



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 at a glance

As an independent supervisory authority, FINMA protects the clients of financial markets, namely creditors, investors and insured persons, thereby strengthening confidence in the smooth functioning, competitiveness and integrity of Switzerland's financial centre.

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Objectives and orientation

Parliament approved the Federal Act on the Swiss Financial Market Supervisory Authority (FINMASA) on 22 June 2007. The Federal Council ratified the implementing provisions for FINMASA on 15 October 2008, with the Act entering into full force on 1 January 2009.

The aim of the new Financial Market Supervisory Authority

The object of FINMASA is to group together under one authority the government supervision of banks, insurance companies, stock exchanges and securities dealers as well as other financial intermediaries in Switzerland. The Act merges three bodies – the Federal Office of Private Insurance (FOPI), the Swiss Federal Banking Commission (SFBC) and the Anti-Money Laundering Control Authority – into the Swiss Financial Market Supervisory Authority FINMA.

The aim of the financial market supervisory authority is to protect creditors, investors, insured persons and to ensure the general functioning of the financial markets in accordance with financial market legislation. It thus helps reinforce Switzerland's image and competitiveness as a financial centre (Article 5, FINMASA).

Protection under FINMA

System protection
Depositor protection
Protection of insured persons
Investor protection
Protection of reputation
Competitiveness of financial centre

Organisational reorientation

With a GDP contribution of 12% and a workforce of around 200,000, the financial sector plays a significant role in the Swiss economy. At the same time, and as the financial market crisis has so clearly demonstrated, the sheer magnitude and degree of

interdependence in the financial sector have given rise to systemic risks that could have a negative impact on the entire economy in Switzerland.

Against the backdrop of the extremely dynamic developments in the financial markets and the ever increasing complexity of financial market supervision, the institutional structure of the existing supervisory bodies is being enhanced. With the establishment of an integrated financial market supervisory authority, an organisational reorientation is underway to strengthen financial market supervision in Switzerland and to give it greater weight on an international scale.

Corporate governance and code of conduct

FINMA is structured as an institution under public law. It has functional, institutional and financial independence as well as a modern management structure with a Board of Directors, Executive Board and the Swiss Federal Audit Office as external auditor. As a counterbalance to FINMA's independence, it has been made accountable to and is subject to the overall political supervision of the Federal Government.

It is of vital importance to FINMA that the people who are active on its behalf conduct themselves with integrity and refrain from any activity that could jeopardise its image and credibility. The code of conduct issued by FINMA sets out strict instructions, particularly with regard to conflicts of interest that may arise in connection with activities carried out on FINMA's behalf. This code of conduct is directed at all persons acting for FINMA, namely the Board of Directors and all staff members, whether they are employed on either a permanent or temporary basis.

Seven pieces of legislation under the FINMASA umbrella

In addition to organisational issues regarding FINMA as an institution, FINMASA also sets out principles governing financial market regulation, liability rules and harmonised supervisory instruments and sanctions. FINMASA therefore functions as an umbrella law for the other laws (see box page 6) governing financial market supervision. The legal mandate conferred on the supervisory authority remains unchanged, however, and takes into account the specificities of the different areas of supervision. Banks, securities dealers, stock exchanges, insurers and collective investment schemes must thus

continue to satisfy the respective legal criteria (see below). The system of self-regulation established under the Anti-Money Laundering Act and the Stock Exchange Act will likewise be maintained.

Financial Market Supervision Act FINMASA

Banking Act

Stock Exchange Act

Collective Investment Schemes Act

Insurance Supervision Act

Federal Insurance Contract Act (parts)

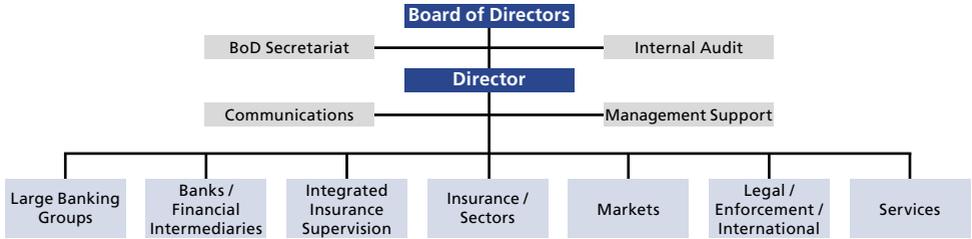
Anti-Money Laundering Act

Mortgage Bond Act

With FINMASA, two implementing ordinances were approved to take effect on 1 January 2009.

