customers and the financial markets.

In addition to blockchain-based applications, artificial intelligence (AI) is also being deployed more widely on the financial markets. A survey of supervised institutions by FINMA revealed that Swiss financial institutions are increasingly adopting AI in their front offices and for process optimisation purposes. FINMA set up a new unit during the financial year to properly supervise these developments in financial institutions and published some initial supervisory expectations.

For its own part, FINMA is also seeking to benefit from technological developments and driving forward its internal digitalisation. This boosted FINMA's efficiency in 2022. It invested in improvements in the digital exchange of information with supervised companies, made further progress in data-driven supervision and enhanced its analytical capabilities. FINMA staff receive training in working digitally and also undergo continuing professional development in their areas of expertise on an ongoing basis. The aim is to utilise the opportunities presented by digitalisation hand-in-hand with a high level of expertise.

This Annual Report contains information on FINMA's most important activities in 2022 and lays out our approach to dealing with current and future challenges.

We hope you enjoy reading the report.

Prof. Marlene Amstad

M. Amstad

Dr Urban Angehrn

U. Angehrn

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FINMA as an authority

Institutions and products overseen

Individuals or companies wishing to accept money from investors, offer insurance products, set up funds or operate in another manner in the Swiss financial markets must, depending on their activity, be licensed, recognised, authorised, approved or registered by FINMA. The statutory requirements and supervisory intensity vary depending on the type of authorisation concerned. Not all institutions and products overseen are supervised by FINMA directly (cf. FINMA website).

159 financial market infrastructures

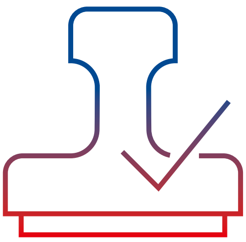
74 securities firms

189 insurers and general health insurers

444 fund management companies, managers of collective assets and custodian banks, representatives and agencies

501 banks

10,486 collective investment schemes



5 registration bodies and reviewing bodies for prospectuses

676 portfolio managers and trustees

4 FinTech companies

16 supervisory and self-regulatory organisations

16,960 insurance intermediaries

Market developments and digitalisation

Market developments

The year 2022 was shaped by global economic and political uncertainties and these developments also impacted on the Swiss financial centre. Banks, insurance companies and asset managers held their own to varying degrees in this challenging environment.

Swiss financial institutions operated in a difficult environment shaped by economic and geopolitical uncertainties in the year under review. Operating profit also varied greatly depending on the structure of the business model.

The underlying economic conditions deteriorated from the end of 2021. A new wave of the coronavirus pandemic led to tightened health and hygiene measures in Europe and above all in China, which resulted in renewed supply bottlenecks. At the same time, inflation rose further and was extremely high in many parts of the world at the end of 2022. The central banks attempted to combat inflation with aggressive interest rate hikes and liquidity-restricting measures. Rising interest rates and growing inflation led to marked depreciations on the equity and bond markets and significantly clouded forecasts for the global economy. The volatility of the financial markets and credit spreads for corporate bonds increased sharply in this environment.

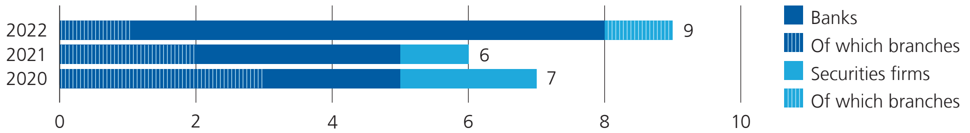
Banks and securities firms: a stable market in a difficult environment

Swiss banks essentially retained a solid capital base and their liquidity remained robust. This afforded them strong resilience, also against unexpected events.

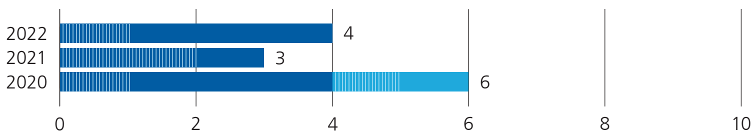
Two risk sources remained particularly significant in this environment for banks focused on the Swiss market. First of all, there was a sharp rise in energy and commodity prices in the wake of the invasion of Ukraine by Russian troops in February 2022. This led to a deterioration of the credit ratings of corporate client credit portfolios. Secondly, activity on the mortgage and real estate market increased further and the rise in property prices simultaneously slowed down considerably. This may have marked the end of an unusually long phase without major credit defaults.

In terms of market entries and exits, there were nine newly licensed institutions compared to four voluntary exits from the supervisory perimeter. The newly licensed banks can be grouped into three categories: Two institutions are start-ups with digital business models. These are banks that offer their services solely via the web, without a physical presence, one of which focuses on sustainability. Furthermore, the four remaining branches of Raiffeisen Switzerland Cooperative were approved as independent banks. Finally, the two newly licensed branches of foreign banks were already active in Switzerland in a different legal and authorisation form; the new licences were required as part of a restructuring at group level.

New licences



Market exits



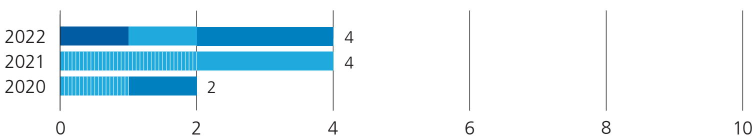
Insurers: more challenging market conditions
Volatile markets and increased inflation were particularly significant factors for the insurance market in 2022. Investment losses arose in particular for fixed-income investments. This is due to the widening of credit spreads, i.e. increased market premiums for assumed credit risks. However, thanks to its high risk capacity at the start of the year as confirmed by the Swiss Solvency Test (SST) (see "Insurance supervision", page 44), the insurance sector proved to be equal to these challenges.

The global reinsurance sector sustained losses from catastrophe events in 2022. In the first half of the year they were already 22% above the average of the preceding ten years. At the end of September, Hurricane Ian caused an estimated USD 65 billion of insured losses, above all in Florida, and was the largest single event for the insurance sector in 2022. The reinsurers successfully asserted higher premiums when renewing annual policies. Less reinsurance was generally purchased as a result. The reduced reinsurance cover altogether entails a greater risk exposure for primary insurers.

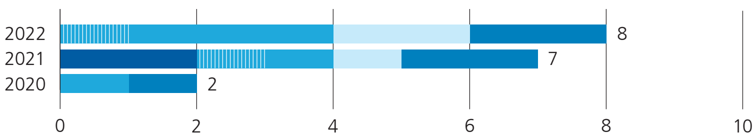
Unlike the globally oriented reinsurance sector, the market developments in non-life insurance in Switzerland were shaped to a lesser extent by extraordinary events in 2022 than in 2021, when the coronavirus pandemic and exceptionally severe weather events impacted the results. On the contrary, the war in Ukraine and the associated sanctions barely affected the business of non-life insurers in 2022. It was not yet possible at the end of 2022 to assess the extent to which the rise in inflation will have consequences for the sector. In most non-life insurance sectors, mainly short-term contracts tend to be concluded – generally for one year. This enables rising claims payments over time to be swiftly offset by appropriately adjusted premiums. However, it is to be assumed that an inflation-related need for reserve reinforcement will arise for the existing loss reserves. This will particularly affect long-tail sectors such as accident and motor vehicle liability insurance.

The 2021 annual financial statements of supplementary health insurers (figures relevant for the 2022 Annual Report) reveal a gradual return to normal compared with 2020, which was severely impacted by the consequences of the coronavirus pandemic. Insurance benefit payments rose by 0.9% to CHF 7.07 billion, while insurance reserves were increased by CHF 530 million (2021: CHF 876 million) to CHF 13.2 billion. The acquisition costs for new customers fell by a significant 15% to CHF 79 million.

New licences



Market exits



Life insurers
Of which branches
Non-life insurers*
Of which branches
Reinsurers
Captives

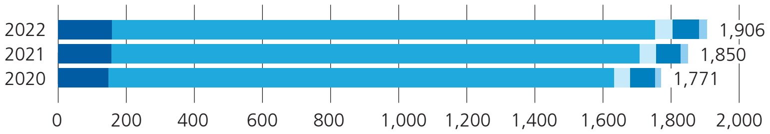
* Excluding health insurance companies

Four new entries to the market were recorded again in the year under review. This time they comprised one non-life insurer and one life insurer as well as two reinsurance captives. There were also a total of eight market exits, three of which were caused by mergers. One professional reinsurer, one reinsurance captive and three non-life insurers were released from supervision. Compared to previous years, there were no significant changes here and the number of new licences and market exits remained largely constant. Most cases are due to company-specific reasons such as the strategic reorientation of insurance companies and internal restructuring within the group.

Market developments in the Swiss fund market

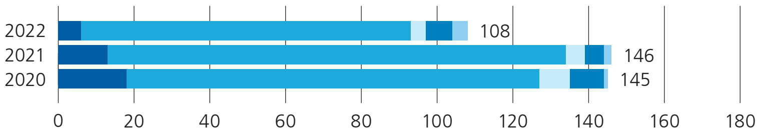
The Swiss fund market, comprising all funds under Swiss law and all foreign collective investment schemes approved for offering to non-qualified investors in Switzerland, sustained a significant fall in volume due to the market turmoil, particularly in the first half of 2022, declining by just under one sixth up to the end of September 2022. The globally dominant issues of the Ukraine war, inflation and the interest turnaround led to market collapses and outflows of funds. This resulted in a downturn in assets under management. The assets under management by open-ended Swiss funds declined by around 12% to CHF 1,089 billion between the end of 2021 and the end of September 2022. The main reason for this decline was the loss in value of the investments; outflows of funds, on the other hand, only played a subordinate role. At CHF 343 billion and CHF 299 billion respectively, equities and bonds remained the most significant asset classes at the end of September 2022, although they experienced the largest relative volume declines. While sustainability-related funds recorded substantial inflows of new funds, the trend viewed across all asset classes was negative. This market environment was also reflected in the development of the number of approved Swiss and foreign collective investment schemes. With 1,906 Swiss and 8,580 foreign collective investment schemes as at the end of 2022, the figures only rose marginally compared with 2021. The most common, and from a volume perspective the most significant, Swiss fund type remained "Other funds for traditional investments". In terms of institutions, an increase of 23 managers of collective assets was recorded due to the expiry of the transitional periods stipulated by the Financial Institutions Act.

Total Swiss funds

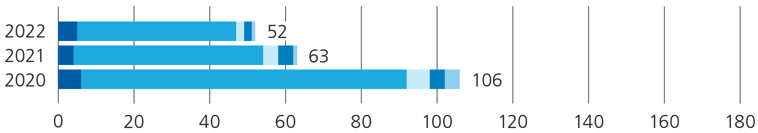


- Securities funds
- Other funds for traditional investments
- Other funds for alternative investments
- Real estate funds
- Limited partnerships for collective investment schemes (LPs)

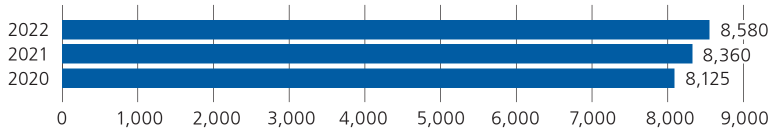
Market entries of Swiss funds



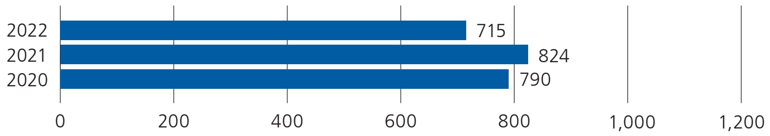
Market exits of Swiss funds



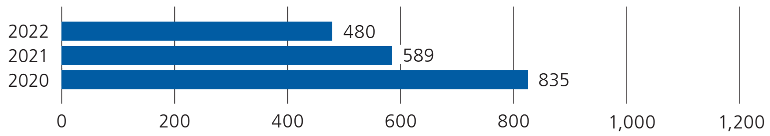
Total foreign funds



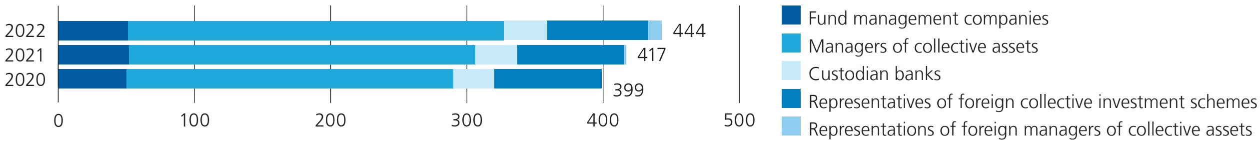
Market entries of foreign funds



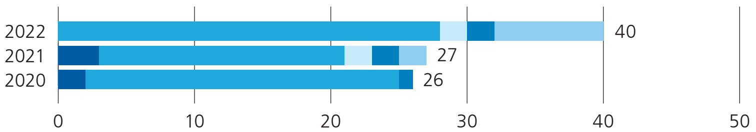
Market exits of foreign funds



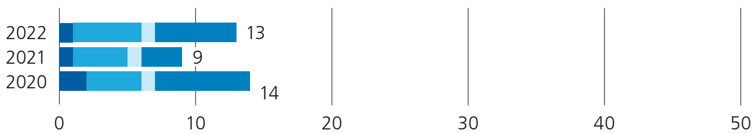
Total institutions



Market entries of institutions



Market exits of institutions



Digitalisation in the financial sector

FINMA is keeping its finger on the pulse of the ongoing digitalisation and technical innovation in the financial markets. It continued in 2022 to maintain close dialogue with new and established players in order to offer financial institutions in this area modern regulatory conditions adapted to the technological possibilities.

Blockchain-based financial services and cryptoassets are an increasingly important topic on the market and from a regulatory perspective. The focus in 2022 was on questions concerning non-fungible tokens (NFT), decentralised finance, trading facilities based on distributed ledger technology (DLT) and artificial intelligence (AI). FINMA cultivates a technology-neutral approach to supervision and is developing specific and practical solutions in dialogue with the various players.

Technology-neutral assessment of practical questions concerning cryptoassets

FINMA once again addressed in detail questions concerning blockchain-based financial services and cryptoassets. Corresponding enquiries were received from both typical start-up projects and supervised institutions. Particular new developments to be highlighted here include the enquiries relating to non-fungible tokens and the interest shown by supervised institutions in offers in the area of decentralised finance.

Cautious expansion of bank activities with cryptoassets

The development of the market for cryptoassets was shaped by considerable volatility in 2022. While the market was still very highly valued at the start of the year, a substantial correction, in some cases exceeding 50% of the total market value, followed in the middle of the year. Against the backdrop of this correction, some larger market players not domiciled in Switzerland also ran into difficulties. Examples include the FTX cryptocurrency exchange, the UST stable coin in the Terra ecosystem and the US companies Celsius and Voyager Digital that grant loans in cryptoassets. The development in the year under review essentially reflects the significant volatility and fundamental risks for investors in the market for cryptoassets.

Swiss banks with a strong focus on cryptoassets expanded their range of services in the period under review. For example, they offered staking on the Ethereum blockchain. With this kind of staking, holders of cryptocurrencies make their coins available for operating the blockchain in return for remuneration (proof of stake). Banks also offered support services for the issue of non-fungible tokens. In addition, loans were granted for the mining of new cryptocurrency, services offered for the tokenisation of real assets, listed digital assets (exchange-traded crypto, exchange-traded products [ETPs]) launched and further financial instruments created. Around 30 banks and securities firms in Switzerland expanded their product portfolios in this market segment.

Some benefited from the considerable market shifts in the course of the year thanks to higher trading volumes. Increased interest was also observed among institutional players in decentralised finance applications. At the same time, the international standard-setting bodies moved towards even more conservative treatment of cryptoassets at banks. The dynamic market and regulatory developments continue to require FINMA to monitor the institutions active in this market segment closely. It does so by means of intensive supervision of licensed institutions and enforcement investigations in the area of non-licensed institutions.

Considerable interest but no actual applications yet for licensing as a DLT trading facility

On 1 August 2021, the Federal Act on the Adaptation of Federal Law to Developments in Distributed Electronic Register Technology, the DLT Act, was adopted fully into law. On this basis, various domestic and foreign companies submitted enquiries to FINMA in 2022 expressing their interest in the new licence as a DLT trading facility and presented their projects. The business models presented covered a broad range of designs and planned activities. This was also reflected in their varying degrees of complexity, some of which were very high. The spectrum ranged from the pure trading of DLT securities to a combination of trading and post-trading activities including clearing, settlement, custody and associated additional services. One thing all projects had in common was that for specific key functions – such as settlement – they relied on decentralised technologies such as smart contracts. The projects differed not just in their technical design but also with regard to their target groups and clients.

FINMA regularly discussed specific and practical solutions in dialogue with the interested parties in connection with the new type of authorisation as a DLT trading facility. For example, in one specific case only trading and securities settlement were to be offered, while the actual custody was to take place on a public blockchain and therefore without any determinable operator. The question arose in this constellation as to who would be responsible for the custody and monitoring of the DLT securities held. In cases such as this, the DLT trading facility has to ensure smooth delivery versus payment. To this end, a viable smart contract is provided and access restricted to the identified participant. The DLT trading facility must also regularly check the correct functioning of the public blockchain and the participants' holdings on the basis of publicly accessible information.

FINMA was in dialogue with ten DLT trading facility project initiators in 2022. Some made one-off enquiries, while others engaged in follow-up discussions with the aim of submitting a detailed licence application. However, no licence applications were submitted by the end of 2022.

Exchange-traded products based on cryptocurrencies

Exchange-traded products (ETPs) have been tradable for years on the Swiss market as financial market products. ETPs are debt securities issued by an issuer that track the performance of an underlying asset. They are admitted as tradable securities on the Swiss stock exchanges SIX Swiss Exchange AG and BX Swiss AG in accordance with the regulations issued within the framework of stock exchange self-regulation. Various asset classes, such as ownership rights, bonds or currencies, can serve as underlying assets. Owing to the rise of cryptocurrencies such as Bitcoin, there is also a broad range of ETPs with such digital currencies as their underlying asset. FINMA has observed strong growth in this segment in the past. The number of providers and issuers of ETPs has also risen.

ETPs frequently display the features of a structured product within the meaning of the Financial Services Act (FinSA). As long as they count as structured products, the relevant provisions of the FinSA are applicable and must be complied with. This means that ETPs must be issued by a prudentially supervised institution, or such an institution must provide a guarantee for the obligations arising from the ETP. Special purpose entities may issue ETPs as long as the products are offered by prudentially supervised institutions and a legally enforceable security interest is provided in favour of investors. The reason for this is the risk that the issuer of the ETP could fail to meet its obligations due to default, so that investors accordingly sustain a financial loss. FINMA works within this regulatory framework to ensure that the statutory provisions mentioned are also upheld upon admission to trading on a trading venue.

FINMA has further observed that clearing services are now also being offered in connection with ETPs with cryptocurrencies as their underlying asset. It has instructed the clearing provider in question to respond to the specific risks of such products with appropriate risk management measures, such as with regard to the high volatility.

Strengthening the risk awareness of self-regulatory organisations with members active in the crypto sector

Money laundering supervision by self-regulatory organisations (SROs) of members active in the crypto and FinTech sectors poses new challenges. New risks are emerging here due to the new business activities and wide range of business models. In order to address these challenges and risks and strengthen SRO supervision, FINMA held an initial round table with the SROs concerned in April 2022. As well as representatives of the SROs, the Money Laundering Reporting Office Switzerland (MROS) was also invited. FINMA voiced its expectations concerning the supervision by the SROs and presented a number of possible measures and recommendations for strengthening this. The core concern here is for all those involved in the supervision to have the requisite knowledge. As well as the SROs, this also affects the external audit firms deployed. They need to understand the business models of the supervised members and be capable of classifying these models in accordance with the relevant provisions of financial market law. They must ensure that the applicable statutory and regulatory requirements for combating money laundering – especially the duties in respect of due diligence – are complied with.

The distinction between exchange and transfer services and between permanent business relationships and cash transactions is particularly important for supervision. These distinctions have a significant impact on the applicable duties in respect of due diligence. They particularly concern the question of whether the threshold of CHF 1,000 relevant for the verification of identity requirement in the crypto exchange area can be applied. Another matter discussed at the meeting between the SROs and FINMA comprised measures to reduce the risk of money laundering when virtual currencies are purchased at ATMs (exchange transactions). This above all concerns the risk of smurfing, the concealing of money laundering by trafficking large numbers of small sums below the clarification threshold. The feedback from the SROs was taken into account when further substantiating the FINMA Anti-Money Laundering Ordinance (Art. 51a AMLO-FINMA) (see "Revision of the FINMA Anti-Money Laundering Ordinance", page 38).

Case-by-case assessment of enquiries about non-fungible tokens

Non-fungible tokens (NFTs) attracted a lot of attention in the year under review. Although the term NFT is frequently used without any further paraphrasing, there is no generally accepted definition for it. However, there is consensus that NFTs are unique tokens from a technical perspective that can represent specific assets or a diverse range of claims. NFTs are therefore to be distinguished from fungible tokens (such as Bitcoin and Ether) that are exchangeable among each other.

FINMA handled authorisation enquiries in the year under review concerning NFTs comprising a range of different claims, such as securities, rights, digital works of art, other tokens and virtual properties or objects in computer games. However, a distinct categorisation of NFTs is not possible. The intentions of the parties, the terms of issue of the issuer and in some cases the terms of use of the trading platform must always be taken into account for establishing the rights of the NFT holder. In particular, it is conceivable that despite the technical uniqueness of the tokens they are nevertheless fungible from an economic perspective. For instance, interchangeable claims can be represented by NFTs, or multiple NFTs can be issued or fractionalised for the same asset or claim.

A general classification of NFTs under supervisory law is not possible. FINMA has to take the circumstances of each individual case into account for qualification purposes. The initial coin offering and stable coin guidelines can serve as an aid to orientation for the assessment of NFTs under financial market law. FINMA thus also upholds the principles of technology neutrality and economic substance when assessing NFTs. To this end, not only the token as a technical vehicle is analysed within the meaning of "substance over form", but also the asset or claim represented and its economic function.

The security quality of the NFT was a core issue among many of the authorisation enquiries submitted to FINMA in the year under review. This can in principle be approved if the NFT has an investment function or capital market character and is also fungible. A review must also always be carried out as to whether activities surrounding NFTs entail a licensing requirement under financial market law.

Case-by-case assessment of enquiries about decentralised finance

FINMA received around 20 enquiries concerning decentralised finance (DeFi) in the year under review. These new, openly accessible financial services build on open-access blockchain systems and are now widespread (see FINMA 2021 Annual Report, page 20 ff.). They are also attracting increasing interest among traditional financial market intermediaries. However, the market corrections of cryptoassets revealed substantial deficits among individual DeFi applications both globally and in Switzerland, with some projects even failing. In addition, DeFi projects regularly fell victim to hacker attacks.

FINMA also upholds the principle of technology neutrality and the primacy of economic substance in its assessment of DeFi projects under financial market law. Challenges arose here in the year under review from the frequently non-transparent governance structures of the projects and the insufficient availability of information.

Use of DeFi by licensed financial market institutions in Switzerland

In the year under review, FINMA was increasingly confronted with the question of which requirements prudentially licensed institutions need to meet if they wish to make use of or offer their own customers DeFi applications. The interplay of DeFi and financial market participants can give rise to new kinds of institutional and systemic risks. An assessment on a case-by-case basis accordingly also remained imperative here. FINMA expects the following clarifications and information from the institutions with regard to corresponding enquiries:

- The planned activity must be adequately depicted in the institution’s risk control framework and organisational rules (requiring authorisation).
- The institution must have conducted an in-depth analysis in particular of the prudential status of the DeFi project and the individuals and legal entities involved, as well as the risk management and monitoring concept, the handling of conflicts of interest and the addressing of money laundering risks and suitability issues.
- For cross-border offerings, the institution must have carried out a regulatory analysis of the DeFi application in the target markets.

Challenges in the supervision of FinTech licence holders

The FinTech licence in accordance with the Banking Act (Art. 1b BA) is particularly attractive for innovative service providers in the area of payment transactions. It facilitates business models that enable client deposits to be received and held indefinitely in corresponding accounts in connection with payment services. Owing to the prohibition of lending activities (investing and paying interest), FinTech licence holders are not subject to conventional banking balance sheet risks and therefore have to meet lower regulatory requirements than banks.

