



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

FINMA – a portrait

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Strong supervision: a seal of quality for Switzerland's financial sector



Strong supervision: a seal of quality for Switzerland's financial sector

The Swiss economy depends on well-functioning financial markets which supply cash and credit to the real economy, manage the savings of millions of people and hedge risks. Effective supervision of these markets builds trust in the financial centre.

Switzerland's financial sector employs over 200,000 people and accounts for nearly ten per cent of the country's gross domestic product. It is therefore essential to provide adequate protection to Switzerland's financial market customers – particularly so because the country's financial sector is disproportionately large by global comparison and has an international focus. Issues arising in the Swiss financial sector can have far-reaching economic consequences.

Independent supervisory authority

A strong, professional and independent supervisory authority is key to the proper functioning of the financial sector. Trust in the Swiss financial centre will grow, both at home and abroad, if the public and businesses know that banks, insurance companies, funds and financial market infrastructures (such as stock exchanges) are effectively supervised and that they comply with statutory requirements. Professional, credible and independent supervision is therefore a seal of quality for both Switzerland and its financial centre.

FINMA's core tasks

FINMA has three core responsibilities: licensing, supervision and, where necessary, enforcement. It can also issue subordinate technical regulations. However, FINMA is primarily a supervisory authority which monitors supervised institutions' compliance with the law.

FINMA's mandate



FINMA's mandate

As an independent authority, FINMA is tasked with protecting creditors, investors and policyholders and ensuring the proper functioning of the financial markets.

FINMA's mandate covers banks, insurance companies, stock exchanges, securities dealers, funds and other financial intermediaries. It licenses and supervises financial market participants, and intervenes where necessary. FINMA is also responsible for drafting and implementing technical standards.

FINMA is responsible for ensuring that companies comply with regulatory requirements, while civil and criminal courts settle disputes and other matters between financial intermediaries and customers.

Solid supervision protects the financial system and its customers and thus contributes to enhancing the reputation and competitiveness of Switzerland's financial centre.

“My job is varied and interesting, but what really motivates me is FINMA's overall purpose. The work that I do helps boost customer trust in Swiss financial institutions. Supervision enhances the stability and integrity of Switzerland's financial centre. That's a big motivator for me.”

General Secretariat employee, 32 years old, Strategic Services division

Protecting individuals

(Creditors, investors and policyholders)

Protecting market functioning

(Financial markets' ability to function)

Enhanced reputation and competitiveness of Switzerland's financial centre

FINMA's resources

Approximately 500 people work at FINMA's headquarters in Bern and its offices in Zurich. Its operating costs, which are met by the institutions it supervises, are approximately CHF 130 million (in 2016). Given the scale and importance of the Swiss financial sector, FINMA is relatively lean by international comparison.

Licensing, supervision, enforcement and regulation



Licensing – gaining entry to the financial market

FINMA is responsible for licensing all companies which plan to operate in the regulated financial sector. Various types of licensing determine the intensity of supervision.

Individuals and companies (legal entities) must be licensed by FINMA for a range of activities before they enter the financial market. Those who meet statutory requirements qualify for a licence. FINMA strives to guarantee rapid and efficient licensing procedures.

Licensed individuals and companies must meet quality standards and fulfil licensing requirements at all times or their licences may be revoked.