- The ordinance governing the levying of fees and duties by the Swiss Financial Market Supervisory Authority passes on the costs of supervision to the individual areas supervised, as far as possible applying the ‘user pays’ principle and without cross-subsidising.
- The financial market audit ordinance groups together in a single ordinance the provisions governing financial market auditing.

FINMA employs around 320 people. Its staff is made up of a broad range of specialists working together on an interdisciplinary basis. They are specialists from the fields of law, economics, mathematics, auditing, the actuarial profession, accounting and investment, amongst others.



Board of Directors

The Board of Directors of FINMA, as strategic management body, has seven to nine independent expert members, pursuant to FINMASA. It decides on matters of substantial importance, issues ordinances and circulars, and is responsible for FINMA's budget. It also ensures internal controls by means of an internal audit unit and oversees the Executive Board.

Taking due account of corporate governance considerations, the following Board of Directors Committees have been set up from among the members of the Board of Directors:

- The appointment and remuneration committee carries out the preparatory work on which the Board of Directors bases its personnel decisions.
- The audit committee, as an independent specialist committee, provides substantial support to the Board of Directors in its monitoring activities.
- The strategy committee steers the strategy development process and makes proposals regarding the areas of FINMA's strategic focus to the attention of the Board of Directors.

FINMA Board of Directors

Dr. Eugen Haltiner	Chairman
Dr. Monica Mächler	Vice-Chairwoman
Daniel Zuberbühler	Vice-Chairman
Dr. Anne Héritier Lachat	Member
PD Dr. Sabine Kilgus	Member
Paul Müller	Member
Charles Pictet	Member
Dr. Bruno Porro	Member
Prof. Dr. Jean-Baptiste Zufferey	Member

In addition, the Board of Directors recruits specialised members from among its ranks to perform an advisory role for the Board of Directors and the Executive Board. These specialists are accorded in-depth insight into concrete regulatory initiatives in relation to the respective supervisory laws and bring their specific areas of expertise and the strategic view of the Board of Directors to bear at an early stage by accompanying the regulatory work. In addition, the specialist areas Risk Management and Auditing will be established to function on a cross-legislative basis.

Lastly, the Board of Directors maintains institutionalised contact at the highest management level with key authorities and organisations in Switzerland and abroad. It thus has the opportunity to raise important developments and issues with selected stakeholders.

Executive Board

The Executive Board is FINMA's operational management body and is responsible for supervising banks, insurers, stock exchanges, securities dealers and other financial intermediaries in accordance with the law and respective strategy. It prepares the necessary files and materials for decisions on items of business that fall under the remit of the Board of Directors and reports to the Board of Directors regularly and, in the case of special events, immediately. It is responsible for implementing the resolutions of the Board of Directors and its committees, and issues rulings on all matters that do not fall to the Board of Directors. The Executive Board decides as a collective body on matters such as the granting of licences of a general nature, key management, organisational and personnel issues, directives not requiring Board of Directors approval, and supervisory matters of cross-segmental significance. The Executive Board also operates an appropriate internal control system and reports regularly to the Board of Directors on the effectiveness of such.

FINMA Executive Board	
Dr. Patrick Raaflaub	Director
Daniel Sigrist	Head of Large Banking Groups
Kurt Bucher	Head of Banks / Financial Intermediaries
Dr. René Schnieper	Head of Integrated Insurance Supervision
Hans-Peter Gschwind	Head of Insurance / Sectors
Franz Stirnimann	Head of Markets
Dr. Urs Zulauf	Head of Legal / Enforcement / International
Andreas Wortmann	Head of Services

As a state regulatory body, FINMA is endowed with supreme authority over banks, insurance companies, stock exchanges, securities dealers and collective investment schemes. It is responsible for combating money laundering and, where necessary, conducts financial restructuring and bankruptcy proceedings. In addition, it has supervisory powers with respect to the disclosure of holdings and is the complaints body for decisions of the Takeover Board in the area of public takeover bids for listed companies.

FINMA grants operating licences for companies and organisations subject to its supervision, monitors the supervised institutions with respect to their compliance with the requisite laws, ordinances, directives and regulations, as well as with the conditions for the granting of licences that must be complied with at all times. Where necessary and to the extent permissible by law, FINMA imposes sanctions, provides administrative assistance and regulates. In other words, it participates in the amendment of laws and corresponding ordinances, issues circulars and, where it is authorised to do so, its own ordinances. FINMA is also responsible for ensuring that self-regulation is acknowledged appropriately.