Unlike in the case of banks, public deposits accepted by FinTech licence holders are not protected in the event of bankruptcy. The problem is exacerbated if assets with questionable intrinsic value, such as in-house software that is difficult to sell, are recognised in the balance sheet as major assets. The inadequate protection of client deposits also remained a core challenge in the supervision of FinTech licence holders in the year under review. Supervision proved exceedingly intensive for these mainly small institutions, with the asset and liquidity situation of the licence holders at the heart of supervisory activities. In order to keep the cost of supervision as proportionate as possible, FINMA consistently relied on technical aids such as the electronic survey platform. Some institutions faced financial obligations that posed a threat at least to their liquidity if not to their solvency. As a result, FINMA was for the first time obliged to revoke the licence of a FinTech licence holder and order liquidation by way of bankruptcy. Based on its experience in supervision, FINMA therefore already pays particular attention in the licensing procedure to the capital structure and liquidity planning of applicants.

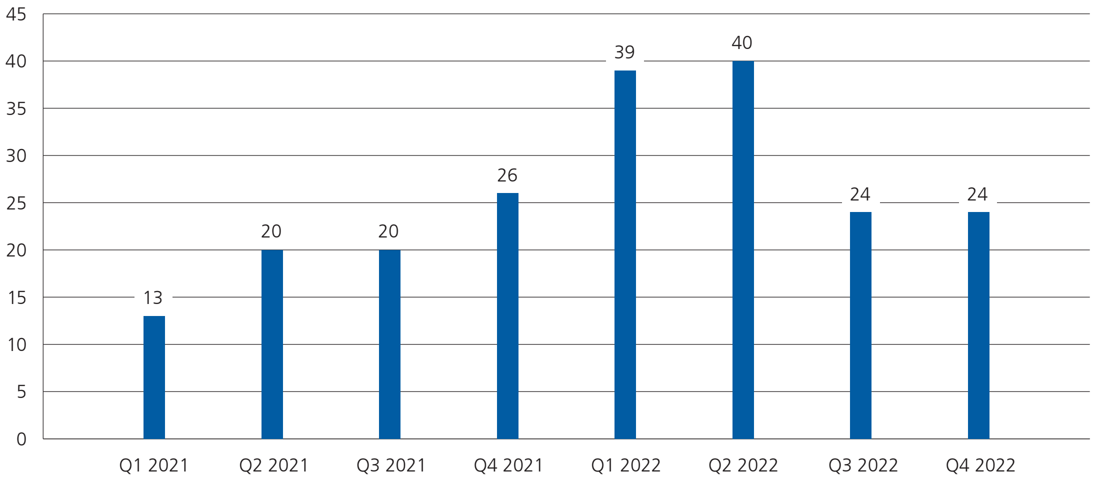
New specialist unit for artificial intelligence

Artificial intelligence (AI) offers a wide range of opportunities for the financial market. For example, financial institutions can develop tailored services or achieve a more precise risk assessment, while customers can benefit from simplified processes and customised offers. However, AI also entails risks, such as when applications evolve without human intervention or when tailored services lead to unequal treatment (see also 2020 Risk Monitor).

FINMA has long been monitoring AI in the financial market and established a specialist unit for this subject in the year under review. In order to be able to better assess the growing importance of AI, it also carried out a survey in 2022 on the use of AI in the banking and asset management sectors.

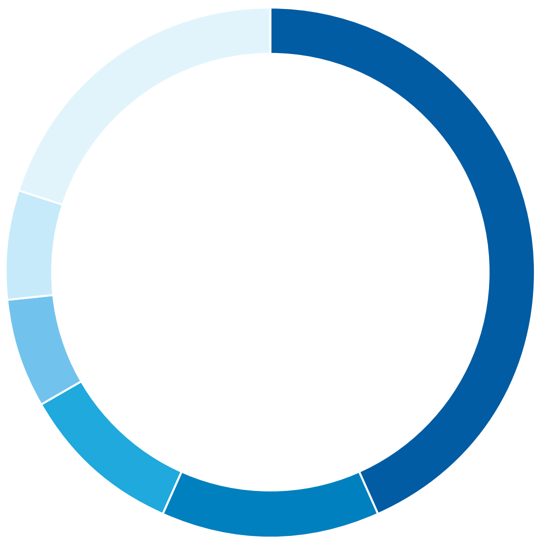
The results of the survey revealed that around half the institutions polled make use of AI or are specifically planning to do so. As shown in the figure labelled "Fields of application for artificial intelligence" on page 25, the fields of application across all institutions largely lay in the front office area (such as the generation of investment ideas and marketing) and in process optimisation (such as the categorisation of documents). Other fields of application include applications in the area of compliance and conduct (such as know your customer), in financial risk management (such as risk analyses), in system monitoring (such as the monitoring of IT security perimeters) and various other applications such as translations (other areas).

FinTech authorisation enquiries received



Individual enquiries concerning crypto activities of banks and securities firms received in 2022

Trading and custody	13
Staking services	4
Issuance of products	3
Infrastructure services	2
Tokenisation projects	2
Other enquiries	6
Total	**30**



Banks and securities firms with crypto activities

At the end of 2022, a total of 30 banks and securities firms in Switzerland were engaged in activities related to cryptoassets. The activities were composed as follows:

Various institutions relied on their own data science teams for the deployment of AI. However, most of the institutions did not focus exclusively on in-house applications but additionally made use of third-party service providers, while some institutions even relied entirely on externally developed applications.

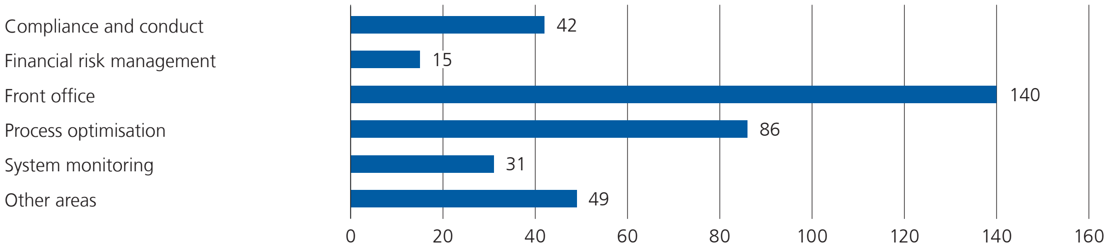
The institutions polled predominantly made use of existing structures, processes and regulations, such as from data, model risk or IT management, for incorporating AI applications. Larger institutions with multiple applications in some cases established their own committees in addition and supplemented their regulations to address AI-specific risks.

Compared to the survey among insurers in 2021, it became apparent that institutions in the financial market sectors to some extent pursue different potential applications owing to their different business areas. Similarities were observed in the predominant use of existing structures and processes for AI applications and the focus on applications in the front office area and process optimisation.

FINMA is continuing to monitor developments in the field of AI and engages in dialogue on this with various stakeholders, especially concerning the fields of use and associated risks. It focuses here on the areas of governance and responsibility, transparency and explainability, equal treatment and the robustness and reliability of applications. FINMA has drawn up initial supervision expectations for this purpose that will be discussed on an application-specific basis in 2023. Alongside this, it is working on its own AI applications (see "Data Innovation Lab and artificial intelligence", page 35).

Fields of application for artificial intelligence

Number of use cases



Wide public interest in FINMA's work

Over 6,000 clients, investors, lawyers and other interested parties contact FINMA by phone or in writing every year. The questions they ask are generally about their bank or insurance policies, unauthorised financial market players, and licensing issues. These contacts provide FINMA with valuable information for its supervisory activities and the action it takes against unauthorised providers.

6,264 enquiries

945 supervisory-related enquiries

2,559 enquiries about authorised institutions (banks, insurers, etc.)

1,528 unauthorised institutions reported

1,232 regulatory enquiries

FINMA's core tasks

Focus of prudential supervision

By means of its forward-looking prudential supervision activity, FINMA monitors how financial institutions are dealing with current and future risks as well as the measures they are taking to protect their clients.

In the year under review, FINMA's supervisory work has focused, above all, on the impacts of the war in Ukraine, the changes in the interest rate environment and the trends in the real estate market. The cyber risks and climate risks faced by supervised institutions were also a key focus area. FINMA made greater use of digital tools and thus increased the effectiveness of its supervisory activity.

War in Ukraine: increased risks for the Swiss financial market

The Russian army's invasion of Ukraine on 24 February 2022 also affected the Swiss financial market. This necessitated a rapid response by FINMA. It conducted an immediate analysis of the loss potential for the market as a whole, as well as the industry-specific risks, and cooperated closely with highly exposed institutions. To review the implementation of the sanctions, it then conducted on-site supervisory reviews at individual institutions.

In the banking sector, FINMA contacted the supervised institutions in late February in order to gauge the extent to which the war had changed the risk situation for both individual banks and the sector as a whole. In doing so, it identified that assets and credit positions with links to Russia lay only in the single-digit percentage range over the entire market. As a result of the war, it was necessary, in certain cases, to perform value adjustments or record losses, but these did not reach threatening levels in the context of the overall market.

The potential risks for individual banks resulting from the war are multifarious. Such risks include, in particular,

- risks of loss in the area of commodity trade finance (CTF);
- credit risks stemming from the reduced creditworthiness of counterparties affected by the conflict;
- credit risks and trading risks resulting from dramatic falls in the value of securities and currencies (Russian rouble);
- settlement risks, e.g. from the exclusion of Russian banks from the SWIFT international payment network;
- legal risks associated with imposed sanctions;
- risks arising due to problems linked to the valuation and settlement of funds (asset management);
- strategic risks in the case of institutions with business models that depend heavily on involved states or nationals;
- risks of cyber attacks.

FINMA immediately conducted in-depth examinations of the institutions and evaluated the changes in obligations towards Russian businesses and private individuals. This supervisory work identified elevated risks at individual institutions and FINMA thus intensified its activities in relation to these institutions. With the exception of Sberbank (Switzerland) AG (see "Sberbank Switzerland", page 29), the affected institutions effected adequate reductions to their risk levels, without the need for any measures to be taken by FINMA. The greatest risk faced by the institutions lay at the end of the reporting period, in terms of compliance with the sanctions regime (see "Sanctions and on-site supervisory reviews", page 29).

The impacts of the war in Ukraine also affected institutions and products in the area of asset management. FINMA addressed the issue of risk of loss and other associated risks with the supervised institutions particularly affected, and implemented risk-mitigation measures. In the case of fund management companies and managers of collective assets, FINMA determined that the assets under management had only a slight connection with Russia or Ukraine. However, it was clear that individual Swiss collective investment schemes held relevant assets in the low single-digit percentage range. Although the assets were conservatively valued at zero, no liquidity shortages were identified. Certain individual foreign collective investment schemes, which are approved for offering in Switzerland, held an increased share in affected assets. For a number of these funds, this led to liquidity shortages and delays in repayment. In the case of some of these funds, the delay had already been reversed during the year under review; in some cases by spinning off illiquid assets into "side pockets".

In the insurance sector, FINMA ascertained the risks of loss faced by internationally operating insurance groups, as well as by reinsurance companies and credit insurance companies, as a consequence of the outbreak of war. The analysis comprised, firstly, the existing insurance coverage for Ukraine and Russia and, secondly, the investments on the asset side. Various insurance companies had insurance coverage in Ukraine and Russia, but only to a very limited extent. Moreover, a standard exclusion of cover applies in the event of war. The majority of insurance companies henceforth refrained from new business and renewals in Russia and Ukraine, which continuously reduced the risks of loss. In addition, there were also some individual active withdrawals from Russia. The primary insurers and reinsurers operating in the international arena started developing internal rules for dealing with sanctions several years ago and have since accrued relevant experience. Owing to the increasing complexity of the sanctions imposed on Russian companies and private individuals, some insurers have established specific teams to monitor compliance with the sanctions within the companies. As at year-end 2022, no violations of the sanctions imposed on Russia have been identified.

Sberbank Switzerland

FINMA provided Sberbank (Switzerland) AG (SBS) with intensive support from the end of February 2022. SBS was a subsidiary of Sberbank of Russia, which specialised in financing commodity trading. Due to the risk of SBS encountering liquidity problems as a result of the international sanctions linked to the war in Ukraine, FINMA ordered protective measures provided for in the Banking Act (BA) to be implemented in favour of creditors (Art. 26 BA) and extended them several times. The protective measures included the deferral of deposit obligations and a wide-ranging ban on payments and transactions. Furthermore, FINMA engaged an investigating agent to conduct on-site monitoring in order to ensure the bank's financial stability and the equal treatment of its creditors, as well as the bank's proper organisation. The owners of SBS sold the institution to the Geneva-based company m3 Groupe Holding SA on 2 September 2022. The transaction was executed in accordance with national and international sanctions law after the competent authorities had given their consent. The new owner will continue to operate the bank under the name of "TradeXBank AG". The protective measures ordered by FINMA ceased at the end of September.

Sanctions and on-site supervisory reviews

In view of Russia's attack on Ukraine, the Swiss Federal Council passed a resolution on 28 February 2022 adopting the EU's package of sanctions. These include, inter alia, goods measures, measures concerning specified regions, and financial measures. The State Secretariat for Economic Affairs (SECO) is responsible for monitoring implementation of the sanctions. FINMA is responsible for monitoring the supervisory organisational provisions in the area of financial market law. These provisions require the supervised financial institutions to adequately identify, limit and monitor all risks, including legal and reputational risks, and to establish an effective internal control system. In addition to ensuring strict compliance with Swiss sanctions, this also includes limiting the risks associated with violations or circumventions of foreign sanctions.

In the context of financial relations, Russia is not one of the major target countries. However, due to their interconnections with the international capital market, the Swiss banks are affected by the sanctions. Proper compliance with sanctions requires great diligence. Violating the sanctions rules entails high levels of legal and reputational risks, not only for the individual institutions but also for the Swiss financial centre as a whole.

During the year under review, FINMA liaised closely with the affected banks and continually called upon them to provide relevant information that would help it to assess the situation. To obtain a complete picture of how the banks were handling the sanctions, FINMA conducted numerous on-site supervisory reviews in relation to this issue during the second half of 2022. These were performed at the interface between financial market law and the Embargo Act. Accordingly, SECO accompanied FINMA during some of these on-site supervisory reviews. Furthermore, the external audit firms were also commissioned to conduct additional sanctions-specific audits on several institutions. The banks concerned were selected on the basis of various quantitative and qualitative risk factors.

Inflation and interest rate movements: stress tests and on-site supervisory reviews to assess risk-bearing capacities

After having had to operate for years in a low interest rate environment, the financial market institutions were primarily challenged by the pace of the interest rate rises during the reporting period. As part of its supervisory activity, FINMA therefore placed a focus on the risk-bearing capacity under various interest rate scenarios.

Focus on inflation and interest rate movements

During the year under review, FINMA focused on inflation and interest rate movements. Due to the impacts of the coronavirus pandemic and imbalances between supply and demand, interest rates across the world had already started to climb from around the middle of 2021. Upon the outbreak of the war in Ukraine, they rose sharply once again and reached levels above 9% in Europe and the USA. This was driven by the dramatic increases in the prices of energy and food commodities. The central banks thus increased their base rates to combat inflation. As of March, the United States Federal Reserve increased interest rates seven times, from 0.25 to 4.5%, whereas the Swiss National Bank (SNB) and the European Central Bank (ECB) acted later and more moderately. The negative interest rate environment was thus swiftly abandoned to usher in a period of interest rate normalisation. This was characterised by sharply rising long-term interest rates and high levels of volatility. The heightened geopolitical tensions raised uncertainty levels once again, which thus drove up inflation rates while simultaneously exacerbating emerging recessionary trends in the various economic areas. Once again, this created a complex starting situation for future developments.

The risk-bearing capacity of supervised institutions is a priority of supervision

In general, a normalisation of the interest rate environment is a positive development for banks operating in the interest margin business. However, the effects on net interest income depend on a variety of factors. These include the speed of the interest rate adjustments and the variation in the yield curve, as well as the manner in which customers behave in response to the changed interest rate environment. Hence, as part of its supervisory activity during the year under review, FINMA also paid special attention to capacities to bear short- to medium-term earnings risks under various interest rate scenarios. To this end, it conducted specific on-site supervisory reviews and stress tests. To facilitate the identification of institutions with potentially elevated interest rate risks, FINMA also carried out continuous monitoring of the long-term interest rate exposure based on the banks' quarterly interest rate risk reports. In the case of "outlier institutions", risk-mitigating measures have been implemented. FINMA can also impose capital add-ons in individual cases.

Insurance companies can be affected by the changed interest rate environment in very different ways. In this respect, the decisive factors are the mean commitment period (duration) of their capital investments or obligations and, in general terms, the management of their balance sheet structure (asset liability management). Whereas the higher interest rates typically make the honouring of interest guarantees easier in the life insurance sector, the sudden rise in inflation, coupled with increased inflationary expectations, can mean that higher provisions are necessary in areas such as the indemnity insurance sector. During 2022, FINMA therefore conducted surveys among selected companies to determine the impact of inflation and the movements in interest rates. For the purposes of the Swiss Solvency Test 2023, it communicated additional requirements for conducting the analyses and reporting on them. FINMA will use these results to define any measures that may be required.

In the case of listed real estate funds, the rising interest rates led to a sharp fall in average premiums during 2022. A number of commercial real estate funds showed a discount in comparison to the net asset value. FINMA therefore called upon various real estate funds to perform stress tests. The results revealed that, in the event of a noticeable decline in real estate valuations, it would primarily be the real estate funds with high levels of external debt that would need to sell real estate in order to avoid violating the regulatory limits on leverage. It is anticipated that the rising interest burden of the debt capital would first result in a lower yield and thus a decreasing payout.

Significant risks in the real estate and mortgage market: supervisory activities focus on lending criteria and highly exposed institutions

In the wake of tightening monetary policy, interest rates on mortgage loans also rose significantly during the course of the year. Unperturbed by this, the price trend in the real estate market, which had been increasing since 2020, continued even in 2022. The largest annual price increase, measuring 8.5%, was recorded in the detached housing segment during the first quarter of 2022. Price falls similar to those in other countries (e.g. Sweden) have not so far been observed within this segment in Switzerland. However, price momentum slowed to 6.5% per annum towards the end of the third quarter. Higher mortgage interest rates, and thus higher costs for private homes, may impact more strongly upon demand and price trends over the medium term. Following a period of stagnation during 2020, buy-to-let property prices also started rising again from the second quarter of 2021 onwards. As of the third quarter of 2022, prices had risen by 6.0%.

Due to a volume expansion of 3.1%, the growth rate for mortgages issued by banks remained stable compared to 2021. With the upward movement in mortgage interest rates, a noticeable increase was observed in the level of demand for variable rate mortgages. In the case of domestic mortgages, the banks maintained their market share[1] of approximately 94%. The market share held by insurance companies sank further, i.e. to less than 3.5%. FINMA once again identified increased affordability risks associated with the granting of new mortgages, particularly in the residential buy-to-let property sector.

[1] Swiss National Bank: Monthly banking statistics; FINMA: Insurance Market Report 2021; Swiss Federal Statistical Office: Pension Fund Statistics 2021.

In 2022, FINMA maintained its assessment that a potential correction in the real estate and mortgage market was one of seven top risks for the financial centre. It paid particular attention to institutions whose growth depended substantially on collaborations with credit intermediaries. Similarly, in order to identify outlier institutions, large mortgage banks were subjected to mortgage stress tests on the one hand, and to benchmarking with respect to lending criteria on the other. In response to the individual risk situation and the risk appetite for mortgage loans, mitigating measures were implemented at the relevant institutions. This included ordering capital add-ons, or recommendations to adjust lending criteria or adjustment or cancellation of existing increases in cases where the risk situation was diminishing.

FINMA favours the risk-differentiated capital requirements for mortgages that were finally stipulated in the Capital Adequacy Ordinance (CAO) following the entry into force of the corresponding provisions of Basel III. More specifically, the capital requirements for mortgages will, from now on, depend to a greater extent on the type of use and the loan-to-value ratio of the underlying real estate. However, even in the future, the affordability risks will still not be taken into account to any significant extent for the purposes of determining the capital requirements for mortgages. FINMA will therefore continue to monitor the trend in affordability risks very closely.

Climate risks: initial assessment of bank and insurance company disclosures

In late May 2021, FINMA set out the disclosure requirements in the area of climate-related financial risks for the largest banks and insurance companies (see press release "FINMA specifies transparency obligations for climate risks") in order to establish improved transparency and market discipline in this area. The first relevant disclosures were made as part of the annual reporting on the financial year 2021 and these were then analysed by FINMA.

FINMA found that the affected institutions had largely met their disclosure obligations and that transparency had been enhanced. However, there were still significant differences with regard to the scope, degree of detail and relevance of the disclosed information. In most cases, it is difficult to get a clear idea of the effective relevance of the climate-related risks for the individual institution. FINMA presented the findings to the institutions concerned and communicated the improvements it expected for the next climate risk-related disclosures. In its published Guidance 03/2022 on the implementation of climate-related risk disclosures, FINMA also shared the essential findings with all supervised banks and insurance companies. A number of institutions are already reporting voluntarily on their climate risks, or are making preparations to do so, and will therefore be able to benefit from FINMA's findings.

FINMA plans to conduct a further review of the climate risk-related disclosures during 2023. Furthermore, it will subsequently conduct an ex-post evaluation and assess if, and to what extent, any future adjustments to the disclosure practice would be appropriate. In doing so, it will take into account the various national and international trends in the area of climate risk-related reporting.

Climate-risk supervision

In addition to assessing disclosures, FINMA also engaged in discussions and conducted on-site supervisory reviews concerning climate risks. During the discussions with the largest institutions, and in collaboration with the Swiss National Bank (SNB), FINMA's primary focus centred on quantifying the climate risks and scenario analyses, as well as on future data gathering activities. In the context of an initiative by the International Association of Insurance Supervisors (IAIS), FINMA gathered relevant data from larger insurance companies for the purposes of assessing the transition risks. In addition, it obtained an overview of how medium-sized banks are addressing climate risks. With due regard for current international recommendations, FINMA is continuously adapting its supervisory approach in relation to climate risks. In particular, it studied the principles for climate-related risk management published by the Basel Committee on Banking Supervision (BCBS), and examined how to incorporate these appropriately[2] into its supervisory activity.

Increase in cyber attacks: implementation of on-site supervisory reviews and scenario analyses

In 2022, successful cyber attacks on companies across all sectors hit the headlines once again, both in Switzerland and worldwide. FINMA also identified an increasing number of reported cyber attacks on supervised institutions. Since the clarifications on the duty to report cyber attacks entered into force in September 2020 (see also Guidance 05/2020), 160 reports of cyber attacks of substantial importance had been received by the end of 2022. Out of 63 reports received during 2022, 48 concerned banks. More than half of the cyber attacks were directed against small institutions. Around a quarter of the attacks targeted institutions in supervisory categories 3 and 4, and only one cyber attack affected a larger institution (see also figure labelled "Cyber attacks reported to FINMA in 2022", below). Detailed information on the reports received can be found in the 2022 Risk Monitor.

Hence, in its annually published Risk Monitor, FINMA continued to list cyber risks as one of seven principal risks faced by the financial centre in 2022. In monitoring this risk, FINMA focused on two aspects. Firstly, it continuously observed and assessed the threat situation and analysed the cyber reports; secondly, it carried out specific on-site supervisory reviews at supervised institutions and performed scenario analyses.

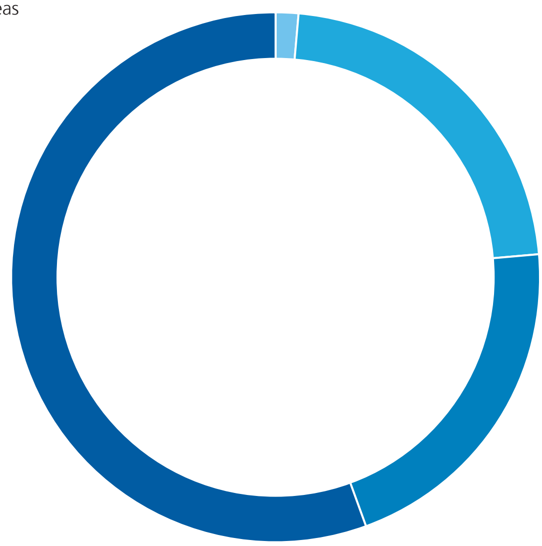
[2] BCBS: Principles for the effective management and supervision of climate-related financial risks, June 2022.

Cyber attacks reported to FINMA in 2022

Number of reports by supervisory category, all FINMA supervisory areas

in %

Categories 1 and 2	1
Category 3	14
Category 4	13
Category 5	35
Total	**63**



Whereas 2021 saw an increase in the number of DDoS activities (distributed denial of service)[3], 2022 was characterised in particular by malware attacks threatening the integrity of essential IT components. The cyber reporting also showed that the primary purpose of the attacks was still to obtain unauthorised access to the infrastructure of the supervised institutions. The attacks most frequently took place via an external service provider in cases of outsourced services, followed by web-based attacks.