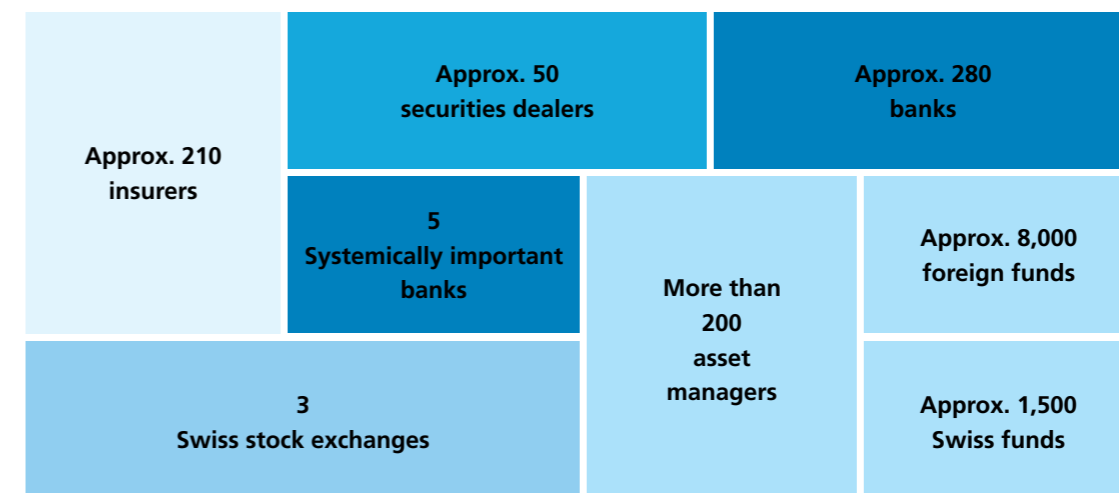
Various types of licence

Not every licence issued by FINMA is the same. The most stringently regulated licences, which grant individuals or companies permission to operate in the financial market, are subject to ongoing FINMA supervision. Other licences involve recognition (as self-regulatory organisations, for example) and one-off registration of insurance intermediaries, and do not entail the same level of monitoring. The products offered by funds, supplementary health insurance and occupational pensions require FINMA approval. Only in the insurance sector does FINMA approve tariffs (in the areas of supplementary health insurance, occupational pensions and insurance against natural hazards.)

“We have to understand the precise intentions of licence applicants before we can reliably evaluate their applications. Although FINMA has to apply financial market law and must therefore turn down applications from time to time, our job is to find appropriate and sustainable approaches in every situation.”

Lawyer, 42 years old, Banks division

Who is currently licensed by FINMA?



Licensing, **supervision**, enforcement and regulation



Supervision – a core task

The primary objective of FINMA’s supervisory activities is to ensure that supervised institutions are financially stable and comply with rules of business conduct. This protects creditors, investors and policyholders – and the financial system as a whole.

FINMA’s central task is forward-looking supervision of the financial sector. Licensed banks, securities dealers, insurance companies, financial market infrastructures and funds (or their asset and fund managers) are placed under ongoing, risk-oriented supervision. In many areas, FINMA appoints regulatory audit firms to extend its reach.

Objectives

The primary aim of ongoing supervision is to ensure that all supervised institutions are financially stable and have enough capital to bear any losses incurred in a crisis. For market discipline to work, the key risks must also be known. If supervised institutions nonetheless encounter financial difficulties or become insolvent, they should be enabled to exit the market in an orderly manner with minimum impact on customers and the economy.

Prudential supervision

In its ongoing supervisory activities, FINMA ensures that supervised institutions

- are adequately capitalised;
- have sufficient liquidity;
- have good risk management in place;
- have an appropriate internal organisation;
- maintain appropriate control systems.

FINMA regularly and comprehensively monitors these requirements, from a forward-looking perspective.

SUITABILITY	MARKET CONDUCT	CROSS-BORDER SERVICES	ANTI-MONEY LAUNDERING REQUIREMENTS
Suitability of products and services for the customer	Market integrity	Cross-border financial services	Money laundering and financial crime
Reviewing the obligations of institutions towards individual customers (individual asset managers, investment and pension advisors, transaction execution)	Reviewing the obligations of institutions in the securities market Market conduct rules	Reviewing the risks of institutions offering cross-border financial services	Reviewing anti-money laundering due diligence requirements

Supervision – a core task

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Licensing, supervision, enforcement and regulation
FINMA | A portrait

Supervision of business conduct rules

FINMA also monitors compliance with rules of conduct. These include money laundering requirements, market conduct rules, obligations towards individual customers, and appropriate counters to risks inherent in cross-border services. The aim is to protect financial market customers against unfair business practices and unequal treatment.

Risk-oriented supervision

FINMA takes a risk-oriented approach to fulfilling its mandate. Key areas are scrutinised intensively, while lower-risk areas receive less attention.