Insurance sector		Supervised institutions as at 31.12.2007		
	Switzerland	Branches of foreign companies	Total	
Non-life insurers	78	39	117	
Life insurers	22	4	26	
Reinsurers	25		25	
Captives	46		46	
Supplementary health insurers	46		46	
Total	217	43	260	
	Unaffiliated	Affiliated		
Insurance intermediaries	approx. 5'000	approx. 7'000	approx. 12'000	

Banking sector / markets	Supervised institutions as at 31.12.2007
Banks	337
of which branches of foreign banks	33
Raiffeisen banks	390
Representative offices of foreign banks	51
Central mortgage bond institution	1
Mortgage Bond Bank	1
Domestic stock exchanges	3
Licensed non-Swiss stock exchanges	36
Institutions similar to stock exchanges	4
Securities dealers incl. branches	69
Representatives of non-Swiss securities dealers	43
Asset managers of collective investment schemes	18
Foreign investment funds	4'593
Domestic investment funds	1'201
Fund management companies	46
Representatives of foreign collective investment schemes	130
Distributors	533
Audit companies	10

Anti-money laundering activities	Supervised institutions as at 31.12.2007
Recognised self-regulatory organisations (SROs)	11
Directly subordinated financial intermediaries supervised by FINMA (DSFIs)	412
Financial intermediaries affiliated with an SRO	6'293
Group companies subject to anti-money laundering supervision under FINMA	164
Accredited auditors	106

Supervisory function	Description	Contact
Banks and securities dealers		
Small and medium-sized banks/securities dealers	The licensing procedure aims to ensure that irregular business practices or dubious guarantors are kept out of the financial market. FINMA constantly monitors licensed institutions to ensure that they are complying with licensing and other regulatory requirements at all times.	bfi@finma.ch Tel. 031 3279 300
Large banking groups	Due to their size, complexity and their importance to the banking system, UBS AG and Credit Suisse Group AG are supervised by a separate FINMA division. Besides indirect supervisory instruments, procuring information directly and carrying out direct control activities are of central importance in the supervision of large banks.	large-banks@finma.ch Tel. 031 3279 200
Insurance companies		
The supervisory objectives for all insurance sectors are the protection of insured persons in the event of insolvency and protection against abusive practices.		
Life insurers	The major life insurers cover the risks of death, disability and longevity. With group life insurance policies, the authority performs preventative controls of rates and terms and monitoring of compliance with special requirements for occupational pension insurance.	life-insurance@finma.ch Tel. 031 3279 470
Non-life insurers	Non-life insurers insure risks that provide cover for a proven financial loss or pay an agreed benefit if the insured event occurs. These are risks affecting the insured persons themselves (e.g. an accident), risks of loss of or damage to goods belonging to the insured persons (e.g. buildings) or risks relating to possible damage caused by the insured person to others (e.g. motor third party liability).	non-life-insurance@finma.ch Tel. 031 3279 480
Health insurers	Voluntary supplementary health insurance is a special category of non-life insurance. Supplementary insurance policies represent an area that is not fully deregulated; supervisory legislation sets out preventative product control for supplementary health and individual daily benefits insurance.	health-insurance@finma.ch Tel. 031 3279 490

Supervisory function	Description	Contact
Insurance groups	Group Supervision supervises insurance groups managed from Switzerland. The main focus is on ensuring solvency at group level, monitoring group-internal transactions and reviewing corporate governance, risk management and internal control systems.	insurance-groups@finma.ch Tel. 031 3279 360
Reinsurers	Supervisory legislation generally places the same requirements on reinsurers as on direct insurers. The most important exception to this is that the requirements governing restricted assets do not apply to reinsurers.	reinsurance@finma.ch Tel. 031 3279 500