During the year under review, there was a focus on institutions in supervisory categories 4 and 5, which accounted for many of the reported attacks on banks (66%). It was noted that these institutions were particularly vulnerable to attacks. Information and communication technology (ICT) that had been outsourced to third parties was frequently affected. In this respect, it was also apparent that service providers had often been issued with cyber security instructions that were insufficiently clear, or that regular checks to verify compliance with such instructions were not being carried out. FINMA also found that qualitative operational risk management processes had often failed to take explicit account of cyber risks, and hence no systematic and comprehensive risk management system was ensured for the cyber domain.

As part of a complete revision of the circular on operational risks of banks (see "Revision of circulars", page 69), the supervisory regulations governing cyber risks were also specifically revised. This included, inter alia, clarifications on establishing inventories of ICT to serve as a basis for swiftly identifying weak points and links between threats and risks (known as threat intelligence).

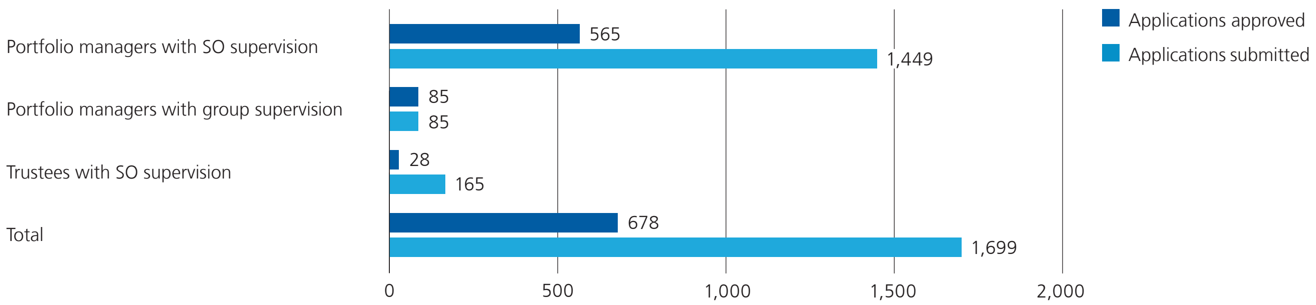
Processing applications from portfolio managers and trustees

Portfolio managers and trustees have been required to obtain authorisation since 1 January 2020. The legislation granted existing institutions a transitional period of three years within which they were required to submit the relevant application to FINMA. In order for them to continue operating their business into 2023, these institutions were thus required to send their applications for authorisation to FINMA by the end of 2022 at the latest. Before submitting the application, a confirmation of the institution's affiliation first had to be obtained from a supervisory organisation (SO). FINMA therefore recommended that the application should be submitted to an SO by 30 June 2022.

[3] DDoS attacks involve attempts to make an internet service unavailable by bombarding it with a very large number of targeted requests.

Authorisation procedures for portfolio managers and trustees

Number of applications, from 1.1.2020 to 31.12.2022



By the end of 2022, FINMA had received a total of 1,699 complete applications for authorisation. As at 31 December 2022, FINMA had authorised 670 institutions including 642 portfolio managers, 22 trustees and 6 institutions acting as portfolio managers and trustees. The average fee invoiced for the FINMA authorisation procedure amounted to CHF 5,891, and the average processing period lasted 129 days.

At the same time, a total of 1,060 institutions informed FINMA that they would not be submitting an application. Adjustments to the business model and continuance of the business activity below the commerciality threshold were the main reasons given for this. In addition, new entrants to the market were also observed. In this respect, 90 new companies submitted applications.

Any person who had commenced a commercial activity as a portfolio manager or trustee for the first time in 2020 was required to have become affiliated with an SO and to have submitted an application for authorisation to FINMA by 6 July 2021 at the latest. Institutions that failed to apply for authorisation during this transitional period, or which are otherwise pursuing a commercial activity as a portfolio manager or trustee without appropriate authorisation, and thus operating intentionally or negligently without authorisation, may face consequences under supervisory and criminal law. By 31 December 2022, FINMA had lodged 27 criminal complaints with the Federal Department of Finance (FDF) based on suspicion of operating an unauthorised portfolio management or trustee activity, and had placed 153 institutions on the FINMA warning list.

FINMA also continued to engage in an intensive dialogue with the industry and its associations during 2022. In addition, it set out detailed information on the licensing process in two sets of guidance: FINMA Guidance 01/2022 "Timetable for the licensing process for portfolio managers and trustees" and FINMA Guidance 02/2022 "First measures in cases of late applications from portfolio managers and trustees".

SupTech initiatives: enhanced efficiency and effectiveness thanks to applications from the Data Innovation Lab

As part of its supervisory activity, FINMA is increasingly focusing on the use of data sets, algorithms and artificial intelligence (AI). By driving forward the development and implementation of projects in the area of supervisory technology, also referred to as "SupTech", its supervisory activities are becoming more effective and efficient.

Data-driven supervision

In order to enhance data-driven supervision, FINMA has incorporated the use of modern technologies into its strategic goals. Accordingly, the supervisory tools and analysis methods underwent continuous further developments during the year under review. There was also an increased use of AI-based applications.

Data Innovation Lab and artificial intelligence

A few years ago, a Data Innovation Lab was set up to enable FINMA's data specialists to implement innovative applications for supervisory activities. Among other applications, machine-based text analysis methods (natural language processing) were also deployed during the year under review. Using this technology, large volumes of text from annual reports, risk analyses or bank rules of procedure and press articles could be systematically evaluated. The conclusions drawn from these evaluations could then be used to aid supervisory activities. Supervisory staff were thus able to obtain a rapid overview of relevant press articles, or swiftly identify current issues and trends. Furthermore, AI could also be used to analyse figures, fill data gaps, calibrate comparison groups by means of clustering, and perform network analyses or forecast trends. For example, findings can now be made that were previously impossible in terms of precision, scope, reactivity or anticipation.

Promotion of specialist skills

Analysis teams and supervisory units within the individual divisions worked closely together. This enabled supervisory staff and data specialists to actively share information and provide each other with mutual support. During 2022, FINMA took steps to raise its employees' awareness about AI and provided them with focused training on this issue.

In addition, FINMA intensified information sharing with domestic and foreign authorities, as well as with relevant experts, in relation to current developments in modern analytical methods.

Focus of conduct supervision

Effective conduct supervision builds trust in the financial centre. Notwithstanding the progress already achieved, FINMA once again made combating money laundering and terrorist financing a priority area. This was particularly the case in the crypto area, in which increasing numbers of institutions supervised by FINMA are now offering services. The issue of greenwashing has also been brought into focus.

During the year under review, FINMA analysed numerous offered and planned services in the crypto area. It provided the institutions with further details of its expectations in relation to the money laundering regulations. FINMA also communicated these expectations to the self-regulatory organisations (SROs) responsible for the money laundering supervision of numerous providers. Generally positive trends were seen with respect to the preventive reports being made to the Money Laundering Reporting Office Switzerland (MROS), for which transaction monitoring has increasingly been serving as a source of information. Due to the sharply increasing demand for sustainable investment products, FINMA also intensified activities aimed at preventing greenwashing.

Money laundering supervision: findings concerning the handling of complex structures

Combating money laundering is one of FINMA's core tasks. As part of its money laundering supervision activity in the year under review, it also conducted checks on the preventive measures implemented by banks and issued clarifications regarding their respective requirements.

Complex structures

As part of its money laundering supervision, FINMA identified that a number of banks had weaknesses in how they dealt with complex structures. A number of major money laundering scandals have emerged in recent years, in cases such as Petrobras, Odebrecht, 1MDB, Panama Papers, FIFA or PDVSA and, in the wake of these, the institutions made improvements to their anti-money laundering measures. However, in 2022 there was still potential for improvement in terms of compliance with the relevant due diligence obligations. In this regard, the supervisory activity focused on the criteria for classifying complex structures; investigations into the reasons for using domiciliary companies; and ensuring efficient transaction monitoring mechanisms for such structures.

In various cases, it was found that there were either no defined criteria at all for classifying the complexity of a structure, or that such criteria were being applied too mechanically in that, by way of example, a specific number of involved companies had been specified as a sole criterion. FINMA also found that institutions were not adequately investigating the background reasons behind structures set up by third parties and that, consequently, they had not been accurately assessing the risks. It was also discovered that one bank had not been presenting the complex structures held in its client portfolio in their entirety, and had failed to classify all of the affected business relationships as high-risk relationships, despite the fact that they should have been designated as such.

On-site supervisory reviews performed in connection with money laundering supervision

As an important supervisory tool, on-site supervisory reviews also produced further findings in 2022.

A selection of these findings is set out below:

Target markets

In some cases, banks had not been adhering to the specifications they had defined for their target markets. Business activities falling outside the scope of the defined target markets entailed a significantly higher risk of money laundering due to a lack of coordination on the implemented risk management measures.

Risk analysis

The risk analysis required under the FINMA Anti-Money Laundering Ordinance (Art. 25 para. 2 AMLO-FINMA) is an important tool which strategic management can use to identify and minimise risks, as well as to determine the relevant risk criteria for the financial institution's activity. Furthermore, it also helps to identify any money laundering risks that are not in line with the bank's risk appetite. During the course of the on-site supervisory reviews, it was apparent that, although a risk analysis had been performed in each case, the analysis had not distinguished between inherent risks and residual risks. In many cases, moreover, there was no list of the measures being taken to reduce the residual risk.

Quality of the reports to the Money Laundering Reporting Office Switzerland

In recent years, the number of suspicious transaction reports being submitted by banks to the Money Laundering Reporting Office Switzerland (MROS) has grown significantly. In order that the MROS can process these reports effectively, and is then in a position to swiftly implement measures based on the findings drawn from those reports, the quality of the reports is also a very important factor. On numerous occasions during 2022, FINMA observed a lack of quality in the suspicious transaction reports submitted to the MROS by financial intermediaries. For example, documents were missing, factual circumstances had not been correctly recorded, or account information had not been provided in sufficient detail. The MROS has confirmed this state of affairs.

Systematic shortcomings in data quality may be indicative of organisational defects and deficient processes and control measures among the financial intermediaries.

Money laundering supervision of crypto business models

The Swiss provisions governing the information to be exchanged in the course of payment transactions (also referred to as the "Travel Rule") also apply in the blockchain domain (see FINMA Guidance 02/2019 "Stringent approach to combating money laundering on the blockchain"). In order to comply with the Travel Rule, financial intermediaries must verify their clients' ownership of the wallets that enable access to the cryptoassets. In this respect, FINMA deems various methods to be appropriate (see "FINMA 2020 Annual Report").

Time-boxing procedure and wallet login

The time-boxing procedure is a new addition to the list of appropriate verification methods. Here, an amount is transferred directly by the clients in lieu of a prior microtransaction. The clients must give prior notice of the transaction and the desired amount, whereupon the financial intermediary will make the address and a short time box available to them. The agreed transaction can be executed within these specifications. Proof of ownership is established by verifying whether these requirements are being complied with. A further new feature involves clients logging in to their wallets in the presence of the financial intermediary's employees. Provided that the procedure is adequately documented, this measure is also appropriate for the purposes of FINMA Guidance 02/2019 "Stringent approach to combating money laundering on the blockchain".

Revision of the FINMA Anti-Money Laundering Ordinance

Implementation of the amended Anti-Money Laundering Act (AMLA) necessitated changes to the FINMA Anti-Money Laundering Ordinance (AMLO-FINMA), which entered into force on 1 January 2023. In particular, the AMLO-FINMA has been supplemented to the effect that financial intermediaries are required to issue an internal directive on the criteria to be applied for the purposes of the risk-based, periodic checks that must be carried out to ensure that client data are up to date.

FINMA clarified that, with respect to the physical distribution of virtual currencies (purchasing, selling and exchanging cryptocurrencies, particularly via ATMs) as well as for the purposes of exchanging virtual currencies for different anonymous means of payment, financial intermediaries must implement precautionary technical measures to ensure that the threshold of CHF 1,000 is not exceeded within a 30-day period. This clarification was issued to address the recent cases of abuse that have been identified.

Greenwashing: measures regarding collective investment schemes

The year under review saw a further increase in demand for sustainable financial products and services. Protecting clients and investors from greenwashing therefore remains a key theme. FINMA's mandate comprises protecting them from improper business conduct, particularly from deception, which thus includes greenwashing. The prevention of greenwashing is primarily a matter of ensuring that clients and investors are not misled, either knowingly or unknowingly, about the sustainability of financial products and services.

During the year under review, FINMA also forged resolutely ahead with the measures adopted to tackle greenwashing. In particular, and based on the general prohibition of misleading claims under the law governing collective investment schemes, FINMA comprehensively imposed sustainability-specific transparency requirements on collective investment schemes designated as "sustainable". In this regard, the affected providers were set a deadline of mid-2022 to incorporate additional information into the fund documentation of collective investment schemes designated as "sustainable". The product information required by FINMA includes information on the sustainability goals being pursued, their planned method of implementation, and any intended impact. This will enable investors to make informed investment decisions regarding products being marketed as "sustainable".

As part of its supervisory activities, FINMA also carried out further sustainability-focused on-site supervisory reviews during the course of the year under review. Alongside managers of occupational pension scheme assets, fund management companies were also included for the first time. The recommendations made in connection with the on-site supervisory reviews involved, in particular, improving the transparency of the fund documentation and implementing appropriate risk management measures. FINMA also continued to carry out spot checks on funds in respect of which there were indications (e.g. in media reports) that investors were being deceived about their sustainable nature. In addition, FINMA performed an in-depth analysis of sustainability reporting by Swiss real estate funds.

Overall, however, FINMA's scope of action to efficiently prevent and combat greenwashing remained limited during the reporting year. The implementation of effective measures is impeded by a lack of specific and binding sustainability-related regulatory provisions that apply to institutions and products across all sectors. Regulatory action is needed, in particular, at the point of sale, as well as in the area of sustainability-specific transparency and reporting obligations.

Findings from the on-site supervisory reviews concerning implementation of the Financial Services Act (FinSA)

During 2022, as part of the on-site supervisory reviews carried out in connection with the new Financial Services Act (FinSA), FINMA noted points of uncertainty relating to its implementation, particularly with respect to the concentration risks as well as in relation to a few investment products. In both areas, questions arose concerning the level of transparency afforded to clients vis-à-vis unusual risks and conflicts of interest.

Unusual risks may arise if, for example, the content of a client portfolio is confined to a few non-diversified financial instruments. To prevent this, financial institutions define thresholds for individual positions, industry concentrations, issuer risks or country and currency allocations. However, at a few of the reviewed institutions these thresholds were so high that concentration risks could not be ruled out. In such cases, the institutions must inform their clients of how high the concentration risk could actually be for the service concerned and specify which risks their clients will be exposed to in connection with that service. The thresholds for the institution's own investment products must not be higher than those for the products of third-party providers.

Financial service providers must inform their clients as to whether the market offering considered during selection of the financial instruments comprises only their own financial instruments or also includes those of third parties. If institutions wish to add their own investment products to customer custody accounts, then conflicts of interest must be avoided wherever possible, or be explained to the clients in a transparent fashion. The on-site supervisory reviews revealed that financial service providers which considered only their own investment products for inclusion in investment solutions, or which favoured these over third-party products, are often failing to adequately point this out to their clients and were providing them with hardly any information on the associated risks and conflicts of interest. In cases where the financial service providers were giving equal consideration to third-party products and providing their clients with confirmation of this, they often failed to define any adequate measures to avoid conflicts of interest associated with their own investment products, such as a process for ensuring that financial instruments are selected objectively based on industry-standard criteria.

Supervisory activity by sector

FINMA's level of supervision is most intensive wherever risks for the financial centre are greatest. However, it is always committed to proportionality. The four supervisory divisions – Banks, Insurance, Asset Management and Markets – follow trends in the relevant sectors closely. Key supervisory tools include on-site supervisory reviews, stress tests, specific surveys and high-level meetings.

As part of its integrated financial market supervision, FINMA monitors the overarching trends in all areas of the financial centre and oversees the risks that are associated with the activities of the supervised institutions. This risk-based, comprehensive perspective ensures that similar or identical situations receive the same supervisory treatment across all supervised institutions. Sector-specific issues are dealt with by the responsible supervisory divisions. Close cooperation between the divisions ensures knowledge management within FINMA.

Banking supervision

Banking supervision is designed to be risk-based and proportionate. A focus of FINMA's activities at the large banks was on risk control. One reason was that client relationships resulted in high losses in 2021. At the other end of the spectrum of the banking population, FINMA conducted an intensive dialogue on further possible optimisations to the small banks regime. On-site supervisory reviews focused on risks that FINMA had identified as particularly significant in its Risk Monitor.

Dealing with the Archegos losses

One focus of FINMA's supervision of large banks in 2022 was again on dealing with the large financial losses that had resulted in 2021 from the client relationship with US-based family office Archegos Capital Management LLC, as well as on improving the corresponding risk controls. The enforcement proceedings involving Credit Suisse have not yet been concluded (see press release "Credit Suisse: FINMA opens proceedings in 'Archegos' case and confirms ongoing proceedings in 'Greensill' case" of 22 April 2021). In the case of UBS, an independent investigation by an audit agent confirmed FINMA's findings from its own supervisory work. Glaring weaknesses in the area of risk management and risk control were revealed at UBS. UBS intentionally entered into a business relationship with an opaque client with a dubious reputation and potentially increased risk appetite. In addition, the investigation uncovered an incorrect risk assessment of the clients and their portfolios as well as significant deficiencies in risk models and methods. Furthermore, the margin requirements were inadequate. FINMA encouraged UBS to make efforts to address the large number of deficiencies. In addition to discontinuing client relationships due to a lack of transparency or undesirable risk characteristics, numerous other improvements were introduced as well. These related to the risk models used, the level of margin requirements, the limit framework and the stricter management of breached limits. Risk management and portfolio monitoring were also modified. The effectiveness of the measures introduced will remain a focus of supervision. In addition, in the area of risk management, FINMA required the institutions concerned to make an adjustment to the calculation of potential losses and regulatory capital requirements in the business with hedge funds so as to better reflect the risks of counterparties with fast growing, concentrated exposures and to back them adequately with regulatory capital.

Leveraged lending

FINMA has been supervising the leveraged lending activities of the investment banking divisions for years. An uncertain economic environment and volatile market conditions require corresponding supervisory activities. In supervisory discussions, FINMA exerts its influence and demands appropriate measures from the institutions and obtains timely information in the form of specific reports.

Leveraged lending is a form of credit financing in which highly indebted companies raise loans (leverage). The loans are generally used to implement corporate mergers as well as "leveraged buyouts", recapitalisation measures or debt refinancing. They are predominantly granted by investment banks with the intention of selling them again from their own books to investors in the shortest possible time (originate-to-distribute business model). This usually happens within six months in the form of high-yield bonds or high-yield loans.

Since early 2022, increased turbulence has been observed in the US and European leveraged lending markets as a result of the shifting global interest rate environment and growing market volatility. This market turmoil complicated and delayed the resale of high-risk loans to investors. In some cases, sales were only possible at steep discounts. In the worst case, the investment banks were left sitting on the loans and had to hold them on their own books. FINMA requires corresponding analyses from the institutions concerned for the risk assessments.

Liquidity requirements for systemically important banks (additional requirements as at 1 July 2022)

Under the leadership of the Federal Department of Finance (FDF), an inter-agency working group comprising the FDF, FINMA and the Swiss National Bank that was established in 2019 analysed the liquidity regulations for systemically important banks (SIBs). It established that the special liquidity requirements for SIBs embedded in the Liquidity Ordinance (LiqO) did not safeguard the higher resilience of SIBs required by the Banking Act (BA), and that their liquidity requirements in the event of resolution were not adequately covered. In light of this, FINMA has already temporarily imposed higher minimum requirements for SIBs as part of its supervisory activities in order to mitigate the risks of insufficient individual liquidity buffers.

The Federal Council adopted a revision of the LiqO in June 2022 based on the proposals by the working group. The tougher requirements for SIBs focus on covering increased liquidity requirements in the event of restructuring or liquidation (see Federal Council press release dated 3 June 2022). FINMA is discussing these with the institutions concerned.

For liquidity risks that are not or not sufficiently covered by the liquidity coverage ratio (LCR) or as part of the general requirements for SIBs, FINMA will also define institution-specific additional requirements and measures to generate liquidity, taking into account the risk profile of the SIB in question.

Corporate governance: multiple mandates widespread

In the year under review, FINMA continued with its intensive supervision aimed at enhancing the corporate governance of large banks (see also: FINMA 2019 Annual Report, page 22, FINMA 2020 Annual Report, page 33, FINMA 2021 Annual Report, page 26).

The corporate governance of banks in supervisory categories 1 to 3 is relatively stable. The existing level could be maintained and, in some cases, improved through targeted measures. No new institutions with noticeable problems were identified. FINMA will continue to work ceaselessly to bring the banks closer to best practice.

In the year under review, FINMA focused on bank governing bodies with multiple mandates and resulting conflicts of interest. The evaluation of a survey on this showed that multiple mandates are widespread. Many board members not only represent the interests of other affiliated companies, but are also strongly networked externally. In excess, additional mandates can impair the guarantee of irreproachable business conduct. However, setting a binding upper limit for further mandates is not appropriate. Additional mandates should be coordinated on a case-by-case basis with the requirement profile of the respective function. FINMA focuses on particularly sensitive combinations, such as accumulations of several important mandates at different regulated companies. In the future, it will measure the bank governing bodies even more consistently by whether they are able to flexibly increase their working hours even in crisis situations.

FINMA continues to pursue the action area aimed at managing the overall composition of the bank councils of cantonal banks in a targeted manner (see FINMA 2021 Annual Report, page 26).

Supervision of small banks

FINMA is committed to proportionate regulation and risk-based supervision. It is pursuing several initiatives to make banking regulation and supervision in its area of responsibility as proportionate as possible, and it is also committed to a proportionate approach in overarching regulation. The small banks regime exempts banks and securities firms in categories 4 and 5 that are particularly liquid and well capitalised from certain supervisory requirements. During the reporting period, 54 banks and securities firms – approximately 20% of the institutions in these categories – participated in the small banks regime.

Initial experience and challenges in connection with the introduction of the small banks regime in January 2020 were discussed with the industry at the Small Bank Symposium on 24 May 2022. Although no acute shortcomings were identified, certain opportunities for improvement were suggested, such as a better overview of all exemptions or further exemption opportunities for the small banks. Overall, the dynamic further development of the small banks regime also remained a key issue for the small banks. Accordingly, potential further exemptions should also be considered in future when developing or updating regulatory requirements, both specifically for the small banks regime and generally in line with the proportionality principle for smaller banks. FINMA continued to discuss this in a regular constructive dialogue with the industry in the reporting period.

FINMA's supervisory activities in the year under review were data-driven and risk-based, particularly in the case of small banks. Consequently, supervisory tools such as supervisory discussions or on-site supervisory reviews were used to a reduced extent for institutions with lower risks. By contrast, FINMA used specific case management, among other things, in the event of critical events and problematic developments, also at small banks.

On-site supervisory reviews: banks

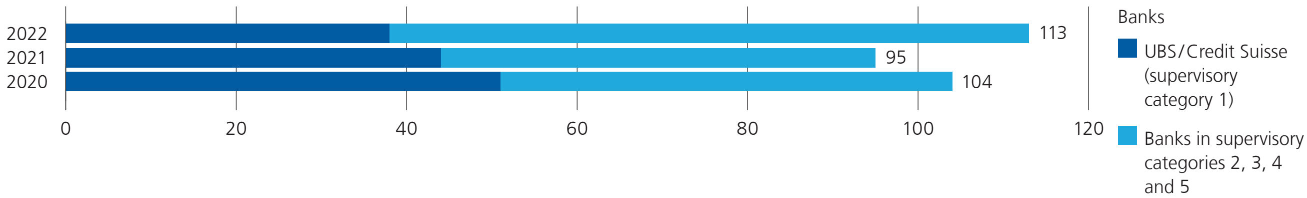
On-site supervisory reviews are an important supervisory tool. They enable FINMA to obtain for itself an assessment of the risks and the control environment at banks. They deliver key insights for supervision and culminate, if necessary, in further measures. FINMA may conduct on-site supervisory reviews at supervised institutions or at the outsourcing partners engaged by these institutions. Either by itself or together with foreign supervisory authorities, it additionally conducts on-site supervisory reviews at subsidiaries or branches of supervised institutions abroad, or conversely supports foreign financial market supervisory authorities when they conduct direct reviews in Switzerland.