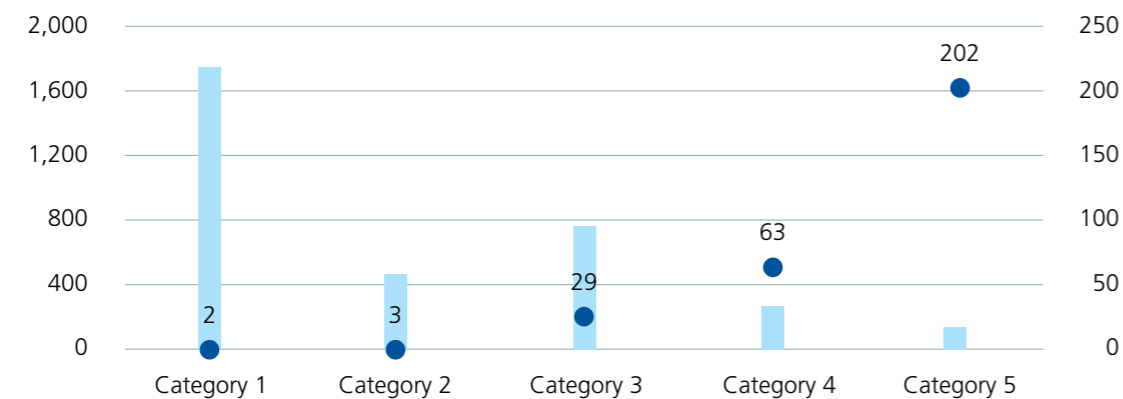
To implement this approach, FINMA assigns each supervised institution a category which reflects the risk it poses to creditors, investors, policyholders and the Swiss financial system as a whole.

This risk-oriented approach is based on the principle of proportionality and is illustrated in the distribution of Swiss banks' balance sheet totals. A similar approach is applied in the insurance sector.

In addition to a risk category, each institution is assigned a rating which reflects FINMA's assessment of its current status. The two factors determine the intensity of supervision and the supervisory tools deployed for each institution; together they ensure that FINMA directs its resources towards the areas of greatest risk. Conversely, institutions assessed as lower-risk are subject to less intensive scrutiny.

“You really have to want to look beneath the surface. It’s the only way to assess the potential risks. Working as a supervisor is particularly satisfying, if you’re interested in finance, enjoy meeting people at all levels in the financial market and are willing to put in the necessary time and effort.”

Senior manager, 58 years old, Markets division



All financial groups and single entities as of December 2016 ■ Balance sheet total (CHF billions) ● Number of institutions

Supervision – a core task

Third parties working on FINMA's behalf

FINMA performs many of its supervisory duties itself, but it also relies on the support of third parties. These include audit firms appointed by FINMA to verify that supervised institutions comply with regulatory requirements. Their role is to extend FINMA's reach in ongoing supervision. Audit firms in their turn are licensed and supervised by Switzerland's Audit Oversight Authority.

FINMA can also appoint agents on a case-by-case basis to assist with specific areas of ongoing supervision, enforcement, and restructuring and liquidation processes.

On-site supervisory reviews

FINMA carries out more than 120 on-site reviews each year. In line with its risk-oriented approach, it scrutinises specific issues several times a year at major banks in risk categories 1 and 2. It normally carries out on-site supervisory reviews at medium-sized banks every two to three years; banks with negative ratings are reviewed annually. Smaller institutions are not subject to on-site reviews unless irregularities are apparent. On-site reviews at insurance companies typically involve several institutions and focus on specific topics, although they may also be conducted at individual institutions if there is cause for concern. A risk-based approach also applies here. On-site reviews are also conducted in other areas of supervision.

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Licensing, supervision, enforcement and regulation
FINMA | A portrait

Licensing, supervision, **enforcement** and regulation



Effective enforcement as a last resort

FINMA investigates breaches of the law and corrects irregularities. It uses the regulatory tools at its disposal to enforce supervisory law.

The purpose of enforcement is to discover whether a supervised or unauthorised financial market participant has committed a breach of regulatory law. FINMA investigates suspicious activity, determines the facts and, where necessary, launches formal enforcement proceedings with the aim of restoring compliance with the law. Enforcement action also sends a powerful preventive message to the market as a whole.

Supervisory dialogue

Minor irregularities can often be addressed in the context of ongoing supervision. FINMA always considers the circumstances of each case and acts proportionately. Enforcement proceedings are initiated as a last resort and generally conclude with a ruling and intervention.