Again in 2022, FINMA used on-site supervisory reviews in addition to its regular review activities. They are risk-based in line with its supervisory approach. Event-driven or institution-specific risks were assessed in the course of these. The on-site supervisory reviews were each carried out by a team comprising various specialists.

In line with the Risk Monitor published by FINMA and the focal points of FINMA's supervisory activity for 2022, the focus of the on-site supervisory reviews was on combating money laundering, liquidity risk management and the management of interest rate risk, the mortgage lending business and compliance with market conduct rules. Once again, there was a focus on conducting on-site supervisory reviews in the area of cyber risks and IT. FINMA identified a number of significant vulnerabilities in both areas, and called on the banks concerned to remedy them without delay.

The war in Ukraine and the related sanctions imposed by various jurisdictions prompted FINMA, in

On-site supervisory reviews: banks



Average number of on-site supervisory reviews per institution in the banking sector

In brackets: number of on-site reviews per category

	2022	2021	2020
Category 1	19.00 (38)	22.00 (44)	25.50 (51)
Category 2	3.66 (11)	4.33 (13)	4.67 (14)
Category 3	1.52 (44)	0.89 (25)	1.00 (27)
Category 4	0.16 (10)	0.17 (10)	0.18 (10)
Category 5	0.6 (10)	0.02 (3)	0.01 (2)
All institutions	**0.44 (113)**	**0.36 (95)**	**0.39 (104)**

part together with the State Secretariat for Economic Affairs (SECO), to conduct on-site supervisory reviews regarding compliance with sanctions and the measures for complying with sanctions law in general (see "Sanctions and on-site supervisory reviews", page 29). Furthermore, FINMA carried out additional on-site supervisory reviews at certain institutions in the area of implementing the new rules on recognising value adjustments for default risks on non-impaired receivables. In addition, some specific on-site supervisory reviews were carried out at the two big banks in the areas of trading and capital markets business as well as in international wealth management.

In total, FINMA conducted 113 regular on-site supervisory reviews in 2022, including 51 longer supervisory reviews and 62 deep dives. 18 of these on-site supervisory reviews were outside Switzerland. This represents an increase of approximately 19% compared with 2021. FINMA was able to carry out on-site supervisory reviews again directly at the supervised institutions when the official measures in connection with the COVID pandemic were lifted.

Insurance supervision

The insurance market was stable overall in 2022. FINMA conducted three-year stress tests for particularly significant insurers, thereby strengthening its forward-looking supervision. In the area of supplementary health insurance, it sought to clarify the distinction between supplementary benefits and mandatory benefits in the case of hospital stays, as well as the prevention of significant unequal treatment of insureds due to unjustified discounts. FINMA also focused on the non-insurance business of insurers in the year under review. On-site supervisory reviews supplemented its regular supervisory activities.

Swiss Solvency Test: positive developments in all insurance sectors

Throughout 2021, the financial markets were relatively stable, and the equity markets in particular performed positively. This led to a positive trend in the SST ratios in 2022 compared with the previous year (reference date: 1 January 2022). Company-specific effects also played a role, in particular among health insurers. A revision to the standard model for reinsurance captives, on the other hand, led to slightly higher capital requirements.

Stress tests become established at insurers

FINMA has been conducting an annual three-year stress test at selected, particularly significant insurance companies and groups since 2020. This stress test serves to strengthen its forward-looking supervision and provides a better understanding of the impact of stressed financial markets on the most important supervised financial institutions.

Stress tests provide insights into the impact that adverse developments may have on the banks and insurance companies supervised by FINMA. To ensure a high degree of consistency between the stress tests for banks and insurance companies, the same scenario topics are used for both banking and insurance supervision. For example, similar shocks are tested for banks and insurers, with the relevant macroeconomic risk factors for both sectors. In addition, a one-year scenario with additional shocks for insurers' liabilities is considered. These stress scenarios are updated on a regular basis. In the case of the insurers, the focus in 2022 was gathering insights into the impact on solvency according to the SST and on tied assets coverage. Likewise, courses of action for top management (management rules) that would be available in the event of a crisis were analysed and the findings obtained from the stress tests were incorporated into the supervisory dialogue with the companies and groups.

Sample calculations used in offers for life insurance show a need for improvement

In accordance with FINMA requirements, offers for unit-linked and traditional life insurance policies contain "sample calculations" of the future performance of the insurance policy in question. In each case, the

SST figures by insurance sector

Insurance sectors	SST 2022		SST 2021	
	SST ratio	Number of insurers with SST ratio below 100%	SST ratio	Number of insurers with SST ratio below 100%
Life insurers	236%	0 (14)	207%	0 (16)
Non-life insurers	239%	0 (52)	221%	1 (51)
Health insurers	393%	0 (18)	339%	0 (19)
Reinsurers	200%	0 (22)	185%	0 (24)
Reinsurance captives	242%	1 (23)	269%	0 (23)
Total market	**238%**	**1 (129)**	**216%**	**0 (133)**

The number before the brackets refers to the number of companies with an SST ratio below 100%. The number in brackets refers to the total number of companies. Example: 1 (16) means that 1 of 16 companies has an SST ratio below 100%.

offer must present a favourable, an average and an unfavourable scenario that illustrates for policyholders the variability in surrender values and maturity payments. If the savings portions of insurance premiums are invested in investments whose future value is uncertain, insureds can count on these investments to yield higher returns than a risk-free investment in an average or favourable scenario. In an adverse scenario, however, they deliver lower returns than a risk-free investment. This simple relationship results from fundamental principles of financial mathematics.

FINMA examined the life insurers' sample calculations and found a very large number of cases that showed a significantly higher return for the unfavourable scenario in the offer than for a risk-free investment. It even found offers in which policyholders were told that the premiums they paid in would more than double as the maturity payment in the unfavourable scenario. This raises unrealistic expectations among policyholders, both in terms of the security of the investment and the profit potential. In fact, if the investment performs worse than shown in the offer under the unfavourable scenario, the insured person may have significantly less money available for old-age provision upon retirement than they were entitled to expect on the basis of the sample calculations. FINMA continues to monitor the issue closely and is working to ensure that the sample calculations give a correct picture of the risks.

Supplementary health insurance: adjustment of supplementary benefits and discounts

FINMA pursued two specific issues in supplementary health insurance in 2022. On the one hand, this involved overseeing the adjustments made in connection with ring-fencing supplementary benefits for in-patient hospital stays. On the other, it involved counteracting and preventing significant unequal treatment of insureds through high and unjustified discounts.

Ring-fencing supplementary private health insurance benefits from those provided by compulsory health and long-term care insurance was again a focus of supervisory activities in 2022. As well as continuing the dialogue with the relevant stakeholders in the healthcare sector, FINMA carried out further on-site supervisory reviews. It established that the supplementary health insurers had made significant progress with regard to the definition and ring-fencing of supplementary benefits from those paid by compulsory health and long-term care insurance. With regard to the valuation of these supplementary benefits, the supervised institutions followed different approaches. It emerged in particular that the valuation of the additional medical benefits is more complex than the valuation of the services reimbursed by compulsory health and long-term care insurance. FINMA continues to closely monitor the various approaches, all of which were still being developed or tested in the year under review.

Regarding supplementary health insurance product tariffs subject to approval, FINMA also focused on on-site supervisory reviews covering discounts. It became apparent that the requirements of FINMA Circular 2010/03 "Health insurance under the ICA", which was revised and came into force on 1 June 2021, had not yet been sufficiently taken into account and implemented, and that in some cases excessively high and unjustified discounts had been granted. To ensure equal treatment of insureds, FINMA will conduct further on-site supervisory reviews on this issue (see "On-site supervisory reviews: insurance companies", page 47).

Approval of non-insurance business

Alongside their actual insurance business, insurance companies are increasingly seeking out new sources of income and innovative ways to reach out to customers. This often involves "non-insurance business", for which insurers require approval from FINMA under the Insurance Supervision Act (Art. 11 para. 2 ISA).

For example, they may offer investment funds and third-party mortgages, or may offer mobility and cleaning services to tenants of properties in their asset portfolio.

In 2022, FINMA processed a total of 12 applications to conduct non-insurance business under Article 11 para. 2 ISA, 7 of which were approved. The number of applications received remained constant in the last three years, but the distribution among the insurance companies varied substantially.

During the approval process, FINMA ensures that non-insurance business under Article 11 para. 2 ISA is of minor importance relative to the insurance company's business volume. It is also important that the insurance company monitors associated risks and takes appropriate measures to counter them. The partially revised ISA will somewhat relax the regulatory requirements. For example, such activities will now no longer require approval by FINMA if they are related to the insurance business (Art. 11 para. 1 let. a rev. ISA). However, it should not be forgotten that, depending on the activity, there may be other links to financial market law outside insurance supervision. For example, the sale of financial products may involve the receipt and transmission of funds. It must be examined in such cases whether a deposit activity under banking law is being carried out or whether arrangements are made to benefit from exemptions, such as for "transitory accounts" under the Banking Ordinance (Art. 5 para. 3 let. c no. 1 BO). Furthermore, such activity may lead to the insurer being subject to the Anti-Money Laundering Act (Art. 2 para. 3 let. b AMLA in conjunction with Art. 4 para. 1 AMLO). By contrast, activity as an asset manager under the Financial Institutions Act (FinIA) and the Financial Institutions Ordinance (FinIO) is covered by the authorisation chain in Article 6 FinIA in conjunction with Article 9 para. 2 FinIO for authorisation as an insurance company. However, as in the case of the provision of other financial services under the Financial Services Act (FinSA), compliance with the corresponding obligations to clients must also be ensured in the organisation of this activity.

On-site supervisory reviews: insurance companies

The first on-site supervisory reviews of supplementary health insurers aimed at investigating how service providers are billed were conducted in 2020. Further on-site supervisory reviews relating to this issue followed in 2021 and 2022 (see "Supplementary health insurance: adjustment of supplementary benefits and discounts", page 46). The status of the measures defined by the insurers was examined in these follow-up reviews. These measures included ensuring transparent and understandable billing as well as revising contracts with service providers. They also included ensuring that supplementary health insurance is only charged for additional benefits over and above compulsory health and long-term care insurance, as well as developing effective controls in this context.

FINMA also investigated discounts granted on the supplementary health insurance product tariffs subject to approval in its on-site supervisory reviews. It reviewed the granting of discounts in connection with the business plan and FINMA Circular 2010/03 "Health insurance under the ICA", which was revised and came into force on 1 June 2021 (see "Supplementary health insurance: adjustment of supplementary benefits and discounts", page 46).

Dealing with cyber risks has been an important supervisory topic for FINMA in recent years. Several on-site supervisory reviews in this area were conducted at insurance companies in 2022. They analysed governance relating to the management of cyber risks and cyber security as well as measures to protect data, infrastructures and applications from cyber threats.

The on-site supervisory reviews also looked at how cyber risks are underwritten. The focus was on governance, risk management and the provisioning processes in connection with cyber risk policies that are actively offered.

Furthermore, compliance with information requirements and in particular the presentation of sample calculations in the context of the conclusion of contracts for endowment life insurance policies with profit participation and of unit-linked life insurance policies were investigated during on-site supervisory reviews at life insurers.

Supervision of financial market infrastructures

Due to the partially revised FINMA Financial Market Infrastructure Ordinance and the "DLT Act" (Federal Act on the Adaptation of Federal Law to Developments in Distributed Electronic Register Technology), FINMA specified various duties of the trading venues and answered questions of interpretation regarding the FinSA in the year under review. In 2022, it also approved the amended stock exchange rules and regulations for the China Stock Connect agreement between SIX Swiss Exchange and two Chinese stock exchanges.

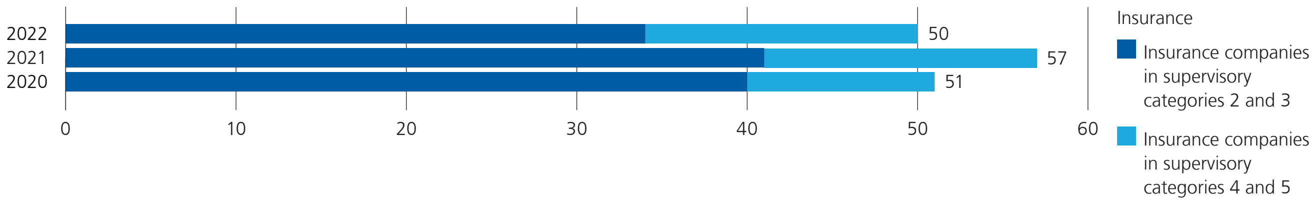
Clarification of duties for trading venues resulting from the partial revision of the FINMA Financial Market Infrastructure Ordinance

The partial revision of the FINMA Financial Market Infrastructure Ordinance resulted in clarifications and updates in the year under review. These related to the reporting content of the securities reporting requirement and the derivatives clearing requirement.

Reporting content of securities reporting requirement

The prosecution of market abuse in securities and derivatives trading, for which the trading venues and FINMA are responsible, is based on the assessment of high-quality reports on the executed transactions.

On-site supervisory reviews: insurance companies



Average number of on-site supervisory reviews per institution in the insurance sector

In brackets: number of on-site reviews per category

	2022	2021	2020
Category 2 and groups	1.18 (13)	1.18 (13)	1.36 (15)
Category 3	0.58 (21)	0.73 (28)	0.68 (25)
Category 4	0.14 (9)	0.16 (10)	0.11 (7)
Category 5	0.08 (7)	0.07 (6)	0.04 (4)
All institutions	**0.26 (50)**	**0.29 (57)**	**0.25 (51)**

In 2022, however, these reports contained considerable gaps in the case of derivatives. FINMA therefore clarified the requirements governing reporting content in the FINMA Financial Market Infrastructure Ordinance (Art. 3 FinMIO-FINMA). After a six-month transitional period, the trading venues must align their reporting specifications with the new requirements by mid-2023. A transitional period of 15 months is available for implementation by the parties subject to the reporting obligation and for the revision of the control processes (validation and rejection logic) by the trading venues.

Derivatives clearing requirement

Over-the-counter transactions in standardised derivatives must generally be settled through a central counterparty. In the course of replacing LIBOR, the categories of interest rate derivatives subject to a clearing requirement were brought into line with the new benchmarks (i.e. €STR, SONIA and SOFR) in all major financial centres in 2022. FINMA therefore updated the list of interest rate derivatives subject to a clearing requirement in Switzerland in Annex 1 to the FinMIO-FINMA, based on EU law.

Independence requirements for trading venue self-regulation

On 18 June 2021, the Federal Council adopted the Federal Act on the Adaptation of Federal Law to Developments in Distributed Electronic Register Technology (DLT) fully into law as of 1 August 2021. The associated ordinance, which came into force on the same date, tightens up the independence requirements for entities that perform regulation and monitoring duties for trading venues in the framework of their self-regulatory organisations. This states that the body that fulfils the supervisory tasks of the trading venue must now be fully independent of the participants and issuers with respect to both personnel and organisation. The majority of the members of the regulatory body of a trading venue must be independent. In the year under review, FINMA adapted its administrative practice regarding the independence of the members of the regulatory bodies to reflect this. It obtained an overview of the status of the independence of the members of the regulatory bodies of the Swiss trading venues, and monitored the measures taken by these regulatory bodies to ensure that the majority of their members are independent.

FINMA interpretations of classification as a payment system and organised trading facility

FINMA supervises financial market infrastructures and operators of organised trading facilities (OTFs) in accordance with the Financial Market Infrastructure Act (FinMIA). As part of its supervisory activities, it had to answer questions of interpretation in 2022 regarding classification as a payment system and an OTF.

- Payment systems are subject to FINMA supervision if this is needed for the proper functioning of the financial markets or the protection of financial market participants. FINMA used indicators relating to the volume of transactions, the number of transactions and the number of clients in order to clarify the concept of an authorised payment system, which is broadly worded in the law.
- Facilities for the bilateral trading of securities or other financial instruments, among others, are deemed to be an OTF. Under FINMA's interpretation, platforms for the bilateral trading of CFDs (contracts for difference) or forex derivatives are defined as OTFs if they provide prices to close out the derivative position in the system. Such mechanisms for closing out positions are typical for derivatives trading and do not fall under the primary market exemption.[4]

China Stock Connect – approval of the rules and regulations

In the course of the establishment of China Stock Connect by SIX Swiss Exchange and two Chinese stock exchanges, FINMA approved the necessary

[4] The primary market measure is explained in margin no. 25 of FINMA Circular 2018/01 "Organised trading facilities".

application to amend the stock exchange rules and regulations. China Stock Connect enables securities from the home country to be traded in the other country on the basis of the secondary securitisation of shares from the home market using global depository receipts (GDRs) for foreign shares. Under the chosen approach, the issuer of the underlying shares assumes responsibility for managing the listing procedure, preparing the required prospectus under the Financial Services Act and the obligations for maintaining admission to trading. In the course of the approval process, FINMA required amendments to safeguard investor protection. For example, the prospectus must also contain information about the depositary, the GDR and the deposit agreement. This relates in particular to the rights of investors under the deposit agreement, insolvency protection and the risks associated with this design. FINMA also required the underlying shares to be held separately in safe custody in such a way that they can be segregated in favour of the investors in the event of the default of the depositary.

International cooperation in the supervision of financial market infrastructures

Traditionally, operators of financial market infrastructures (FMIs) in Switzerland have been strongly integrated into the EU financial market. For example, from trading to clearing down to securities settlement, all FMIs also have foreign participants. Additionally, at the clearing level, the interoperable connections between SIX x-clear, Dutch clearing house CBoe Clear Europa (formerly EuroCCP) and LCH Ltd in the UK generate a need for coordination with foreign supervisory authorities. Both the Bank of England and the European Securities and Markets Authority (ESMA) stepped up their supervision of third-country clearing houses following Brexit. This increased the need for coordination with these authorities and required amendments to the existing cooperation agreements.

When it acquired BME Group, SIX Group also became the owner of the Spanish stock exchange infrastructure. It is supervised by CNMV, the Spanish securities regulator. CNMV and FINMA concluded a cooperation agreement and established close collaboration to coordinate their supervisory activities.

On-site supervisory reviews: financial market infrastructures

Three on-site supervisory reviews were conducted in total at SIX Group and BX Swiss in 2022. They focused on information and communication technology and on the self-regulatory organisations.

Supervision of parabanks

Supervision of the parabanking sector includes supervision of the self-regulatory organisations (SROs) recognised by FINMA and supervision of the supervisory organisations (SOs) authorised by FINMA. The SOs are responsible for the ongoing supervision of portfolio managers and trustees. The SROs are responsible for money laundering supervision of other financial intermediaries such as lenders, payment service providers or money changers, including the crypto sector. FINMA has adapted its risk-based supervisory approach to take this situation into account.

Supervision of supervisory organisations (SOs)

FINMA continued its in-depth supervisory dialogue with all five SOs in 2022. In addition, it also held a number of high-level meetings with all SOs. In this context, it addressed the current challenges connected with managing the wave of applications for portfolio managers and trustees. It also discussed the requirements for ongoing supervision by the SOs and shared its expectations for the fulfilment of their tasks.

FINMA's supervisory activities increasingly focused on safeguarding the operational functionality of the SOs. On the one hand, this involved reviewing the adequacy of human resources and organisational aspects to safeguard the SO's functioning. On the other, FINMA examined compliance by the SOs with the minimum capital requirements and verified that they had sufficient liquidity at all times. In order to obtain an even better overview, it collected data from the SOs periodically in addition to these regular supervisory activities.

As in 2021, FINMA continued to focus on the implementation of the FINMA authorisation requirements by the SOs in 2022. For example, in addition to implementing the concepts for the rating system and auditing, the SOs must also meet requirements for implementing a compliant IT environment.

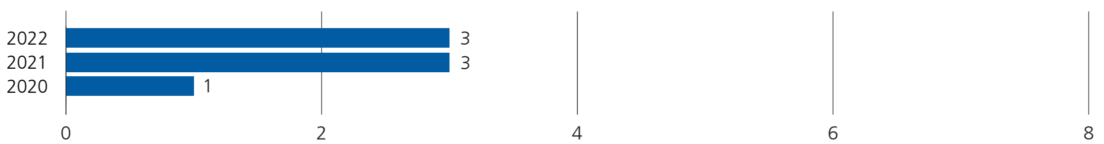
Supervision of self-regulatory organisations (SROs)

Supervision of SROs is risk-based on the basis of a supervisory concept. For the 2022 supervisory year, FINMA reviewed the implementation of measures by the SROs in accordance with the relevant FINMA recommendations. These recommendations were based on the shortcomings identified in the course of extensive on-site supervisory reviews in recent years.

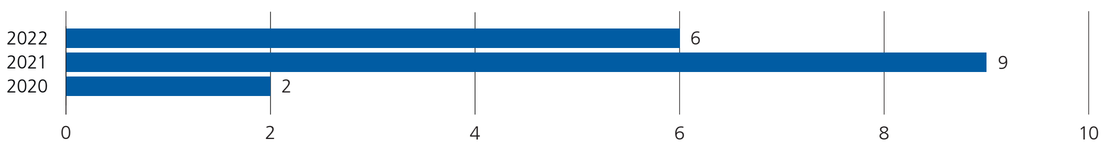
These follow-up reviews focused on the measures taken by the SROs to avoid conflicts of interest and to ensure independence from the members supervised by the SRO. They also extended to improving the effectiveness of the harmonised supervision concepts and the risk-based use of the supervisory tools available to the SROs. In particular, the risk-based deployment of their own on-site supervisory reviews was underused. For individual SROs, other aspects relevant for supervision were also the subject of the follow-up reviews, such as the assessment and monitoring of audit firms, the material reviews in the admission procedure or the system of sanctions.

In December 2022, FINMA organised a benchmarking event with all SROs on the basis of its on-site supervisory reviews. It used this event to inform the

On-site supervisory reviews: financial market infrastructures



On-site supervisory reviews: self-regulatory organisations



SROs about the findings of the reviews on the topics described above and share its expectations. It drew attention to the fact that the SROs have to strengthen their sensitivity and reviews of the audit topic of independence and avoidance of conflicts of interest. In their implementation of the risk-based supervision concepts, FINMA urged the SROs to examine the business models and risks of the SRO members in greater detail and deploy direct supervisory tools, such as their own on-site supervisory reviews, to a greater extent.

Asset management supervision

In the area of asset management, market disruptions and a decline in volumes meant that FINMA received fewer requests to approve new products in the year under review. Fund management companies and managers of collective assets were required to provide FINMA for the first time with data on the liquidity, leverage, risk exposures and counterparty risks of the collective investment schemes they manage. The data was used to rate the funds' risk profile. In the case of real estate funds of funds, FINMA addressed liquidity risks that may arise from the mismatch of redemption periods and low market liquidity of real estate funds on the secondary market.

Liquidity and leverage: direct survey of quantitative fund data by FINMA

Effective supervision of collective investment schemes strengthens stability and confidence in the functioning of the products. In the year under review, fund management companies and managers of collective assets were required for the first time to provide FINMA with data on the liquidity, leverage, risk exposures and counterparty risks of the funds they manage. The aim was to be able to effectively assess the risk profile of the funds and to identify potential risks, both at the funds and at the institutions that manage them.

The data collected covered all Swiss funds with net asset value (NAV) of more than CHF 500 million as well as all foreign funds managed in Switzerland that follow an alternative investment strategy and have a NAV of more than CHF 500 million. Overall, FINMA received data from 665 funds with a total NAV of approximately CHF 1,200 billion. This saw approximately 84% of the net assets under management of all Swiss funds and 19% of the net assets under management of all foreign funds managed in Switzerland being covered by the data collected. The data supplement the data collected by the Swiss National Bank as part of the collective capital investment statistics in the area of collective investment schemes. The survey is based on the standards of the International Organization of Securities Commissions (IOSCO) and is similar to comparable surveys in Europe. The aggregated data collected was also sent to IOSCO for the first time in the year under review.

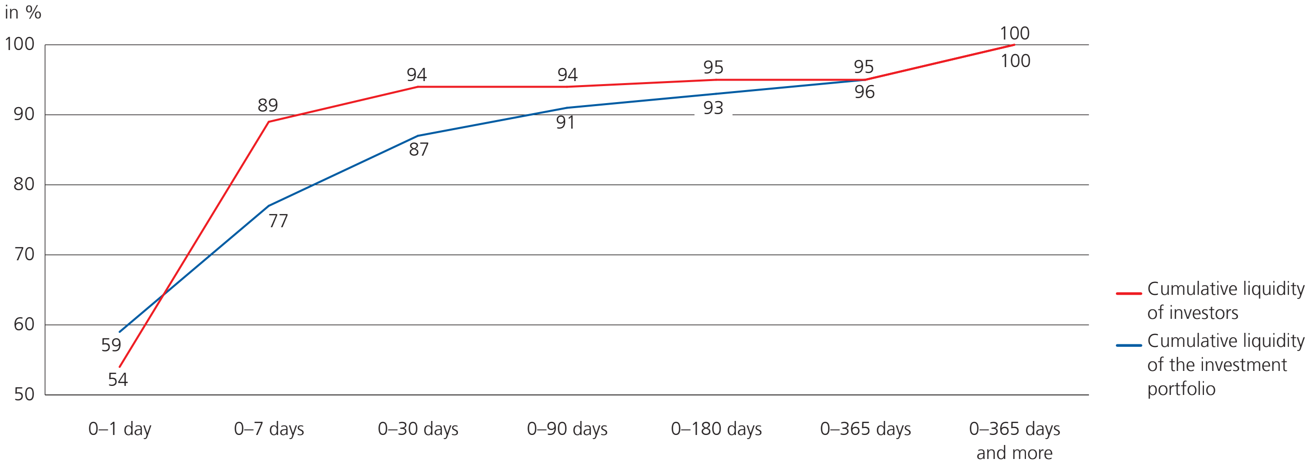
As part of its analysis of the data received, FINMA focused on adequate liquidity risk management. In the case of Swiss funds with increased liquidity risks, the adequacy of the contractually stipulated tools for steering liquidity, liquidity management and the processes for applying the liquidity tools were subject to an in-depth review. FINMA required additional measures to safeguard liquidity at funds with evident liquidity gaps.

Product-related developments

The market disruptions and corresponding volume declines in the Swiss fund market led to a lower number of approval requests for new fund products in 2022. Thus, in 2022, 108 Swiss collective investment schemes (open- and closed-end funds) were still approved compared to 146 in 2021. Nevertheless, various special products were approved.

Liquidity of investors versus liquidity of the investment portfolio of Swiss funds

Cumulative liquidity of investors versus cumulative liquidity of the investment portfolio in a given time horizon

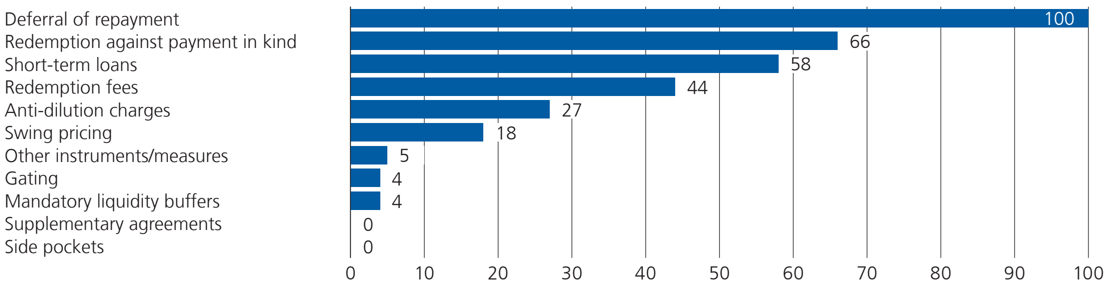


The red line shows how quickly investors can have their shares paid out at the net asset value (NAV).
The dark blue line shows the speed at which Swiss funds can liquidate their assets under normal market conditions.

In the event of market dislocations leading to massive repayment demands by investors, this chart shows the ability of Swiss funds to liquidate their investments in order to pay out investors within the specified deadlines. With a time horizon of seven days, the Swiss funds are in a position to liquidate 77% of their net assets, according to their own estimates. This is despite the fact that they are theoretically obliged to repay 89% of the assets invested by their investors within the statutory deadlines.

Distribution of liquidity management instruments in Swiss funds

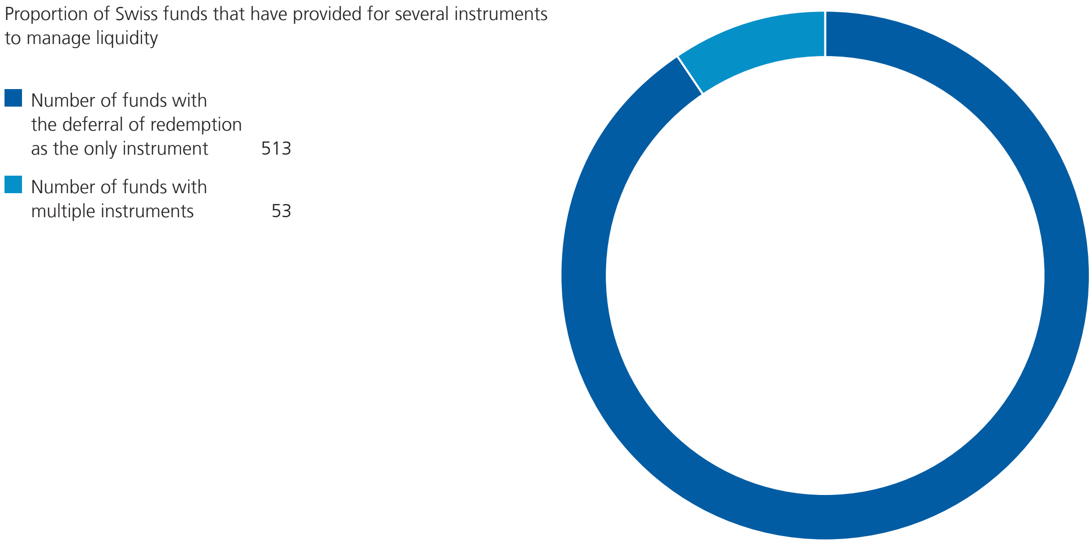
Overview of the various instruments for liquidity management in %



There are various instruments for managing liquidity. All Swiss funds provide for the deferral of redemption, but there are other instruments available to Swiss funds if provided for in their underlying documents. This chart shows the instruments for liquidity management and what percentage of Swiss funds have provided for them in their fund contracts.

Swiss funds with one or more liquidity management instruments

Proportion of Swiss funds that have provided for several instruments to manage liquidity



Approval of mortgage funds

FINMA approved, for example, collective investment schemes that allocate funds to subordinated secured loans that serve the short- to medium-term financing of real estate projects and real estate in Switzerland (subordinated mortgage business). When approving the collective investment schemes, FINMA ensured that inherent specific risks were adequately addressed. The special feature of these mortgage funds is that they not only take over existing mortgages from a bank, but can also grant the mortgage directly. The manager of collective assets thus determines which real estate or properties will be co-financed in the form of subordinated mortgages (origination). The manager of collective assets then administers the mortgages provided by the fund (servicing). These are contractual funds of the type "Other funds for alternative investments" under Swiss law.

When granting these mortgages, the selection of the mortgage borrowers and their real estate or properties is especially crucial. The manager of collective assets must have sufficient resources with the appropriate professional qualifications for the selection process. It also has to adequately manage the specific risks related to the counterparties, the collateral as well as the economic aspects of a loan. Further, detailed information on the fund concept must be included in the fund documents so that investors can make an informed investment decision. Maximum loan-to-value ratios must also be defined for the overall portfolio and for each real estate usage type. In addition, an external estimate of the real estate price by an independent valuation expert must be provided in advance of the transaction.

Requirements for the management of liquidity risks in real estate funds of funds

In most cases, units of the fund type "Other funds for traditional investments" can be redeemed daily or weekly. By contrast, redemptions on the primary market can only be made at the end of the year, subject to a notice period of one year, in the case of Swiss real estate funds. There is thus a risk of liquidity mismatches if an "Other funds for traditional investments" type of fund invests a significant portion of its funds in "real estate funds" as the target funds. In the year under review, FINMA addressed the risks of mismatches in redemption periods and the low market liquidity of real estate funds on the secondary market at fund management companies with corresponding Swiss collective investment schemes.

FINMA determined that fund management companies generally have regular liquidity controls in place. However, it required various additional measures to be taken to ensure adequate management of liquidity risks. In individual cases, for example, the controls had to be supplemented by appropriate stress scenarios or the redemption period had to be better matched to the liquidity of the investments. FINMA also required additional tools for managing liquidity risk to be put in place in several instances. For example, this included specifying in the fund contract that pro rata reductions in redemption applications (gating) can be imposed in the event of exceptional circumstances. Likewise, FINMA attached importance to the appropriate disclosure of liquidity risks in the fund documents. FINMA will continue to focus on collective investment schemes in future.

Dialogue with the industry on the prerequisites for the formation of side pockets

For liquidity management, the legislation governing collective investment schemes provides for the possibility of gating or deferring repayment in special situations in addition to the regular measures. According to a FINMA policy decision from 2009,[5] it is also possible to form "side pockets". Side pockets are used to segregate illiquid investments from the liquid investments of a collective investment scheme (CIS). They are used if a significant and clearly identifiable portion of the investments has become illiquid for an indefinite period. After side pockets have

[5] FINMA 2009 Annual Report, page 71 f.

been formed, the liquid portion can generally continue to be managed normally. By contrast, the repayment right for the illiquid portion, which will be liquidated in due course, is suspended. In the year under review, FINMA had a number of opportunities to discuss the conditions for forming side pockets with market participants. It drew attention to the fact that the formation of side pockets requires its prior approval. Also, it is only possible if the rights of investors are safeguarded and it is in the interests of all investors. By contrast, it is generally possible to issue new units and sell the liquid portion of a CIS after the introduction of side pockets, in line with international practice.

Focus on the organisational requirements for the management of occupational pension scheme assets

Since the FinIA came into force on 1 January 2020, managers of assets of pension funds and other occupational pension schemes (pension fund managers) that do not exercise any other activity requiring a licence are authorised by FINMA. Depending on the volume of assets under management, they are either supervised as portfolio managers by a supervisory organisation or directly by FINMA as managers of collective assets. As part of the authorisation process, FINMA focuses on the organisational requirements for managers of occupational pension scheme assets, in particular on managing the specific risks associated with them.

In addition to these new licence holders, FinIA also allows supervised institutions that are already authorised by FINMA, such as fund management companies, managers of collective assets, banks, insurance companies and securities firms, to manage occupational pension scheme assets. Banks and managers of collective assets are particularly active in this field.

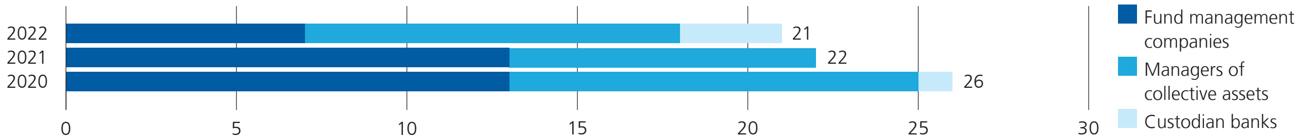
In line with the principle of "same business, same risks, same rules", FINMA therefore also reviewed the specific requirements governing pension fund managers in 2022 in the case of supervised institutions already authorised. The focus was on the organisational segregation of personnel between the occupational pension scheme and the pension fund manager. In addition, an appropriate approach to risk management was crucial, especially if a significant part of the occupational pension scheme's assets was managed by the institution.

On-site supervisory reviews: asset management institutions

In the course of the on-site supervisory reviews carried out by the Asset Management division in the year under review, the main topics from the previous year – sustainability and the management of occupational pension scheme assets – were continued. Once the topic of sustainability had been primarily addressed with managers of collective assets, corresponding on-site supervisory reviews were also carried out at fund management companies in the year under review. In particular, this involved assessing the implementation of the sustainability strategy developed by the institutions at institutional and product level. The on-site supervisory reviews also examined the outsourcing of asset management, especially cooperation with the external manager of collective assets as well as monitoring the outsourced functions. Here, FINMA reviewed compliance with the defined sustainability criteria in the context of investment restriction and risk control. The recommendations made in the area of sustainability related in particular to the transparency of fund documents and risk management. In the area of pension scheme asset management, institutions that manage a high percentage of the total assets of occupational pension schemes were primarily selected for on-site supervisory reviews. FINMA assessed the institution's understanding of the resulting risks as well as the related processes and controls, the management of conflicts of interest, and further risk management.

In addition to the aforementioned priorities, further selective on-site supervisory reviews were performed, for example with regard to the organisation of the custodian bank function, the arrangements for the administration of individual investment advisory and asset management mandates, as well as risk management at institutions.

On-site supervisory reviews: asset management institutions



Enforcement

In the year under review, FINMA conducted over 850 investigations and concluded more than three dozen proceedings against companies and individuals. This means that the number of investigations carried out and proceedings concluded increased by more than 10% compared to the previous year. Among other things, it concluded two proceedings in which combating money laundering and terrorist financing at group level had been the subject of the investigations.

FINMA applies enforcement as a visible means of acting against breaches of supervisory law and to restore compliance with the law. FINMA enforcement proceedings may be conducted against licence holders and their employees, against unauthorised financial services providers and against any participants in the Swiss financial market. An important aspect of enforcement is the mutual provision of administrative and/or legal assistance between foreign supervisory authorities and domestic prosecution authorities.

FINMA's decisions can be contested before the courts. This resulted in a total of 15 court rulings in 2022. The statistics show that the appeals bodies upheld 93% of FINMA's enforcement rulings, meaning the majority were upheld wholly or predominantly.

Enforcement proceedings due to shortcomings in consolidated supervision in the area of combating money laundering

In the year under review, FINMA concluded two proceedings that focused on the requirements to combat money laundering and terrorist financing in relation to a financial group. According to these requirements, a Swiss financial intermediary as the parent company of an international financial group is required, among other things, to be able to ensure that all group companies comply with the basic principles of the Anti-Money Laundering Act in a consolidated manner – regardless of a foreign domiciled subsidiary. The parent company must also monitor the legal and reputational risks associated with money laundering and terrorist financing globally across the entire financial group. These requirements are designed to prevent global financial intermediaries from circumventing Swiss anti-money laundering standards by establishing business relationships in foreign subsidiaries that are subject to less stringent supervisory rules.

Specifically, in one of the two proceedings, FINMA found that the parent company of a Swiss bank did not meet the group-wide requirements to combat money laundering and terrorist financing and did not implement the relevant internal guidelines at group level. FINMA therefore ordered the bank in question to take measures that went beyond the corrective organisational and operational measures already taken by the bank itself. In particular, it ordered measures to strengthen the parent company's compliance department. In addition, FINMA requested that the parent company issue a group-wide directive concerning the commencement, monitoring and termination of business relationships. FINMA instructed it to make the basic principles of the Anti-Money Laundering Act mandatory for the entire financial group. The bank's audit firm was tasked with monitoring the implementation of these measures. In addition, FINMA ordered an organisational measure in the form of a written declaration regarding the allocation of responsibilities. This declaration must include a complete list of the areas of responsibility of managers in a bank: each responsibility must be assigned to a person and every position must be filled (see ruling "Exigences incombant à une banque suisse à la tête d'un groupe financier" of 20 May 2022).

The second proceedings concerned a Swiss insurance company which used a particular insurance product in its international business. The insurance company did not sufficiently take into account the increased money laundering and reputational risks of this insurance product in its internal directives and in its approach to the consolidated monitoring of money laundering risks. Due to these shortcomings, FINMA ordered appropriate measures to be taken to restore compliance with the law to the extent that the insurance company had not already taken these measures on its own initiative. FINMA will appoint an audit mandatary to review the implementation of these measures.

The current position on questions of properness

As a result of the introduction of the licensing requirement for portfolio managers and trustees, they have to comply with supervisory requirements on properness (personal integrity) as part of the proper business conduct requirements since 1 January 2020. From March 2022, FINMA recorded a large increase in enquiries relating to reviews of properness. This increase posed a challenge for FINMA, especially as it had to ensure the effective and consistent handling of those enquiries.

The proper business conduct requirement, which is a condition for the granting of a licence, is comprised of two components, i.e. professional suitability for the specific function (fitness) and integrity (no relevant misconduct in the past [properness]). A finding of "properness" implies a favourable prognosis with regard to the integrity of the institution making the application, the persons responsible for proper business conduct and the persons who directly or indirectly hold a qualifying participation in a financial institution.

Every properness review requires, among other things, the submission of information by the institution or the person responsible for proper business conduct. The information is used as a basis for the assessment. The information provided to FINMA must be precise, complete and correct. Incomplete or incorrect information may affect the assessment of properness and, owing to FINMA's duty to notify the prosecution authorities under the Financial Market Supervision Act, trigger criminal charges for the provision of false information (Art. 45 FINMASA). In this regard, the Federal Department of Finance (FDF) confirmed its practice that incorrect or incomplete information provided by a person responsible for proper business conduct to FINMA may fall within the scope of Article 45 FINMASA, and that offenders may be liable to a monetary penalty and/or a fine.

If FINMA becomes aware of any facts (for example, of ongoing enforcement or criminal proceedings against the person responsible for proper business conduct) which may potentially have a negative impact on a person's properness it will only confirm their properness subject to a reservation. Consequently, depending on the development and assessment of the facts underlying its reservation, FINMA may reconsider its properness decision and prohibit the person concerned from exercising the role to which proper business conduct requirements relate. In this context, FINMA requires the person responsible for proper business conduct to proactively inform FINMA, in line with their reporting obligation (Art. 29 para. 2 FINMASA), about the development of the facts in question.

Court rulings on FINMA's communication practice

FINMA regularly informs the public about its supervisory activities. In doing so, it recognises the public's need for information. The Financial Market Supervision Act lays down the framework for FINMA's communications. It imposes information obligations on it and sets limits, in particular with regard to communication with individual companies and persons, while granting FINMA a margin of discretion (see FINMA communication policy).

In the year under review, FINMA's communication practice was subject to judicial review in two cases; the Federal Administrative Court upheld FINMA's approach in both cases. Specifically, they concerned information provided by FINMA in the supplementary health insurance sector, in relation to which FINMA has identified a need for extensive action for several years due to a lack of transparency in invoicing.

In this regard, FINMA had announced that it would conduct on-site inspections of supervised supplementary health insurers from 2020 onwards (FINMA 2017 Annual Report, page 52; FINMA 2019 Annual

Report, page 40). At the end of 2020, FINMA reported on the results of these on-site reviews by issuing the press release "Supplementary health insurers: FINMA sees need for comprehensive action regarding settlement".

Following the publication of this press release, a hospital and a hospital association applied to FINMA for an appealable ruling. They essentially requested the revocation of what they considered to be an inadmissible press release by FINMA. FINMA did not respond to this application. The applicants lodged an appeal against this with the Federal Administrative Court. The Federal Administrative Court ultimately followed FINMA's line of argument. According to the ruling, the appellants' rights or obligations were not affected by the press release and they had no legitimate interest in an appealable ruling (Federal Administrative Court ruling B-5146/2021 of 25 July 2022). At the time the 2022 FINMA Annual Report went to press, the appeal proceedings were pending before the Federal Supreme Court.

Another case of a contested press release arose in 2022 after the conclusion of enforcement proceedings against an institution supervised by FINMA. FINMA informed it of its intention to publish a press release on the concluded proceedings. The institution subsequently requested that FINMA refrain from publishing a press release and issue an appealable ruling. FINMA issued a ruling rejecting the application because the intended publication of a press release was within the legal guidelines of the Financial Market Supervision Act (Art. 22 FINMASA). The institution immediately applied to the Federal Administrative Court for an immediately enforceable ex parte injunction prohibiting publication. The Federal Administrative Court rejected this application two days later, thus permittijng FINMA to publish its press release.

Both rulings of the Federal Admjinistrative Court protect FINMA's powers to communicate as it sees fit and confirm its previous communication practice.

Confirmation of FINMA's practice regarding individuals who renounce financial market activities as part of enforcement proceedings

FINMA takes enforcement action as a means of achieving its supervisory objectives. In particular, enforcement aims to restore compliance with the law and exert a deterrent effect by imposing sanctions for violations of the law (see FINMA enforcement policy). Issuing industry bans is one of the enforcement measures taken to achieve the supervisory goals.j

In 2017, FINMA abandoned enforcement proceedings in the case of the former CEO of Raiffeisen Switzerland (see press release "FINMA discontinues proceedings against Pierin Vincenz"). This was done because he had resigned from all executive positions requiring compliance with proper business conduct requirements shortly after the proceedings were commenced and had publicly declared that he would not assume any management roles in the financial market in the future. Since then, FINMA has occasionally refrained from commencing or continuing enforcement proceedings in other cases after the persons concerned had voluntarily relinquished their roles as senior managers (see ruling "Anforderungen an eine Verzichtserklärung im Rahmen eines Enforcementverfahrens gegen natürliche Personen").

In the context of its practice, which was developed on the basis of these cases, FINMA checks whether, if the person in question undertakes to relinquish their role, the supervisory goals have already been fully met once the undertaking is given and without FINMA taking action against the person concerned – i.e. by issuing an industry ban. If the answer to this question is yes, it may be proportionate to dispense with enforcement proceedings. This option was explicitly mentioned in the dispatch on FINMASA when the industry ban was introduced (Dispatch on FINMASA, page 2882). In practice, however, FINMA will only refrain from continuing enforcement proceedings against an individual if the individual has relinquished their role as a senior manager and has given a full, indefinite, unconditional and irrevocable undertaking to that effect in writing. In addition, the undertaking must be credible in the individual case. This may be the case if the person giving the undertaking has since moved abroad and has taken up a new occupation there. If an undertaking relinquishing the senior role has been given, FINMA decides on the further course of proceedings on a case-by-case basis, taking into account the public interest. Accordingly, FINMA may continue enforcement proceedings in the event of potentially serious breaches of supervisory law despite the existence of a full undertaking. In addition, FINMA reserves the right to inform the public in accordance with Article 22 FINMASA about the undertaking and the outcome of the investigations or the proceedings, provided that the relevant requirements have been met.

In 2022, FINMA continued its practice on declarations of resignation. In connection with the observation activities at Credit Suisse (see press release "Credit Suisse observation activities: FINMA identifies serious breaches of supervisory law"), FINMA concluded two proceedings against individuals by way of dismissal orders after the persons concerned gave an undertaking to refrain from taking up a position with an institution supervised by FINMA.

Expansion of enforcement reporting

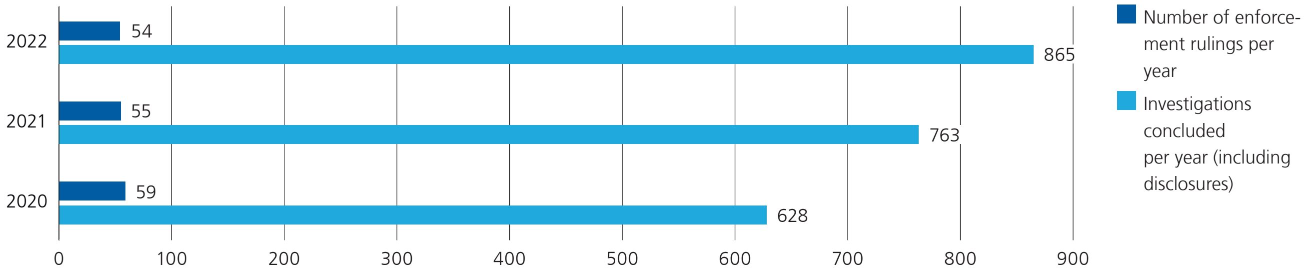
According to statutory requirements, FINMA must not publicly provide information on individual enforcement proceedings, unless there is a particular need to do so from a supervisory point of view. Such need includes, in particular, the protection of market participants or supervised institutions and individuals; to correct false or misleading information or to safeguard the reputation of Switzerland's financial centre (Art. 22 para. 2 FINMASA).

In cases with a particular need for information from a supervisory point of view, FINMA provides information in the form of press releases. In these press releases, FINMA announces the commencement or conclusion of important enforcement cases and will usually provide names and a brief summary of the decisions taken.

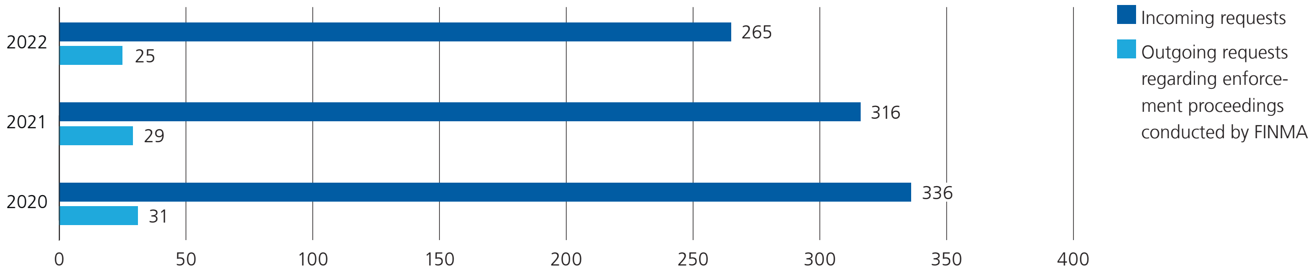
In addition, FINMA has been publishing case reports annually since 2014, which contain brief anonymised summaries of the key enforcement cases from the year in the original language of the case in question. Rulings of the Federal Administrative Court and the Federal Supreme Court, issued in response to appeals against FINMA decisions as well as enforcement statistics are also publicly available.