Tools

FINMA has far-reaching enforcement powers. To discourage repeated infringement, FINMA can issue industry bans, order the disgorgement of profits and impose organisational measures. In extreme cases, proceedings can result in licence revocation or the forcing of a company into liquidation. Enforcement measures may apply to both institutions and individuals.

“Lawyers working in FINMA’s Enforcement division cannot allow themselves to be intimidated or overawed. They have to stick to their task, even when the other side can call on the services of highly regarded financial market law experts. It is essential to remain polite at all times and keep your wits about you.”

Lawyer, 36 years old, Enforcement division

Effective enforcement as the last resort

Restructuring and bankruptcy

FINMA also conducts restructuring activities so that at-risk financial institutions can continue to operate or at least maintain some of their services. If restructuring proves impossible, FINMA will ensure an orderly market exit during bankruptcy proceedings.

Criminal law

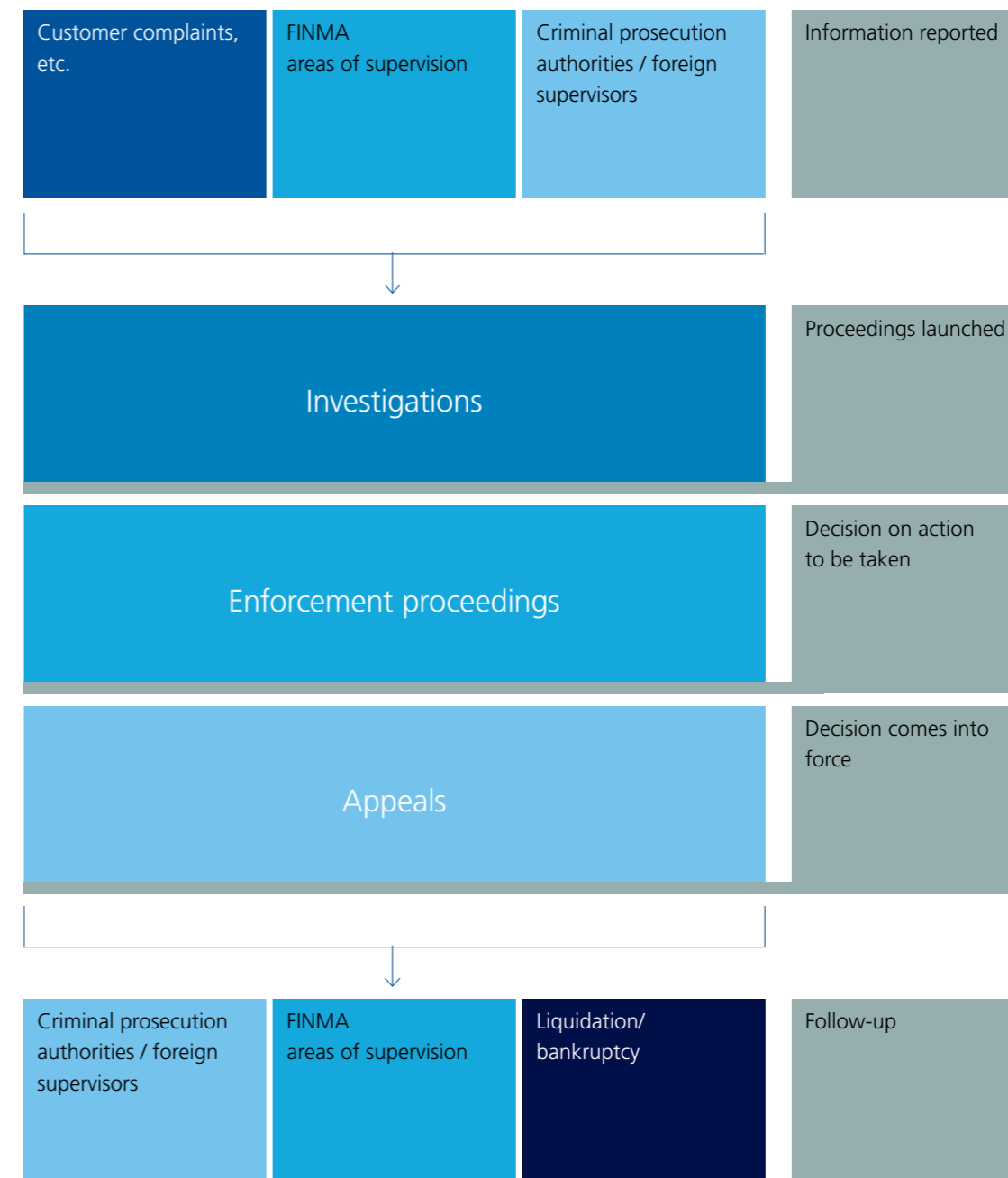
FINMA does not conduct criminal proceedings or impose penalties. If FINMA suspects that a crime has been committed, it files charges with the Legal Services department of the Federal Department of Finance or with the responsible criminal prosecution authorities.