FINMA has now gone back to publishing the grounds for selected rulings. This follows on from the practice of issuing FINMA bulletins, which were discontinued in 2017, and pursues the aim of increasing the transparency of its law enforcement activities and strengthening the deterrent effect on the financial markets.

Investigations and enforcement rulings



International cooperation



Recovery and resolution

FINMA regularly evaluates the recovery and resolution planning of the systemically important Swiss financial institutions. The recovery plans of SIX x-clear and SIX SIS were approved for the first time in 2022 without conditions. Credit Suisse and UBS continued to make progress towards global resolvability but the emergency plans of PostFinance, Raiffeisen and Zürcher Kantonalbank are still not ready for implementation.

FINMA published its annual Resolution report in March 2022. As in previous years, the report closely scrutinised the resolvability and the emergency plans of the two global systemically important Swiss banks (G-SIBs). The G-SIBs made further improvements in their global resolvability and were eligible for the maximum rebate potential on their capital requirements. In future, FINMA will focus on testing and reviewing whether the large banks' resolvability capacities are effective and ready to implement in practice. FINMA also remained actively involved in international cooperation, for instance in the crisis management groups in its function as the resolution and home supervisory authority of UBS and Credit Suisse.

The Resolution report also highlighted shortcomings in the emergency plans of the domestic systemically important banks (D-SIBs). In the case of the systemically important central custodian SIX SIS, FINMA collected data in specific areas to determine the preferred resolution strategy. Meanwhile, it took charge of recovery and resolution planning in the insurance sector in 2022 for the first time.

In 2022, FINMA worked with licence holders in banking and insurance who were at risk of destabilisation. One licensed financial institution was placed into bankruptcy. FINMA carried out extensive and multifaceted work on a financial institution affected by the sanctions against Russia (see "Sberbank Switzerland", page 29).

Review of systemically important banks' emergency planning

In 2021, the emergency plans of the large Swiss banks were deemed to be effective by FINMA. The banks' emergency plans set out how they would ensure uninterrupted continuity of the systemically important functions for Switzerland in a crisis. FINMA reviewed these plans on a risk-oriented basis. Credit Suisse and UBS met the statutory requirements in full.

Once again, however, the emergency plans of the domestic systemically important banks PostFinance, Raffeisen and Zürcher Kantonalbank fell short of the criteria for effectiveness in 2021. None of the three banks have reserved sufficient gone concern capital. At PostFinance, the Swiss parliament's rejection of amendments to the Post Organisation Act meant that the federal government's recapitalisation guarantee fell away. Thus, the bank has to develop a new strategy for its gone concern capital. ZKB and Raiffeisen intend to close the remaining shortfall in their gone concern capital by committing common equity tier 1 capital and/or issuing bail-in instruments.

All the systemically important banks update their emergency plans on an ongoing basis and submit them to FINMA annually for review.

Progress in resolvability and abolition of the rebate system for UBS and Credit Suisse

As the resolution authority, FINMA is responsible for ensuring the resolvability of the large Swiss banks. The resolvability and rebate assessments carried out by FINMA for Credit Suisse and UBS at the beginning of the year confirmed that both institutions had made further improvements in their global resolvability in 2021. They have the resources in place to maintain critical services and access to financial intermediaries, which would be necessary to continue banking operations in the event of resolution. In the course of projects that ran for several years, the two banks have built the capacity to estimate their liquidity needs in the event of resolution and to produce the valuations required to implement a resolution in a timely manner. These capacities have been successfully integrated into day-to-day banking operations. Both banks have also prepared plans for restructuring in the stabilisation phase following a bail-in. The rebates granted for the improvements in resolvability mean that both G-SIBs are now eligible for the maximum rebates offered under the Capital Adequacy Ordinance. The rebates will therefore be abolished and replaced with a new incentive system to ensure that global resolvability is maintained permanently.

Cooperation with foreign supervisors on resolution

As the home supervisor of two G-SIBs, FINMA is responsible for coordinating a cross-border resolution of these institutions in a crisis and ensuring cooperation between the competent supervisory authorities. These tasks are performed by the crisis management groups led by FINMA. The two banks' most important foreign supervisory and resolution authorities are also represented in these groups.

In 2022, the crisis management groups focused on resolution planning to ensure the large banks' resolvability. One of the main issues discussed by the crisis management groups was whether the banks have the capacity to provide timely valuations and reporting in the event of a resolution. In addition, the crisis management groups assessed the resolvability of the two Swiss G-SIBs as part of the Financial Stability Board's Resolvability Assessment Process (RAP). They found that while both banks have made further progress, they have not yet reached full resolvability.

FINMA also held the annual crisis management college for the central counterparty SIX x-clear. As the recovery plan, the preferred resolution strategy and the analysis of financial resources in a resolution were discussed in detail at last year's meetings, in 2022 these findings were mainly updated with any relevant changes.

Revised recovery and resolution plans for financial market infrastructures

SIX x-clear and SIX SIS submitted revised recovery plans to FINMA at the end of the second quarter of 2022. As they have been designated systemically important financial market infrastructures (FMIs), these plans must show how they would stabilise their operations in a crisis and maintain systemically important functions. The starting point is a risk analysis, based on which the FMIs evaluate potential stress scenarios, draw up a portfolio of remedial measures and analyse what needs to be put in place to implement these measures and the resultant implications.

FINMA approved the recovery plans of the two systemically important FMIs in 2021 for the first time, subject to a number of conditions. During the year under review the focus was on meeting these conditions. The FMIs improved their plans compared with the previous versions in line with FINMA's requirements and broadened out the recovery measures as they had pledged. FINMA approved the plans again.

In its resolution planning for SIX x-clear, FINMA concentrated on the timetable for actions in a crisis and the resultant implications. The focus with SIX SIS was on validating the services that need to continue in the event of resolution and evaluating potential resolution scenarios.

At an international level, FINMA participated in further work on the financial resources of central counterparties (CCPs) in resolution.

New statutory basis for recovery and resolution planning in the insurance sector

The revised Insurance Supervision Act was passed by the Swiss parliament in the spring of 2022 and will enter into force on 1 July 2023 at the earliest. It will give FINMA the power to mandate specific insurance companies to prepare recovery plans and to draw up its own resolution plans. FINMA can therefore direct economically significant insurance firms to produce a recovery plan. Under the revised Insurance Supervision Act, Swiss insurance groups will be obliged to do so. The recovery plan must set out what steps the insurance company would take to continue its operations in a crisis, either through its own resources or by raising funding from external private sources. Moreover, FINMA can draw up a resolution plan for certain insurance groups in preparation for a possible restructuring. This plan shows how the group's financial difficulties would be resolved so as to eliminate the risk of bankruptcy.

Ahead of the revised Insurance Supervision Act entering into force, FINMA carried out preparatory work in the year under review and started initial discussions with the insurance groups on the requirements it will create for the recovery plans. It also organised a crisis management group for every insurance company with international activities. These groups are intended to support international coordination and cooperation, including the cross-border implementation of the recovery plan in the event of a crisis.

Significant insolvencies

A number of pending insolvency proceedings have a particularly high level of admitted claims and a large number of creditors. Further progress was made in these important insolvency cases in the year under review.

Banque Privée Espírito Santo in liquidation

Several instalments were paid out in the bankruptcy of Banque Privée Espírito Santo (BPES) totalling around 1.5% of admitted third-class claims. The liquidator progressed the case by signing numerous transaction agreements and concluding pending proceedings. Negotiations also continued with other companies in the group to resolve intra-group claims. The liquidator also made progress in realising inventory positions.

Lehman Brothers Finance AG in liquidation

In the Lehman Brothers Finance AG bankruptcy, inventory positions continued to be resolved in the year under review. As well as realising illiquid assets, significant provisions were released and paid out following the completion of a number of investigations. By the end of 2022, instalments amounting to 67.83% of admitted third-class claims had been paid out. A further CHF 15.9 million of third-class creditors' claims were therefore satisfied compared with 2021. One appeal against the schedule of claims was still pending when the FINMA 2022 Annual Report went to press.

Hottinger & Cie AG in liquidation

All appeals against the schedule of claims in the Hottinger & Cie AG insolvency have been decided by the courts of first instance. In one case, a claimant appealed the ruling in the first instance to the High

Court of the Canton of Zurich. This appeal was still pending when the FINMA 2022 Annual Report went to press. Two legal actions launched by the liquidator at the commercial court relating to liability and insurance claims are also still pending. There was further progress in realising the disputed and illiquid assets and the liquidator took steps to call in the last sizeable loan that is still outstanding. However, these steps were complicated by the confiscation of part of the assets that had been pledged as security as a result of a mutual assistance request. The exchange of information with the relevant authorities following a FATCA group request by the US tax authorities was completed. Liquid assets of around CHF 55 million remain blocked due to various legal proceedings and were thus not available for the payment of a further instalment to creditors.

Regulation

FINMA regulates only when necessary to meet its supervisory goals. It is committed to principles-based and proportional regulation on the basis of a robust regulatory process.

Where empowered to do so by legislation or ordinance, FINMA regulates second-order technical details in certain defined areas of supervision. It also publishes circulars which set out its supervisory practice and how it proposes to interpret laws and ordinances. In the year under review, FINMA continued to promote risk-oriented and proportional regulation which is equivalent to international standards. Implementing the regulatory measures adopted on the basis of the lessons learned from the 2008/2009 financial crisis, particularly Basel III, remained near the top of the agenda. Credible implementation of these standards in Switzerland is essential to safeguard the financial system, protect the good reputation enjoyed by the financial centre and ensure market access for export-oriented Swiss banks.

Public consultation on the implementation of the final Basel III regulations

The Basel III finalisation package published by the Basel Committee on Banking Supervision (BCBS) in December 2017 is part of a catalogue of measures designed to address shortcomings in banking regulation highlighted by the global financial crisis of 2007 to 2009. The final package contains revised rules on determining capital requirements for credit, market and operational risk, the output floor for modelled approaches and the leverage ratio. Switzerland's Capital Adequacy Ordinance (CAO) is being amended under the lead of the State Secretariat for International Finance (SIF) to implement these rules. At FINMA regulatory level, the implementing regulations in the related FINMA circulars also need to be

Conversion of FINMA circulars to FINMA ordinances in conjunction with the finalisation of Basel III

Previous FINMA Circular	Conversion/repeal	FINMA ordinance (new)
FINMA Circular 2013/01 "Eligible capital – banks"	Complete	Ordinance on the Trading and Banking Book and Eligible Capital (**TBEO-FINMA**)
FINMA Circular 2015/03 "Leverage ratio – banks" FINMA Circular 2008/21 "Operational risks – banks"	Complete Quantitative capital requirements: complete Qualitative requirements: separate revision of the FINMA circular	Ordinance on the Leverage Ratio and Operational Risks (**LROO-FINMA**)
FINMA Circular 2017/07 "Credit risks – banks"	Complete	Ordinance on Credit Risks (**CreO-FINMA**)
FINMA Circular 2008/20 "Market risks – banks"	Complete	Ordinance on Market Risks (**MarO-FINMA**)
FINMA Circular 2016/01 "Disclosure – banks"	Complete	Ordinance on the Disclosure of Risks and Capital Requirements and the Principles of Corporate Governance (**DisO-FINMA**)

revised and will be codified in new FINMA ordinances. With the exception of FINMA Circular 2008/21 "Operational risks – banks", the FINMA circulars will then be repealed.

FINMA's regulatory process is working to the same timetable as the SIF's for the CAO. The consultation on the draft CAO ran from 4 July to 25 October 2022. FINMA simultaneously carried out a public consultation on the new draft FINMA ordinances. Entry into force is planned for 1 July 2024. The implementation of the final version of Basel III will also entail amendments to two Swiss Bankers Association (SBA) guidelines[6] on mortgage lending that are recognised by FINMA as minimum supervisory standards. The amendments primarily relate to the criteria under which loans secured against property qualify for preferential capital treatment (in particular property valuations and affordability tests). The SBA is taking the lead in this amendment process and FINMA is authorised to recognise the new guidelines as minimum supervisory standards.

Revised processes for recognising self-regulation as a minimum standard and ex-post evaluations

FINMA's Guidelines on Financial Market Regulation set out its regulatory principles, the regulatory process and the guidance on self-regulation. The 2010 guidelines were revised in 2019 to reflect the new Ordinance to the Financial Market Supervision Act (FINMASA) and other changes. Interdepartmental consultations and ex-post evaluation of regulatory texts, which were previously dealt with outside the guidelines, were included in the updated version. The Ordinance to FINMASA also stipulates that the recognition of self-regulation as a minimum standard must be based on similar principles to FINMA's own regulatory activities. This was incorporated in the self-regulation principles in the updated guidelines.

After gaining experience of ex-post evaluation and the recognition of self-regulation as a minimum standard under the new Ordinance to FINMASA, FINMA revised and finalised its processes in late 2021 and early 2022. In particular, the process for recognising self-regulation as a minimum standard was updated in line with the requirements of the ordinance. Guidelines on self-regulation outline the main considerations that apply when establishing or amending self-regulation and set out the procedure for recognition as defined in the Ordinance to FINMASA. The resultant transparency makes it easier for trade bodies and self-regulatory organisations to assess what is involved in obtaining recognition of self-regulation by FINMA as a minimum standard.

Revision of FINMA ordinances

FINMA only regulates second-order technical matters in its own ordinances where this is provided for in legislation.

FINMA Financial Market Infrastructure Ordinance

FINMA updated the Financial Market Infrastructure Ordinance (FinMIO-FINMA) in two areas. Firstly, it defined the content of mandatory reporting for derivative transactions. Secondly, following the reform of benchmarks and the replacement of benchmark interest rates such as LIBOR, the catalogue of interest rate derivatives subject to mandatory clearing was updated. FINMA held a consultation on these issues between May and August 2022. The planned changes were mostly welcomed by those taking part in the consultation. A number of participants also called on FINMA to provide a comprehensive and definitive definition of the reportable information in the ordinance. This request will be addressed as part of the ongoing review of the Financial Market Infrastructure Act (FinMIA). The partly revised FinMIO-FINMA entered into force on 1 February 2023.

[6] "Guidelines on minimum requirements for mortgage loans" and "Guidelines on assessing, valuing and processing loans secured against property" (available in German only).

FINMA Insurance Supervision Ordinance

The Swiss parliament approved the partial revision of the Insurance Supervision Act (ISA), which will also entail changes to the Insurance Supervision Ordinance (ISO), on 18 March 2022. As a result, FINMA amended the FINMA Insurance Supervision Ordinance (ISO-FINMA) along with a number of insurance-related FINMA circulars. The main aim of the amendments to the ISA was the introduction of a supervisory approach founded on client protection, with simplified supervisory requirements for smaller insurance firms. The solvency requirements will also be revised, with the aim of incorporating the Swiss Solvency Test in the appropriate regulatory format. The tied assets provisions will be amended to conform with the prudent person principle. Detailed investment guidelines will thus no longer be needed. Finally, stricter rules will be introduced for insurance intermediaries and a restructuring procedure will be established by law which will enable FINMA to restructure a distressed insurance company instead of ordering it to be wound up. FINMA will effect the necessary amendments to ISO-FINMA, but in line with the review of format compliance, some existing circular content will also be raised to FINMA ordinance level. ISO-FINMA and the circulars are planned to enter into force on 1 July 2024.

FINMA Anti-Money Laundering Ordinance

After the Swiss parliament approved the revision of the Anti-Money Laundering Act (AMLA) on 19 March 2021, the associated Federal Council regulatory instrument (Anti-Money Laundering Ordinance [AMLO]) and the FINMA Anti-Money Laundering Ordinance (AMLO-FINMA) required amendments to reflect the changes (see "Revision of the FINMA Anti-Money Laundering Ordinance", page 38). FINMA carried out a consultation on the proposed amendments between 8 March and 10 May 2022. AMLO-FINMA entered into force on 1 January 2023 along with AMLA and AMLO.

Revision of circulars

FINMA's circulars set out how it applies financial market legislation in practice. The circulars give substance to non-specific legal principles and lay down guidelines for the exercise of discretion. FINMA's aim is to apply financial market legislation in a uniform and measured way in its supervisory practice.

Complete revision of Circular 2008/21 "Operational risks – banks" (new Circular "Operational risks and resilience – banks")

Circular 2008/21"Operational risks – banks" lays down the capital requirements for operational risks. Following the finalisation of Basel III by the Basel Committee on Banking Supervision (BCBS) (see "Public consultation on the implementation of the final Basel III regulations", page 67), the requirements will be codified in the new FINMA Ordinance on the Leverage Ratio and Operational Risks (LROO-FINMA). The other qualitative requirements for the management of operational risks will be completely revised. In particular, the revised circular will incorporate the amended BCBS Principles for the Sound Management of Operational Risk together with the new Principles for Operational Resilience. The amendments to the circular consist of clarifications of supervisory practice. They relate to operational risk management in general and specifically to the management of IT, critical data and cyber risk. They also touch on business continuity management and operational resilience. The consultation on the revised circular ran from 10 May to 11 July 2022. The circular will enter into force on 1 January 2024.

Review of format compliance of FINMA regulation close to completion

Under Article 16 of the Ordinance to the Financial Market Supervision Act, FINMA is mandated to review the format compliance of its regulation by the end of January 2025 and make appropriate changes, provided these are within its area of responsibility. In

2022, FINMA therefore assessed the progress made in the ongoing work. Of a total of 45 circulars, 19 have been confirmed to be format compliant. A further 21 were in the process of being revised at the end of 2022 as part of the work on the final Basel III and the implementing regulations following on from the revision of the Insurance Supervision Act, or will be reviewed as part of the amendment of the Financial Market Infrastructure Act announced by the Federal Council on 30 September 2022 and amended where necessary.

In the case of four circulars, scope for amendments was identified, but there are no overarching regulatory projects in these areas. These circulars are 2019/01 "Risk diversification – banks", 2013/07 "Limits on intra-group positions – banks", 2015/02 "Liquidity risks – banks" and 2012/01 "Rating agencies". Moreover, after the ex-post evaluation, Circular 2013/03 "Auditing" will be reviewed to identify whether or not it needs amending. FINMA will decide whether these five circulars will be revised, and if so when and on what scale, in the course of 2023.

Total length of regulations in 2022

In terms of pages, the total length of FINMA's ordinances and circulars in 2022 was virtually identical to the prior year. The number of pages in circulars was 1,031, a decline of around 1% from 1,037 in 2021, while the number of pages in FINMA ordinances was unchanged. However, the work on format compliance (see "Review of format compliance of FINMA regulation close to completion", page 69) means that the number of pages in FINMA ordinances will increase, although the number of pages in circulars will fall at the same time.

International affairs

Internationally binding standards are of great importance for Switzerland as an export-oriented financial centre. FINMA represents Swiss interests in international fora in coordination with the Federal Department of Finance and plays a central role in reviews of Switzerland's compliance with international standards.

FINMA contributes to international standard setting through its international policy and regulatory cooperation. As part of this cooperation, it is a member of international bodies such as the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS) and the International Organization of Securities Commissions (IOSCO). The basic positions taken when representing Switzerland on these bodies are determined in coordination with the Federal Department of Finance (FDF). FINMA's international responsibilities are set out in Articles 2 to 4 of the Ordinance to the Financial Market Supervision Act.

Financial Stability Board

The Financial Stability Board (FSB) is responsible for monitoring financial stability globally and acts as the link between the G20 and the international standard-setting bodies in coordinating financial market regulation. Non-bank financial intermediation (NBFI), climate-related financial risks and cryptoassets were the leading issues on the FSB's agenda in 2022. In October, the FSB reported to the G20 finance ministers on progress in developing regulatory and supervisory approaches to cryptoassets and climate-related financial risks. The FSB also made recommendations to the G20 on addressing systemic risks in NBFI and decided to discontinue the annual identification of global systemically relevant insurers.

The Swiss National Bank (SNB) and the State Secretariat for International Finance represent Switzerland in the FSB Plenary, the FSB's decision-making body. FINMA is a member of the Standing Committee on Supervisory and Regulatory Cooperation and the Resolution Steering Group. It is also a member of the Steering Committee on NBFI, which is tasked with coordinating policy work on non-bank financial intermediation. The FSB is taking a systemic approach to the NBFI issue. During the year under review, climate-related financial risks, cryptoassets, cyber risks and liquidity risks in open-ended funds were the main issues focused on by FINMA in these bodies. It also contributed to the evaluation of alternative financial resources in the event of the resolution of a central counterparty (CCP).

Basel Committee on Banking Supervision

Switzerland was a founding member of the Basel Committee on Banking Supervision (BCBS) and is represented by FINMA and the SNB in its internal fora. FINMA continued to work towards strengthening the stability and resilience of the international banking system in 2022 through its active involvement in various BCBS committees. After completing its Basel III post-financial crisis reform agenda, the BCBS has turned its attention back to monitoring and assessing risks and vulnerabilities in the global banking system. The supervisory treatment of cryptoassets was one of the priority issues in the year under review, and the BCBS published a second consultative paper on this topic. Climate-related financial risks were a further area of emphasis. The BCBS published "Principles for the effective management and supervision of climate-related financial risks", which are designed to provide banks with guidance, for example on corporate governance and risk management, and also address how supervisory authorities should deal with climate risks. After a COVID-induced pause, the BCBS resumed its Regulatory Consistency Assessment Programme (RCAP) reviews. These reviews evaluate the quality of implementation of its minimum Basel III standards at a national level, currently in the areas of liquidity and risk diversification.

International Association of Insurance Supervisors

The International Association of Insurance Supervisors (IAIS) promotes effective and globally consistent supervision of the insurance industry with a view to protecting policyholders and contributing to financial stability. The IAIS Holistic Framework entered into force in 2020. It consists of three elements: (1) supervisory material, (2) global monitoring exercise and (3) implementation assessment. The IAIS carried out a significant body of work in all three areas and produced a wide-ranging report that was sent by the IAIS to the FSB in November 2022. Meanwhile, the FSB decided to discontinue the identification of global systemically important insurers.

In the implementation assessment, the IAIS assessed the progress made in implementing the relevant IAIS standards in ten countries, including Switzerland with its large number of internationally active insurance groups. The IAIS reviewed both the legal implementation and supervisory practice in each country, which was helpful for Switzerland with its more principles-based supervisory regime. As expected, the results of the Swiss review were positive. Of a total of 39 standards, 26 were classified as "met" and 8 as "largely met". Several of the gaps were anticipated in the revision of the Insurance Supervision Act (ISA) and Insurance Supervision Ordinance (ISO), including the requirement for recovery plans for groups, the power to mandate wind-up plans and restructuring law.

The IAIS discussed potential systemic risks in the insurance sector based on the data from the global monitoring exercise. The main areas of discussion included the changing backdrop on the capital markets due to rising inflation, the growing involvement of private equity investors in insurance companies and transactions, and climate risks.

During the year under review, the national member authorities of the IAIS were again able to analyse the data collected as part of the five-year monitoring phase for the Insurance Capital Standard (ICS), which runs from 2020 to 2025. The Swiss data was also discussed with foreign supervisory authorities in various supervisory colleges for Swiss insurance groups.

International Organization of Securities Commissions

FINMA has been a member of the board of the International Organization of Securities Commissions (IOSCO) for many years. IOSCO's aims include investor protection, ensuring fair, efficient and transparent markets, mitigating systemic risk and promoting effective international cooperation. FINMA again participated in various technical projects and implementation reviews in 2022. It also gained insights for its own supervision from the international discussions on developments in securities markets.

Sustainable finance is an important policy focus for IOSCO. In 2021, IOSCO supported the establishment of the International Sustainability Standards Board (ISSB) under the aegis of the IFRS Foundation. It closely monitored the development of the ISSB's draft climate and sustainability disclosure standards in the year under review, with a view to potentially endorsing them. FINMA was also involved in this work in close consultation with the competent Swiss authorities. Other priority topics at IOSCO included new technologies and cryptoassets. Moreover, it continued its work on financial stability, primarily relating to non-bank financial intermediation. FINMA contributed to this workstream, for example through a liquidity risk management review.

During the year under review the IOSCO Board appointed Jean-Paul Servais as its new chairman.