Market supervision

FINMA supervises the markets to ensure that all companies listed on Swiss exchanges comply with the rules of market conduct. In this area, which is known as general market supervision, FINMA's mandate covers all financial market participants, not only licensed institutions. If it detects market abuses (insider trading or market manipulation, for example) or breaches of disclosure requirements, FINMA takes appropriate action.

Effective enforcement as the last resort

Enforcement proceedings



Licensing, supervision, enforcement and regulation



Proportionate, principle-based regulation

FINMA advocates principle-based, differentiated and internationally compatible regulation which enables it to fulfil its supervisory mandate at the right place and time and with the proper tools. FINMA regulates only at the lowest level and only when necessary.

As a supervisory authority, FINMA's main role is to monitor whether financial market participants are complying with financial market legislation. The Federal Assembly and Federal Council define the regulatory framework and issue the relevant laws and ordinances.

Ordinances and circulars

FINMA regulates at a subordinate level – and only when this is necessary from a supervisory perspective. FINMA issues detailed ordinances where the legislature allows it to do so. It publishes circulars in which it defines its own supervisory practices and sets out laws and ordinances. FINMA may also recognise self-regulation within the sector as a minimum standard.

An overview of the regulation process

FINMA's regulation process is transparent and ensures that those affected are involved appropriately. Before FINMA draws up regulations, it investigates the issue, the objective and the level of urgency. It also considers alternative measures. If the need for regulation stands, all options are reviewed, an impact analysis is conducted and a strategy is defined. Wherever expedient, FINMA enters into early dialogue with

those affected. Draft regulations are then put out for consultation for all involved parties to comment on; once all the arguments have been considered, the regulations are adopted and quickly published. This procedure allows the parties affected to make appropriate preparations. FINMA continues to monitor the impact of regulations over time and modifies or rescinds them as necessary.

“As a lawyer in a commercial law firm I was basically on my own, working my way through legal problems in clearly defined areas. At FINMA, I work as part of a team to find solutions. Policy issues and overarching political concerns also play a major role. My work as a lawyer is less specialised than it used to be, but I now have a much better overview of the developments and challenges at an economic, political and legal level.”

Lawyer, 35 years old, Strategic Services division

Differentiated regulation – a priority for FINMA

FINMA strives for differentiated regulation based on the principle of proportionality. Where a law or ordinance gives FINMA scope for independent action, it can draw on a range of business models and risk structures for financial service providers in drafting its regulations. For smaller market participants, less stringent rules apply in a number of areas, for instance liquidity, disclosure requirements and corporate governance.

Well-connected nationally and internationally



Well-connected nationally and internationally

To be effective and credible, a supervisory authority must cooperate closely with its national and international partners.

At home and abroad, FINMA has gained a reputation as an effective and professional supervisory authority.

Exchange at the national level

In Switzerland FINMA exchanges information with over 100 institutions and industry associations, and has an open and transparent information policy with regard to stakeholder groups and the general public. These dialogues improve the understanding of supervisory and regulatory issues and raise awareness of financial market topics.

Internationally engaged

Internationally, FINMA is perceived as an organisation with a high level of expertise and a solid record of achievement. Its active involvement at all levels in international bodies allows FINMA to defend Swiss interests on the global stage.

Important stakeholder groups

National

Parliament
Federal Council / Department of Finance
Swiss National Bank
Criminal prosecution authorities
Other authorities / federal agencies
Industry associations
Other associations (economic forums, etc.)
Consumer protection organisations

International

Foreign supervisors
Financial Stability Board (FSB)
Basel Committee on Banking Supervision (BCBS)
International Association of Insurance Supervisors (IAIS)
International Organization of Securities Commissions (IOSCO)
Financial Action Task Force (FATF)

Independence and accountability



Independence and accountability

Legislators have granted FINMA a large degree of independence to help it best fulfil its supervisory mandate. However, while free to define its own internal organisation and financial autonomy, FINMA must still account for its actions and is subject to government oversight.

Financial market supervisors can only reach objective decisions if they are free from political interference and the influence of supervised institutions. Under the law, FINMA therefore enjoys a significant degree of independence in the following areas.

- **Institutional independence:** FINMA is an independent authority in its own right and is controlled by its own board of directors and executive board.
- **Functional independence:** Neither parliament nor the government can issue directives to FINMA regarding its activities as a supervisor.
- **Financial independence:** FINMA is not subject to central budget constraints and covers its operating costs by charging fees and levies to supervised institutions. This allows it to adjust its income where there is proven need.

Accountability

Even if FINMA acts independently, its supervisory activities do not go uncontrolled. It details its activities comprehensively in its annual report and annual financial statements. It is subject to parliamentary oversight and supervision by the Federal Council, which selects the board of directors and the chair, endorses the appointment and dismissal of FINMA's CEO, and approves FINMA's strategic goals and annual report. FINMA's rulings can be appealed and are therefore subject to scrutiny by the courts. The Federal Administrative Court and/or Federal Supreme Court have the final say on contentious issues.

A fair and supportive working environment



A fair and supportive working environment

The range of job profiles at FINMA is unique in Switzerland. FINMA offers its employees the opportunity to make a real contribution in a wide range of roles at the heart of the Swiss financial market.

At FINMA lawyers, economists, mathematicians, auditors, actuaries, accountants and investment specialists collaborate with experts from a range of other disciplines. They exchange opinions and insights, and work closely with their colleagues. Flat internal hierarchies combined with task-oriented teamwork generate a working culture where all contributions are valued and there is a minimum of red tape.

Professional development

Lifelong learning and continuous professional development are key aspects of FINMA's personnel policy. FINMA employees can benefit from:

- participation in external training and development programmes;
- a programme for talent development;
- internal and external secondments;
- specialist and management careers.

Flexible and mobile

FINMA provides a flexible annualised working time model for its employees. Its offices are located centrally in Bern und Zurich. Most FINMA roles can also include an element of home or mobile work.

In addition to five weeks' leave per calendar year (or six for employees aged 50 and over), FINMA offers additional flexibility in the form of unpaid leave (e.g. sabbaticals) or an additional week's holiday in return for a salary deduction.

Equal opportunity

FINMA is committed to a fair, clearly structured and competitive remuneration policy where an individual's salary and career do not depend on age, gender, lifestyle or origins. All employees enjoy the

same opportunities. FINMA has been awarded the "Good Practice in Fair Compensation" certificate by the Swiss Association for Quality and Management Systems (SQS).

Family-friendly

Family-friendly employment conditions are a standard feature of any modern and fair employer. FINMA offers part-time working models, supplemented child allowances, career re-entry programmes following maternity leave, and substantial scope in terms of working hours and work location. Some of these elements are also attractive to employees without families.

Promoting new talent

FINMA helps young people to step onto the career ladder through internships for university graduates and the Legal and Compliance Officer programme. Since 2017 it has also been an approved training company for business administration apprentices.

"FINMA has supported my professional development. In fact, this year I will be completing a postgraduate programme abroad. FINMA was open to the idea of my undertaking an innovative study programme because it was an ideal fit with my profile and current role."

Employee, 31 years old, Insurance division

"I really appreciate the working time models that FINMA offers. They give me the flexibility I need to spend more time with my family."

Employee, 47 years old, Asset Management division

Contact us

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“Bike couriers, CEOs and Federal Councillors – I get to meet them all. At the FINMA Welcome Desk, I have to be a good listener and organiser, multitask and be generally flexible. We’re sometimes asked to recommend a good restaurant, and we can sew on a button if necessary!”

Welcome Desk employee, 43 years old, Operations division

Information for investors

FINMA's mandate is to protect creditors, investors and policyholders. To fulfil this mandate, it provides information (with answers to key questions) for individual investors on the FINMA website, where it also lists FINMA warnings and offers personal contact via a hotline.



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