Network for Greening the Financial System

FINMA participates actively in international discussions on improving sustainability in the financial sector within the scope of its mandate. Together with the SNB, it has been a member of the Network for Greening the Financial System (NGFS) since April 2019. The NGFS, which is committed to better understanding and managing environmental and climate risks in the financial sector, now comprises well over 100 central banks and supervisors. The NGFS approved its programme of work for 2022 to 2024 during the year under review. The priority issues include supervisory practices for managing climate-related risks, the design and analysis of climate scenarios, and guidance for central banks on the transition to net zero. More weight was given to work on nature-related financial risks, such as risks relating to biodiversity loss. The NGFS also supported the process of building up expertise at affiliated central banks and supervisors. FINMA participated actively in work with direct relevance for its supervisory practice on climate-related financial risks. It contributed to analysing the relationship between financial institutions' transition plans and the responsibilities of supervisory authorities, as well as the related question of how supervisors should integrate institutions' transition plans into their supervisory work.

Bilateral relationships

FINMA has relationships with numerous foreign supervisors around the world and works closely with them in its supervision of financial institutions with international activities. It also signs cooperation agreements to underpin these relationships.

During the year under review, for example, FINMA signed a cooperation agreement with the China Securities Regulatory Commission (CSRC) on the market regulation of China-Switzerland Stock Connect (see "China Stock Connect – approval of the rules and regulations", page 49). This agreement allows securities listed on the Shanghai and Shenzhen exchanges to be traded on SIX Exchange in Switzerland in the form of depositary receipts, and vice versa.

FINMA also lent its expertise to the State Secretariat for International Finance (SIF) in market access negotiations. As in recent years, it again participated in financial dialogues and market access negotiations between the SIF and third countries in 2022, first and foremost the negotiations on a financial services agreement between Switzerland and the United Kingdom based on mutual recognition. FINMA contributed to the issues relevant to financial supervision in particular.

Since FINMA's CEO Urban Angehrn took up his role, there have been numerous courtesy meetings with FINMA's relevant partner authorities, with the aim of continuing the good cooperation at board level. These personal contacts with foreign decision-makers are key to ensuring rapid and effective international cooperation.

FINMA's staff actively contribute to ensuring the safety and stability of the Swiss financial centre

FINMA employs lawyers, economists, mathematicians, auditors, actuaries, accounting experts and other specialists. They are committed to protecting bank clients, investors, creditors and policyholders in Switzerland. FINMA also helps train young people through its internships and apprenticeships.

55.2
licensing

149.3
supervision

60.2
risk management

131.1
legal, regulation, enforcement

151.4
operations, support, central specialist functions

547.2
total full-time equivalents (FTEs)

10.1
of which apprenticeships, training places and internships

FINMA as an authority

FINMA in dialogue

FINMA informs its stakeholder groups in an open and transparent manner. It provides politicians with information about its supervisory and regulatory activities, exchanges information with numerous interest groups and informs the public about its activities in the appropriate way. In doing so, it complies with its legal mandate of accountability.

As an independent authority, FINMA strives for transparent communication and an in-depth exchange with all stakeholders. In the year under review, it informed the public by means of a range of press releases and publications and by responding to well over 6,000 enquiries. FINMA also maintains a dialogue with politicians, other authorities, the supervised institutions and other interest groups. During the period under review, exchanges took place on numerous topics. This included the impact of the war in Ukraine on the Swiss financial centre, the accentuated risks regarding the mortgage market, cyber and climate change, or FINMA's supervisory approach to corporate governance and the risk management of supervised entities. FINMA held various discussions with associations and other stakeholder groups and participated in subject-specific working groups.

Annual accountability to Parliament

Each year, the Chair of the Board of Directors and Chief Executive Officer meet the parliamentary supervisory committees, i.e. the Control Committees (CCs) and the Finance Committees (FCs) of the Federal Assembly, to fulfil their accountability obligation. FINMA's Chair and CEO traditionally take part in the meeting with the sub-committees of the Control Committees, while only the CEO takes part in the meeting with the sub-committees of the Finance Committees. In the year under review, questions were asked about FINMA's governance, and FINMA presented its assessment of the key trends and risks in the financial market. It provided information about the stability of Swiss financial institutions, its activities in the context of the Ukraine conflict and current risks in the financial market. The politicians were interested in a wide range of issues, ranging from financial market regulation to crypto and sustainability.

Provision of expert information to parliamentary committees

FINMA provides information on specific topics to parliamentary committees. In the year under review, as part of the consultation rounds on the partial revision of the Post Organisation Act, FINMA participated in meetings of the Transport and Telecommunications Committee of the Council of States.

Discussions with important stakeholder groups

FINMA held annual or semi-annual discussions with key associations of supervised institutions and encouraged regular exchanges through topic-specific working groups.

As in previous years, FINMA also organised a round table in the year under review, which comprised a number of players committed to client protection. The event was attended by consumer protection organisations (Foundation for Consumer Protection, Konsumentenforum, Fédération romande des consomateurs, Associazione consumatrici e consumatori della Svizzera italiana), the health insurance ombudsman, the private insurance ombudsman and the price supervisor. Various topics concerning the supervision of private insurance were discussed and, in particular, the area of supplementary health insurance. Looking ahead, another agenda item was the planned partial revision of the Insurance Supervision Act. Key points in this regard were, on the one hand, innovations in client protection-based supervision and the supervision of insurance intermediaries and, on the other, transparency provisions for qualified life insurances.

Strong interest in expert panels and symposia with market participants

Dialogue with supervised institutions is encouraged, particularly through subject-specific panels made up of high-level representatives from the supervisory and private sectors. These meetings enable a direct and informal exchange between the parties responsible for making decisions at the supervisory level and the level of financial market institutions. Their discussions look at specific supervisory and regulatory issues and the current market situation. In the year under review, the banking sector panels continued in the areas of asset management, retail banking, private banking, capital markets and small banks.

The expert panels on climate risks, which have been held every six months since 2021, were continued in 2022. They facilitate a direct professional exchange with experts from supervised institutions in the banking, insurance and asset management sectors on relevant topics with respect to managing climate-related financial risks. The topics that were discussed in depth in 2022 included, in particular, the instrument of climate scenario analysis and the implementation of the FINMA disclosure requirements on climate risks (see "Climate risks: initial assessment of bank and insurance company disclosures", page 32).

In addition, FINMA once again invited participants to major events in the small banks and asset management sectors and concerning the Anti-Money Laundering Act. At these events, FINMA presented its view on current supervisory issues. It also provided information on innovations and developments in the areas of distributed ledger technology, market consolidation and approaches to liquidations and mergers, supervisory technology (SupTech) in the supervisory process, and valuation and risk weighting of cryptoassets. At the fifth Small Bank Symposium organised by FINMA, which returned to being an in-person event with over 200 participants following a virtual event in 2021, FINMA focused its panel discussions on taking stock of the small banks regime and on the proportionality of Swiss financial market regulation.

In spring, FINMA held its 18th AMLA symposium after a two-year break due to the pandemic. More than 100 people from the banking and parabanking sectors as well as representatives of industry associations and authorities took part. The aim of this event was to raise awareness among participants of current issues related to combating money laundering and to foster an open dialogue and exchange of experiences.

FINMA also held two virtual symposia on various aspects of asset management. In this context, it provided information on licensing requirements for asset managers as well as trustees and, together with the Occupational Pension Supervisory Commission (OPSC), presented its experiences with managers of pension fund assets (see "Audit firms play a key role", page 79). A total of around 1,600 people attended the two events.

In the year under review, FINMA also organised a round table on the topic of FinTech, attended by the five FinTech associations, Crypto Valley Association, Swiss Blockchain Federation, Swiss Finance and Technology Association, Swiss Fintech and the Capital Markets and Technology Association as well as the Swiss Bankers Association and the Money Laundering Reporting Office Switzerland (MROS). At this event, FINMA presented its approach to FinTech and gave an overview of current topics, in particular on decentralised finance.

Responding to well over 6,000 enquiries

In 2022, FINMA processed more than 6,200 enquiries from financial market clients, investors, lawyers and other interested parties. The number of enquiries thus remained about the same as in the previous year. They concerned licensed and unlicensed institutions, licensing requirements and regulation.

This provided FINMA with valuable information on how to improve its supervisory activities. Of key significance were more than 1,500 reports and complaints received in relation to unauthorised financial market participants, who had frequently misled their investors about being located in Switzerland or about possessing a FINMA licence. Investigations by FINMA based on these reports often led to proceedings or entries being made on the warning list. The latter remained one of the most widely used sources of information that FINMA makes available on its website with the aim of protecting investors.

The outbreak of the war in Ukraine and the subsequent sanctions against Russian nationals and companies led to various enquiries from bank customers and investors. Many enquiries related to new business projects and changes to business models, in particular planned activities in asset management and FinTech.

FINMA follows up on all leads, and all enquiries received by FINMA that have an identifiable sender will receive a response.

Public reporting

FINMA communicates transparently with the public. The majority of public reporting takes place via FINMA's website. All the basic information on FINMA's supervisory and regulatory activities is available there. In 2022, FINMA continued to provide transparent information about how it fulfils its legal mandate by providing information on the website, and in specific reports, thematic dossiers, fact sheets or explanatory videos. FINMA also actively provided information regarding topics relevant to the financial centre in 9 news articles and 22 press releases in 2022. The FINMA press office dealt with more than 725 press enquiries. More than 10,000 interested parties signed up to the newsletter to receive updates about new information posted on the FINMA website. And this number is on the rise. The same is true of the number of FINMA followers on social media.

Audits on behalf of FINMA

FINMA calls on the support of third parties in all aspects of its supervisory work. Its key focus in this context is on the effectiveness and efficiency of the audit firms and mandataries. In the 2022 financial year, FINMA conducted an impact analysis to examine the cost-benefit ratio of the partial revision of FINMA Circular 2013/03 "Auditing".

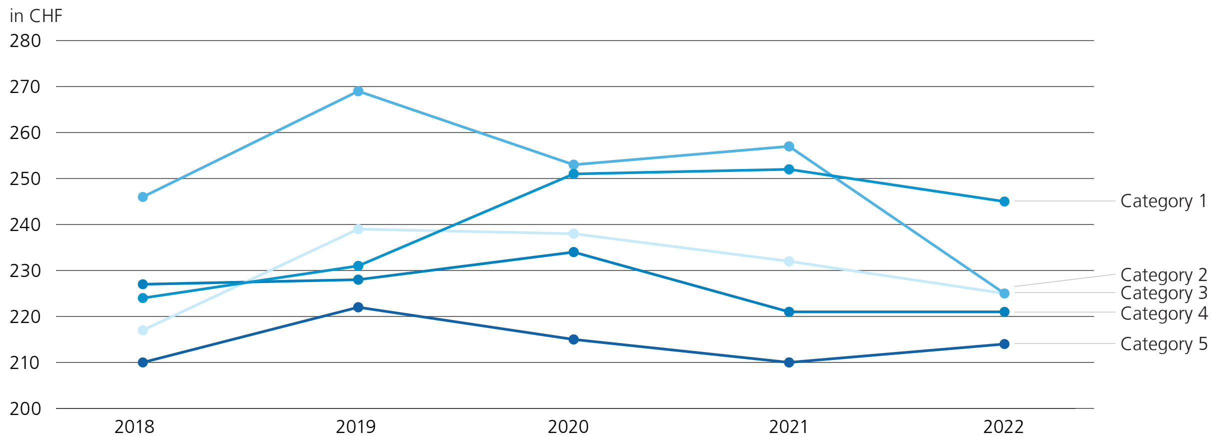
Audit firms are mainly used in supervisory audits, where they serve to extend FINMA's reach. They must maintain their independence. In addition, they must take a critical approach in the fulfilment of their duties and guarantee an objective assessment. Audit firms produce a risk analysis and an audit strategy for their assigned financial institution. For banks in supervisory categories 1 and 2, FINMA defines the audit strategy in consultation with the audit firm. For all other financial institutions, it can adjust the audit strategy provided by the audit firm. In the insurance sector FINMA defines the audit strategy and the audit programme. Audit firms report their findings to FINMA on the basis of their audit.

Audit firms play a key role

The costs of regulatory audits conducted by audit firms are borne directly by the supervised institutions. Audit firms report their invoiced fees to FINMA on an annual basis. The average hourly rate for a regulatory audit completed in 2022 was CHF 225, and CHF 151 for a financial audit. Audit costs accounted for 35% of the total supervisory costs invoiced by FINMA and audit firms for the Swiss financial market. The extent to which audit firms were used varied from sector to sector. In banking supervision, they accounted for 47% of costs, with average hourly rates for regulatory audits varying according to the size of the bank (see chart below). Particularly in supervisory categories 1 and 2, the hourly rates may be subject to stronger fluctuations due to the small number of institutions. The varying degrees of complexity of the audit fields, which are subject to rotation over several years, as well as the different business models and audit methods, have an influence on the rates. Since FINMA undertook most of the supervisory work in the insurance sector itself, costs attributable to audit firms in this sector were just 14%.

The efficiency gains made through the revision of FINMA Circular 13/03 "Auditing", which had led to savings of about 30% in the running costs of the supervised institutions for the basic and additional audits, were maintained.

Average hourly rates for regulatory audits of banks



Fees charged by audit firms for regulatory audits
Annual fees per supervisory area in CHF millions[7]

	2022	2021[8]	2020	2019	2018	2017
Banks and securities firms	55.9	54.5	55.3	76.9	81.4	86.7
Insurance	6.2	7.1	6.8	7.7	7.2	6.3
Markets	0.8	1.0	0.8	1.6	1.9	2.3
Asset management	10.7	9.3	9.8	13.1	13	12.4
Total	**73.5**	**71.9**	**72.7**	**99.3**	**103.5**	**107.7**

FINMA mandataries – an important instrument for supervisory and enforcement issues
Mandataries are an important supervisory instrument for FINMA. In contrast to auditors, mandataries are not usually commissioned for recurring audits with a predefined audit programme; instead they are deployed to look into specific issues relating to supervision and enforcement. FINMA's mandates are as varied as the areas they cover and thus require different types of specialisation. Their costs are borne by the supervised institutions. There are five types of mandatary:

– audit mandatariesat authorised financial intermediaries;
– investigating agents at authorised financial intermediaries;
– investigating agents of unauthorised activities;
– restructuring agents and crisis managers at authorised financial intermediaries;
– bankruptcy and liquidation mandataries.

The selection of a mandatary is a two-step process. All interested providers can apply to be included in a publicly accessible list of candidates. FINMA has defined requirement profiles for its standard mandates. Candidates who meet the respective profile are accepted onto the list. When selecting a mandatary, FINMA refers to this list on a case-by-case basis. There were 93 mandataries on the list at the end of the year under review. If no suitable mandatary is available, FINMA may commission an expert who does not appear on the list.

Candidates for a specific mandate are selected on the basis of different criteria. The FINMA mandataries must be suitably qualified and independent (cf. Arts. 24a and 36 FINMASA). These are the two key factors for the commissioning of mandataries in a particular case. Other selection criteria are language skills or the area of assignment. Depending on the mandate, sufficient resources may also be required. In addition, the proposed fees are a deciding factor when awarding the contract.

FINMA assigned 22 mandates during the year under review. As part of its selection process, it ensured that, if possible, mandates were not awarded disproportionally frequently to certain mandataries. FINMA monitored the fulfilment of the mandates on an ongoing basis and checked the proportionality of the

[7] The figures reported each year relate to audits conducted in the previous financial year. Regulatory audit costs include the basic audit and any additional audits. Other costs associated with regulatory audits (such as expenditure on special audits required by law) over which FINMA has no control are not included.

[8] Deviations from the figures published in the 2021 Annual Report are due to audit costs retrospectively reported or adjusted.

costs to be borne by the supervised institutions. Costs for FINMA mandataries commissioned in 2022 came to CHF 23 million (invoices received as of mid-February 2023).

Costs for FINMA mandataries by fee volume and number of mandates granted

Category of supervised institution	2022		2021		2020	
	Fee volume[9] in CHF m	Number of mandates commissioned	Fee volume in CHF m	Number of mandates commissioned	Fee volume in CHF m	Number of mandates commissioned
Auditing of authorised financial intermediaries	6.4	6	7.9	10	13.0	8
Investigations of authorised financial intermediaries	13.8	6	10.6	11	2.2	4
Investigations of unauthorised activities	0.7	6	0.3	4	0.6	7
Liquidation proceedings	0.1	0	0.2	1	0.2	1
Bankruptcy liquidation proceedings	2.0	4	2.3	3	4.9	5
Total	**23.0**	**22**	**21.3**	**29**	**20.9**	**25**

[9] Invoices received as of mid-February 2023.

Board of Directors and Executive Board

FINMA is a public law institution in its own right. The Board of Directors is responsible for the strategic management of FINMA. The Executive Board, under the leadership of the CEO, is responsible for day-to-day operations.

The Board of Directors is FINMA's strategic management body and is responsible for overseeing and controlling the Executive Board. The Executive Board leads FINMA in operational terms and implements the resolutions passed by the Board of Directors and its committees. It is responsible for the supervision of Swiss financial market participants in accordance with statutory and strategic provisions.

The Board of Directors

The Board of Directors is FINMA's strategic management body. It directs, supervises and controls FINMA's Executive Board. It decides on matters of substantial importance, issues ordinances and circulars and is responsible for FINMA's budget. The Board of Directors acts as a collective body. Its decisions are taken by a majority of the votes of the members present. The Board of Directors usually meets every six weeks for its regular meetings. In the year under review, it held a closed session on the topic of sustainability in the financial sector and was informed by renowned experts and FINMA's own specialists about current developments in the field. In addition, it intensified its dialogue with industry representatives and exchanged information on current market developments with the chairs of the boards of directors and CEOs of supervised institutions in its regular meetings.

Members of the Board of Directors (31 December 2022)[10]

Prof. Marlene Amstad	Chair
Martin Suter	Vice-Chair
Prof. Ursula Cassani Bossy	Member
Prof. Susan Emmenegger	Member
Dr Alberto Franceschetti	Member
Benjamin Gentsch	Member
Marzio Hug	Member
Dr Andreas Schlatter	Member

[10] To ensure transparency, FINMA maintains a public list of the interests of members of the Board of Directors. Information about FINMA's Code of Conduct is publicly available. The conditions for holding office as stipulated by the Federal Council also apply to FINMA's Board of Directors.

Dr Alberto Franceschetti and Marzio Hug took up their positions on 1 January 2022, having been elected to FINMA's Board of Directors by the Federal Council in October of the previous year. On 16 December 2022, the Federal Council confirmed Martin Suter as Vice-Chair of FINMA's Board of Directors for a further term of two years.

Committees of the Board of Directors

The Board of Directors has three committees, formed from among its members: the Audit and Risk Committee, the Appointments Committee and the Takeover and State Liability Committee. The Takeover and State Liability Committee is the complaints body with which appeals against rulings by the Swiss Takeover Board may be lodged. It also rules on claims seeking to establish state liability under the Government Liability Act.

Prof. Marlene Amstad

Martin Suter

Prof.
Ursula Cassani Bossy

Prof.
Susan Emmenegger

Benjamin Gentsch

Dr
Alberto Franceschetti

Dr Andreas Schlatter

Marzio Hug

The standing committees of the Board of Directors and their members (31 December 2022)

	Audit and Risk Committee	Appointments Committee	Takeover and State Liability Committee
Prof. Marlene Amstad		Chair	
Martin Suter	Chair		
Prof. Ursula Cassani Bossy			Chair
Prof. Susan Emmenegger			X
Dr Alberto Franceschetti	X		
Benjamin Gentsch		X	
Marzio Hug	X		
Dr Andreas Schlatter		X	X

The Executive Board

The Executive Board is FINMA's operational management body. It is charged with supervising banks, insurance companies, exchanges, securities firms and other financial intermediaries in line with statutory regulations and FINMA's strategy. It prepares decision-making materials for matters which fall within the remit of the Board of Directors and is responsible for implementing the resolutions of the Board and its committees. The Executive Board normally meets weekly.

Members of the Executive Board (31 December 2022)

Dr Urban Angehrn, CEO
Birgit Rutishauser,
Deputy CEO and Head of Insurance division
Léonard Bôle, Head of Markets division
Marianne Bourgoz Gorgé, Head of Asset Management division
Patric Eymann, Head of Enforcement division
Thomas Hirschi, Head of Banks division
Dr Alain Girard, Head of Recovery and Resolution division
Alexandra Karg, Head of Operations division
Johanna Preisig, Head of Strategic Services division

The Executive Board underwent various personnel changes in the year under review. As of 1 February, the Board of Directors appointed Thomas Hirschi as the new Head of the Banks division. The former Head of the Asset Management division succeeded Jan Blöchliger, who left FINMA of his own volition. Philip Hinsen acted as interim Head of the Asset Management division until the appointment of Marianne Bourgoz Gorgé effective 1 September 2022. Marianne Bourgoz Gorgé has over 20 years of experience in the banking sector, where she held various managerial roles. Most recently, until 2021, she served as Group Chief Risk Officer at Banque Cantonale de Genève for eight years. Lastly, the Board of Directors appointed Alain Girard to the Executive Board. He holds a doctorate in law and a degree in economics, and previously headed the department responsible for the supervision of small banks and securities firms at FINMA. As of 1 August 2022, he took over as Head of the Recovery and Resolution division. He succeeded Rupert Schaefer, who moved to the Federal Financial Supervisory Authority (BaFin) in Germany.

Enforcement Committee

The Enforcement Committee (ENA) is a standing committee of the Executive Board responsible for making decisions on enforcement. It issues enforcement rulings and decides whether to initiate and/or discontinue proceedings.

Permanent members of the Enforcement Committee (31 December 2022)

Dr Urban Angehrn, Chair
Patric Eymann
Johanna Preisig

Good corporate governance

FINMA ensures good corporate governance through ordinances, regulations, internal controls and training. Codes of behaviour, in particular on how to deal with conflicts of interest, are laid down in FINMA's Code of Conduct. The Board of Directors is informed annually about the implementation of the Code of Conduct at FINMA. In addition, FINMA held training courses in the year under review to increase knowledge and awareness of how to deal with conflicts of interest. The courses focused on the handling of insider information about non-supervised institutions as well as on how to deal with conflicts of interest when changing roles.

Dr Urban Angehrn

Birgit Rutishauser

Patric Eymann

Johanna Preisig

Marianne Bourgoz Gorgé

Thomas Hirschi

Léonard Bôle

Alexandra Karg

Dr Alain Girard

Staff

FINMA is committed to a personnel policy which emphasises efficiency, sustainability and transparency. In 2022 – after a break due to the pandemic – a survey of the entire staff took place again. FINMA also continued to work towards meeting its goals on equal opportunities and gender diversity.

Motivated and competent employees are a prerequisite for FINMA to be able to fulfil its legal mandate to protect clients and the functioning of the financial markets. FINMA therefore attaches great importance to a high level of job satisfaction and equal opportunities. It regularly conducts staff surveys to identify a possible need for action and pursues ambitious equal opportunities goals.

Gender diversity targets: equal pay ensured, but challenges in recruiting female specialists and managers

Equality of opportunity is a key personnel policy objective at FINMA. FINMA has therefore set itself ambitious goals in this area. While equal pay was ensured in the reporting year, the targeted increase in the proportion of women at all management levels is hampered by various factors.

FINMA had its salary policy reviewed again in 2022 by an independent body using "Logib", the Federal Government's equal-pay tool. The gender pay gap measured in this way was within the target range defined by FINMA of +/–2.5%. This means that it is not statistically different from zero and that equal pay in the strict sense is still guaranteed.

One of FINMA's self-declared goals is to ensure that the proportion of women at all management levels is approximately the same as in the overall workforce.

2022 staff survey: very high participation and positive results

FINMA regularly conducts a survey of its entire workforce. Around 90% of FINMA staff took part in the survey in 2022. The detailed responses from these surveys provide the basis for in-depth quantitative analysis. The numerous supplementary written comments also provide a comprehensive view of qualitative aspects of working conditions.

FINMA employees generally show high levels of job satisfaction and identify strongly with their employer. The results for 2022 were even better in all areas than in the surveys from 2019 and 2017. The following topics in particular show a marked improvement over the results from the 2019 survey: "IT operational stability", "internal training opportunities" and "access to information".

This is also particularly pleasing as these categories constituted action areas with room for improvement in the 2019 staff survey.

However, there are also topics and newly identified action areas where there is room for improvement. Further progress needs to be made in the areas of "development of collaboration tools" and "workload" in particular. Although the results are generally consistent across all divisions, the responses from the staff survey are also analysed separately for each division and at all levels. The implementation of the improvement measures derived from this was already initiated at the end of 2022.

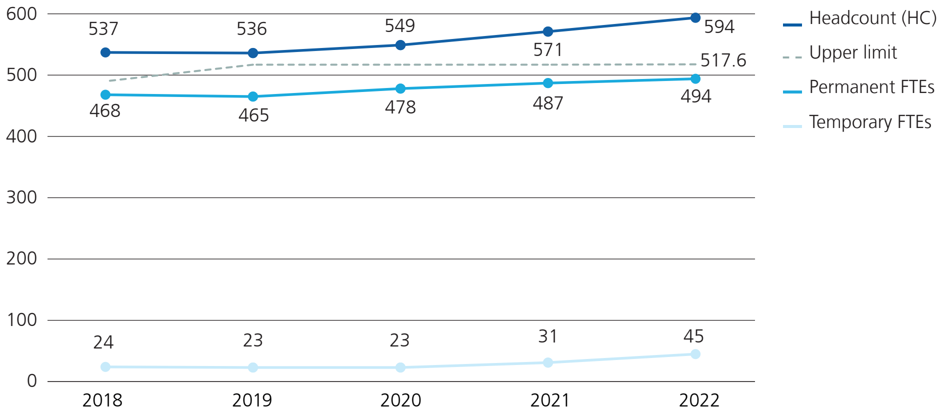
In the year under review, 30.7% of all management positions were held by women (2021: 28.8%); overall, women accounted for 41.3% of the workforce (2021: 41.2%). The gender diversity development goals are defined in terms of phased targets which over time will deliver appropriate and sustainable gender distribution at each management level. Based on the 2022 workforce, the indicative figures and percentages achieved are as follows:

– at least 35% of junior specialist management positions to be filled by women by 2026
  2022: 33.3% (2021: 32.4%)
– at least 35% of junior management positions to be filled by women by 2026
  2022: 25.0% (2021: 22.7%)
– at least 33% of senior specialist and management staff and executive management to be filled by women by 2026
  2022: 28.8% (2021: 23.3%)

With women holding 33.3% of lower specialist management positions, the first benchmark was narrowly missed in 2022. FINMA attributes this mainly to two factors. Firstly, staff turnover during the coronavirus pandemic was very low. As a result, significantly fewer vacant positions were filled than usual. Secondly, FINMA also found in the year under review that the shortage of specialists made recruitment more difficult. Particularly for specialist and managerial positions in the technical and scientific fields, the proportion of women applying remained very low in the already low number of applications. In these profiles, the proportion of women in the current workforce is also low. This makes it difficult to develop a sufficient number of succession candidates internally for corresponding positions in the medium term. For the same reasons, it is questionable whether FINMA will be able to achieve its second gender diversity milestone of 35% women in lower management positions by the end of 2024. It nevertheless maintains the target values for an appropriate representation of both genders in senior management. However, the time horizon for achieving the target will be adjusted. By means of already established comparative gender monitoring measures for the personnel processes for recruiting, selecting, assessing and developing employees, the target values should now all be achieved by the end of 2026 at the latest.

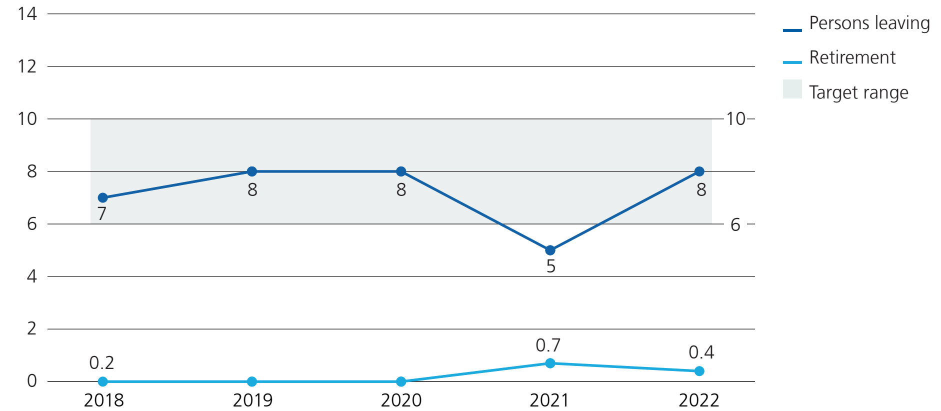
FINMA publishes detailed personnel data annually on its website.

Average headcount



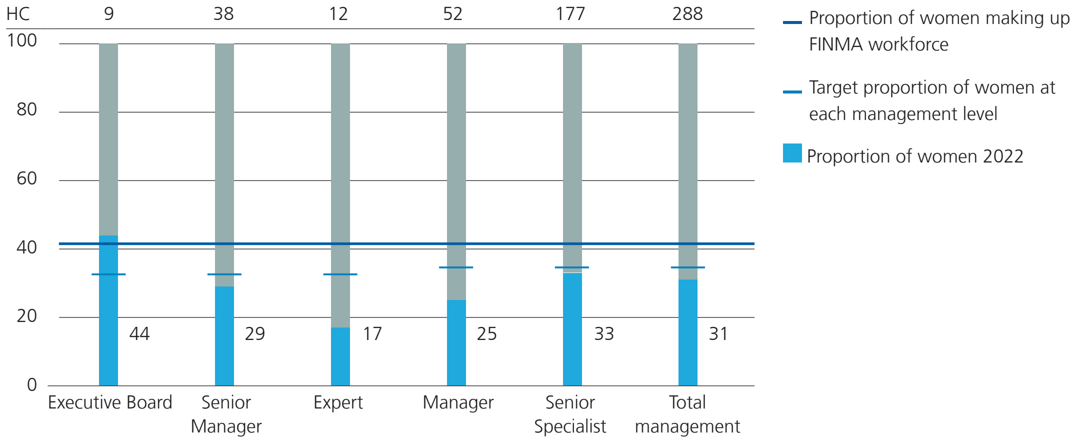
Staff turnover

in %, at year end



Proportion of women at each management level

in %, at year end



Digitalisation and operations

FINMA focused on further improving internal collaboration in 2022. Through new and complementary ways of working, it established a basis on which to promote the organisation's digital transformation and to support collaboration in a flexible working environment. Hybrid work models and modern workstations support this process.

The experience gained from the coronavirus pandemic has brought greater flexibility for FINMA employees in the way they work and collaborate, and a partial shift towards the virtual and digital space. FINMA has adapted its offices to this "new normal" and redesigned the working environments at its locations in Bern and Zurich. At the same time, it launched its own digital strategy and thus stepped up its efforts to pursue digital transformation. Against this backdrop, FINMA consciously engaged with its own collaboration culture and defined ways of supplementing and strengthening it.

Hybrid working models and modern offices

The lifting of the pandemic restrictions in early 2022 brought some normality back to the office. FINMA staff were able to return to work and discovered a newly-designed office landscape. Personal workstations were abolished to allow office zones to be converted into modern and flexible working areas.

Throughout the pandemic, employees already had a great deal of flexibility regarding where they worked within the scope of the official regulations. On days when employees are in the office, the focus is on collaboration. Individual teams can interact and cross-team meetings can be held in specially-created collaboration zones. Optimising digital infrastructure also promotes interaction and collaboration. Active use is being made of the new possibilities for remote and hybrid meetings and the new areas for training courses and workshops.

New forms of internal collaboration

As it prepares for a digital future, FINMA is creating the conditions for enhanced cooperation and the further harmonisation and simplification of internal processes. The aim is for FINMA staff to be able to collaborate and learn from one another more easily and efficiently across divisions and teams. Where useful, new forms of collaboration and agile methods can and should be used in addition.

Various ways of simplifying internal reporting processes and improving collaboration within internal bodies were identified, tested and implemented in this way in 2022. New approaches to the rolling control of internal financial planning were developed and the FINMA management principles were overhauled through interdisciplinary collaboration.

Efficiency gains within the organisation and simplified data exchange with third parties as part of the digital strategy

In the year under review, FINMA adopted an organisation-wide digital strategy, which is a development of the data strategy that was approved by the Executive Board in 2019. It aims to increase efficiency within the organisation; to simplify digital information exchange with supervised institutions, audit firms and other third parties; and to improve analytical capabilities, e.g. through the expansion of instruments for data-driven supervisory techniques. For each of these main activities, packages of measures have been put together with a multi-year implementation plan.

Introduction of automation solutions and first pilot projects for the use of artificial intelligence

Initial projects under the digital strategy were successfully implemented in the year under review. For example, robotics process automation (RPA) was introduced as a supplementary automation tool for efficiency enhancement. Across all divisions, processes were reviewed in terms of their automation potential. The identified use cases where the deployment of RPA can add value are to be implemented in stages over the next 12 to 18 months. A number of working steps were also automated in the area of proper business conduct checks in order to process the high volume as efficiently as possible. For applications in the area of collective investments, a logic is now used for automated preliminary checking, whereby the applications are reviewed by the system based on rules. The result of this check is used by the person handling the application as a basis for their final assessment.

Progress has also been made in the deployment of artificial intelligence (AI) in internal processes. The FINMA analytics catalogue highlights potential cases where AI could be used. A particular focus is on natural language processing (NLP). Initial pilot projects have been completed and are at the evaluation stage. FINMA also regularly liaises with other national and international authorities for this purpose. AI is always used with caution and with a view to improving internal analytical capabilities.

User-friendly interfaces with supervised institutions and the public

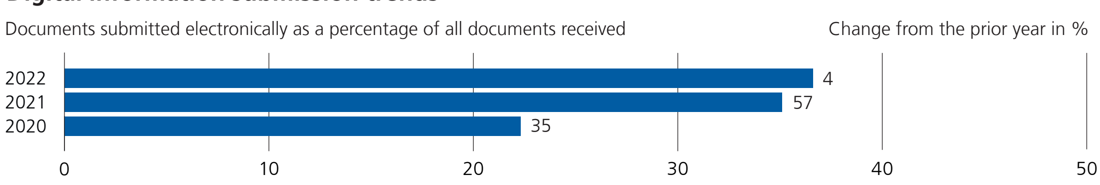
Improvements have also been made in publicly accessible information. For example, since September 2022, the new insurers' reporting portal has been available to the public with a new user interface, which allows better analysis of the data contained in the portal. The insurers' reporting portal specifically includes information on the balance sheet and income statement by insurance company and year. Furthermore, the extranet area of the FINMA website was overhauled. Information and documents on the various digital channels and regarding digital exchange with FINMA are now structured based on the different use cases and are easier to access.

The usage rate of digital submission channels remained at a high level in the year under review. At the same time, outgoing electronic correspondence was further increased in collaboration with the supervised institutions and audit firms. Following high double-digit increases in previous years, the growth rate flattened out in the year under review, but was still up 4% compared with 2021. Overall, just under 37% of FINMA's outgoing correspondence was sent electronically.

FINMA reduces its environmental footprint and becomes CO_2-neutral

FINMA promotes the sparing use of energy and natural resources through targeted measures. It has also undertaken to reduce its greenhouse gas emissions by around 31% by 2030 compared with the 2019 baseline. In order to be a CO_2-neutral organisation moving forward, it voluntarily offsets 100% of its greenhouse gas emissions in the areas of energy, transport, buildings and sustainable consumption through the purchase of emissions reduction certificates. The offsetting was done through the purchase of ITMOs (Internationally Transferred Mitigation Outcomes), which replaced the previous emissions certificates. In this way, FINMA is complying with the Federal Council's targets and setting an example within and outside the organisation.

Digital information submission trends



Key environmental indicators

	Unit	2018	2019	2020	2021	2022	Change from prior year in %
Power consumption, Bern	kWh	866,062	823,274	710,892	596,769	574,425	–3.7
Power consumption, Zurich	kWh	100,758	107,006	81,804	68,428	82,470	+20.5
Consumption of heating energy, Bern (district heating)	kWh	948,928	1,056,248	1,004,466	992,893	822,461	–17.2
Consumption of heating energy, Zurich (natural gas)	kWh	436,832	456,605	438,125	508,144	380,009	–25.2
Total energy consumption	kWh	2,352,580	2,443,133	2,235,287	2,166,234	1,859,365	–14.2
Proportion of total energy needs met by renewable energy sources	%	71.2	70.2	68.9	80.2	86.7	+8.1
Paper consumption per full-time equivalent (FTE)	kg	21.8	16.7	8.8	3.6	4.1	13.9

After the calculations for 2019 revealed emissions of 1,173 tonnes of CO_2 equivalents, emissions fell in 2020 (due to the pandemic) to 319 tonnes of CO_2 equivalents. This figure was further reduced in 2021 by limiting travel, renovating buildings to be more energy efficient and dispensing with fossil fuels. In this period, FINMA only generated 222 tonnes of emissions of CO_2 equivalents. FINMA expects a renewed increase in emissions in 2022 as business travel has increased again since May.

The three main causes of FINMA's greenhouse gas emissions are heating, business travel and electricity. Heating consumption (in kWh) has decreased by 20.5% since 2019. At the same time, emissions caused by heating have fallen by 16.5%. This is due to the fact that the proportion of CO_2-neutral district heating in the Bern offices has been increased to 100% and the heating mix has therefore become more climate friendly.

While the number of business trips increased in 2022 compared with the previous year, the figures are still below those for 2019. Not only have delegation sizes for foreign trips generally been reduced, but the available electronic communication channels are also becoming ever more important internationally.

In terms of electricity, FINMA successfully implemented a number of efficiency measures. These include renovation of the lighting and lighting control system in the Bern offices and meeting rooms in the year under review. In absolute terms, power consumption in kWh has fallen by 29% since 2019.

FINMA did not see a fall in paper consumption in 2022, despite increasing digitalisation and the reduction of analogue services. More staff working in the offices also led to more paper being used. However, paper consumption is still lower than it was before the pandemic.

Reduction of power consumption with a view to possible electricity shortages

The economic sustainability measures from previous years have been helpful in drawing up additional strategies to reduce power consumption in the event of electricity shortages. A set of measures and savings targets have been defined and can be implemented in the event of a crisis. Immediate measures in the area of lighting, room temperature and the use of electronic devices were implemented as early as autumn 2022 in order to comply with the Federal Council's appeal to save energy. With annual power consumption of over 100,000 kWh, FINMA is a large-scale consumer and in the event of power shortages is required to follow the directives of the Organisation for Power Supply in Extraordinary Situations (OSTRAL).

Increase in FINMA's operating costs and headcount limit due to new tasks

New statutory responsibilities, increasing complexity and more stringent requirements for supervisory activities are leading to rising costs for FINMA. This is reflected in the operating costs and requires measures in the area of resources.

Due to the long transition period, the implementation of the Financial Institutions Act (FinIA) and the Financial Services Act (FinSA) is staggered. While FINMA's operating costs were stable for a long time, they already rose in 2020 and 2021 due to the expenditure associated with the entry into force of the FinIA and FinSA. This continued in the year under review. FINMA's annual financial statements therefore showed operating costs of CHF 133 million (2021: CHF 126 million). Together with the statutory reserves, this amounted to CHF 146 million (2021: CHF 139 million). These expenses were covered by income from supervisory fees and levies.

FINMA's total reserves amounted to CHF 131 million before allocation. Article 37 of the FINMA Ordinance on the Levying of Supervisory Fees and Charges (FINMA-GebV) states that 10% of FINMA's total annual costs must be allocated to the statutory reserve until the total reserve has reached or re-reached an amount equivalent to one annual budget. Owing to the implementation of the FinIA and FinSA, and of the Insurance Supervision Act (ISA), as well as additional costs connected with digitalisation, operating costs are set to increase further. An allocation to the total reserves is therefore to be anticipated in 2023.

FINMA meets increasing requirements with risk-based reprioritisation and, where possible, with efficiency gains in processes. In view of the additional statutory responsibilities that FINMA will be faced with in the coming years and in order to address key issues for the future, FINMA's Board of Directors decided in the year under review to increase the maximum number of full-time positions by 44. The maximum headcount is a planned figure. The actual number of full-time positions will therefore increase organically over the following four years, depending on demand, and will be controlled through the annual budget planning. In particular, the revision of the Insurance Supervision Act creates significant additional resource requirements for the new tasks in the supervision of insurance intermediaries. At the same time, additional positions are to be created for new supervisory topics such as sustainability, cyber security and FinTech, as well as for developments in the area of digitalisation.

Annual financial statements for 2022

The 2022 Annual Financial Statements, which set out FINMA's results in detail, are published separately.

Abbreviations

AI Artificial intelligence
AMLA Swiss Federal Act of 10 October 1997 on Combating Money Laundering and Terrorist Financing in the Financial Sector (Anti-Money Laundering Act; SR 955.0)
AMLO Swiss Federal Ordinance of 11 November 2015 on Combating Money Laundering and Terrorist Financing in the Financial Sector (Anti-Money Laundering Ordinance; SR 955.01)
AMLO-FINMA Ordinance of 3 June 2015 of the Swiss Financial Market Supervisory Authority on Combating Money Laundering and Terrorist Financing in the Financial Sector (FINMA Anti-Money Laundering Ordinance; SR 955.033.0)
Art. Article
BA Swiss Federal Act of 8 November 1934 on Banks and Savings Banks (Banking Act; SR 952.0)
BaFin Federal Financial Supervisory Authority (Germany)
BCBS Basel Committee on Banking Supervision
BO Swiss Federal Ordinance of 30 April 2014 on Banks and Savings Banks (Banking Ordinance; SR 952.02)
BPS Banque Privée Espírito Santo
CAO Swiss Federal Ordinance of 1 June 2012 on Capital Adequacy and Risk Diversification for Banks and Securities Dealers (Capital Adequacy Ordinance; SR 952.03)
CC Control Committee of the Federal Assembly
CCP Central counterparty
CEO Chief executive officer
Cf. Compare
CFD Contract for difference
CHF Swiss franc
CIS Collective investment scheme
CNMV Comisión Nacional del Mercado de Valores (Spain)
CO_2 Carbon dioxide
CreO-FINMA FINMA Ordinance on Credit Risks
CS Credit Suisse
CSRC China Securities Regulatory Commission
CTF Commodity trade finance
DDoS Distributed denial of service
DeFi Decentralised finance
DisO-FINMA FINMA Ordinance on the Disclosure of Risks and Capital Requirements and the Principles of Corporate Governance
DLT Distributed ledger technology
D-SIB Domestic systemically important bank
ECB European Central Bank
ENA FINMA Enforcement Committee
ESMA European Securities and Markets Authority
ETP Exchange traded product
EU European Union
FATCA Foreign Account Tax Compliance Act (USA)
FC Finance Committee of the Federal Assembly
FDF Federal Department of Finance
ff. and the following
FinIA Swiss Federal Act of 15 June 2018 on Financial Institutions (Financial Institutions Act; SR 954.1)
FinIO Ordinance of 6 November 2019 on Financial Institutions (Financial Institutions Ordinance; SR 954.11)
FINMA-GebV Ordinance of 15 October 2008 on the Levying of Supervisory Fees and Charges by the Swiss Financial Market Supervisory Authority (FINMA Ordinance on the Levying of Supervisory Fees and Charges; SR 956.122)
FINMASA Swiss Federal Act of 22 June 2007 on the Swiss Financial Market Supervisory Authority (Financial Market Supervision Act; SR 956.1)
FinMIA Swiss Federal Act of 19 June 2015 on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (Financial Market Infrastructure Act; SR 958.1)
FinMIO-FINMA Ordinance of 3 December 2015 of the Swiss Financial Market Supervisory Authority on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FINMA Financial Market Infrastructure Ordinance; SR 958.111)
FinSA Swiss Federal Act of 15 June 2018 on Financial Services (Financial Services Act; SR 950.1)
FinTech Financial technology
FMI Financial market infrastructure
FSB Financial Stability Board
FTE Full-time equivalent
G20 Group of Twenty
GDR Global depository receipt
G-SIB Global systemically important bank
HC Headcount
IAIS International Association of Insurance Supervisors
ICS Insurance Capital Standard
ICT Information and communication technologies
IOSCO International Organization of Securities Commissions
ISA Swiss Federal Act of 17 December 2004 on the Supervision of Insurance Companies (Insurance Supervision Act; SR 961.01)
ISO Swiss Federal Ordinance of 9 November 2005 on the Supervision of Private Insurance Companies (Insurance Supervision Ordinance; SR 961.011)
ISO-FINMA Ordinance of 9 November 2005 of the Swiss Financial Market Supervisory Authority on the Supervision of Private Insurance Companies (FINMA Insurance Supervision Ordinance; SR 961.011.1)
ISSB International Sustainability Standards Board
IT Information technology

ITMO Internationally transferred mitigation outcomes
kg Kilogram
kWh Kilowatt hour
LCR Liquidity coverage ratio
let. Letter
LIBOR London Interbank Offered Rate
LiqO Swiss Federal Ordinance of 30 November 2012 on the Liquidity of Banks (Liquidity Ordinance; SR 952.06)
Logib Federal government's equal-pay tool
LP Limited partnership for collective investment schemes
LROO-FINMA FINMA Ordinance on the Leverage Ratio and Operational Risks
m Million
MarO-FINMA FINMA Ordinance on Market Risks
MROS Money Laundering Reporting Office Switzerland
NAV Net asset value
NBFI Non-bank financial intermediation
NFT Non-fungible token
NGFS Central Banks and Supervisors Network for Greening the Financial System
NLP Natural language processing
OPSC Occupational Pension Supervisory Commission
Ordinance to FINMASA Swiss Federal Ordinance of 13 December 2019 to the Financial Market Supervision Act (Ordinance to FINMASA, SR 956.11)
OSTRAL Organisation for Power Supply in Extraordinary Situations
OTF Organised trading facility
p. Page
para. Paragraph
Q Quarter
RAP Resolvability Assessment Process
RCAP Regulatory Consistency Assessment Programme
rev. Revision
RPA Robotics process automation
SBA Swiss Bankers Association
SBS Sberbank (Switzerland) AG
SECO State Secretariat for Economic Affairs
SIB Systemically important bank
SIF State Secretariat for International Finance
SNB Swiss National Bank
SO Supervisory organisation
SRO Self-regulatory organisation
SST Swiss Solvency Test
SupTech Supervisory technology
SWIFT Society for Worldwide Interbank Financial Telecommunication
TBEO-FINMA FINMA Ordinance on the Trading and Banking Book and Eligible Capital
UBS UBS Group AG
USA United States of America
ZKB Zürcher Kantonalbank

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Organisation chart

(31 December 2022)

■ Division
□ Sections and groups reporting directly to the division heads
⬚ Sections and groups reporting directly to the Board of Directors
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Strategic Services
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Regulation
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International Affairs
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Legal and Compliance
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Edith Honegger

Operations
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Facility Management and Purchasing
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Finance
Thomas Flückiger

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Information and Communication Technologies
Niko Kehm

FINMA's ten strategic goals for 2021 to 2024

The strategic goals show how FINMA intends to fulfil its legal mandate and where its focus will lie. The goals concern various areas of client and system protection, as well as operational topics (see page 76).

Goals for client and system protection

1 – Capital and liquidity
FINMA will safeguard the stability of supervised financial institutions, particularly by ensuring that banks and insurance companies are well capitalised and have ample liquidity resources.

2 – Conduct
FINMA will have a sustained positive impact on the conduct of supervised financial institutions.

3 – Risk management and corporate governance
FINMA is committed to ensuring that supervised financial institutions maintain the highest risk management standards, and will promote responsible corporate governance through its supervisory activities.

4 – Too big to fail
The plans provided for by law will be drawn up in order to mitigate the "too big to fail" risk.

5 – Structural change
FINMA will seek to ensure that the financial system remains robust in the light of forthcoming structural changes and that its clients are able to benefit from new opportunities without being exposed to additional risks.

6 – Innovation
FINMA will promote innovation in the Swiss financial centre.

7 – Sustainability
FINMA will contribute to the sustainable development of the Swiss financial centre by giving particular consideration to climate-related risks in its supervisory work and urging financial institutions to tackle these risks transparently.

8 – International cooperation and regulation
FINMA will seek to ensure that Swiss financial regulation is in line with international standards. It will represent Swiss interests in international fora and make the case for credible international standards. FINMA is a recognised, cooperative and reliable partner for foreign supervisory authorities.
FINMA is committed to financial regulation that achieves the targeted reduction of the risks while also being proportional and as simple as possible.

Operational goals

9 – Resources
The resources required will be based on the expenditure necessary for FINMA's extended legal remit to be fulfilled in an efficient manner. New technologies will be used to help realise gains in efficiency and effectiveness.

10 – Staff
FINMA's staff are highly qualified and receive continuous training. They are highly motivated, display a high level of integrity and are flexible. As an attractive employer, FINMA is committed to ensuring equal opportunities and that work can be successfully combined with family life.

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