Other financial intermediaries

Insurance intermediaries	A central element in the supervision of insurance intermediaries is the intermediary register. Entry in the register is obligatory for unaffiliated intermediaries; all other intermediaries are entitled but not required to be entered in the register. All insurance intermediaries featuring in the register must satisfy specific personal, professional and financial criteria.	vermittler@finma.ch Tel. 031 3279 310
Directly subordinated financial intermediaries (DSFIs)	The first step in the supervisory process is the licensing procedure. Licensed DSFIs are monitored by FINMA on an ongoing basis. The aim of this monitoring is to ensure that anti-money laundering requirements are complied with at all times.	dufi@finma.ch Tel. 031 3279 320
Self-regulatory organisations (SROs)	For the purposes of supervision under anti-money laundering regulations, financial intermediaries operating outside the banking and insurance area, e.g. independent asset managers, fiduciary agents, attorneys and notaries, the Post Office and Swiss Federal Railways, have the option of applying directly to FINMA for a licence or affiliating themselves with an SRO supervised by FINMA. FINMA is the licensing authority for SROs, for their regulation, supervisory bodies and all procedures, and subjects the SROs to periodic reviews. In addition, FINMA is responsible for ordering and enforcing specific measures.	aml@finma.ch Tel. 031 3279 450
Central mortgage bond institutions	There are currently two central mortgage bond institutions authorised to issue Swiss mortgage bonds: the Central Mortgage Bond Institution of the Swiss Cantonal Banks and the Mortgage Bond Bank of the Swiss Mortgage Institutions. With FINMASA's entry into force, supervision will fall to an audit company under supervisory law.	supervision-msi-retailbanks@finma.ch Tel. 031 3279 330

Supervisory function	Description	Contact
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Markets

Stock exchanges and markets	<p>The Swiss system of stock exchange supervision is based on the principle of self-regulation. The Stock Exchange Act is thus designed as a framework law offering a high degree of flexibility. Stock exchanges require an operating licence and are subject to the supreme supervision of FINMA (stock exchange supervision). In addition, securities dealing is monitored by FINMA and the stock exchanges (market supervision) for potential market abuses. 'Market supervision' in its broader sense also includes enforcing regulations on the disclosure of holdings and the takeover procedure; this duty falls primarily to the Takeover Board.</p>	<p>markets@finma.ch Tel. 031 3279 240</p>
Rating agencies	<p>FINMA recognises rating agencies for the purpose of calculating capital adequacy requirements under Basel II and pursuant to the Collective Investment Schemes Act.</p>	<p>ratingagencies@finma.ch Tel. 031 3279 220</p>
Licensing of distributors of collective investment schemes	<p>The Banks/Financial Intermediaries division is responsible for licensing distributors of collective investment schemes. The licence issued authorises distributors to offer and distribute Swiss and foreign collective investment schemes approved for distribution in Switzerland. The licensing of collective investment schemes for distribution is the responsibility of the Markets division.</p>	<p>authorization@finma.ch Tel. 031 3279 340</p>
Audit companies	<p>FINMA delegates the auditing of supervised organisations, firms and persons to recognised, monitored audit companies. In addition, the lead auditors tasked with the respective audits are subject to licensing obligations.</p>	<p>auditfirms@finma.ch Tel. 031 3279 270</p>
Collective investment schemes	<p>The dual supervisory system, with the audit company acting as an extended arm of FINMA, requires fund management companies (both for themselves and for the funds they manage), SICAVs, SICAFs, limited partnerships for collective investments, asset managers of collective investment schemes and representatives of foreign collective investment schemes to designate an audit company recognised by FINMA (Article 126 CISA). Distributors are not obliged to comply with this requirement, while custodian banks' status as banks means that they already have a recognised audit company. The audit company examines whether the licence holder is complying with legislative, corporate and regulatory requirements and sets out its findings in a report that is delivered to both the licence holder and the supervisory authority (Article 128 CISA).</p>	<p>investmentfunds-supervision@finma.ch Tel. 031 3279 260</p>

Banks

- The licensing obligation and the licensing requirements that must be complied with on an ongoing basis are the most important preventative means of supervising banks and securities dealers. In particular, the persons charged with the administration and business management of such institutions must vouch for the sound and proper conduct of business, as must persons who hold a qualifying participation in such institutions.
- In order to maintain financial stability, the Banking Act and Ordinance as well as the Stock Exchange Act and Ordinance set out requirements with regard to capital adequacy, risk distribution and liquidity. Detailed accounting regulations are designed to enhance transparency.
- With a view to strengthening corporate governance, Supervision and Internal Control sets out regulations on the independence of boards of directors, the establishment of an audit committee, internal auditing and the responsibilities of compliance and risk control.
- The risk-based supervision of small and medium-sized banks and securities dealers is assisted by an early warning and rating system encompassing six supervisory classes with appropriate supervisory measures.
- Two-tier supervision is based on audits performed by audit companies under supervisory law; these are conducted along defined lines with differing levels of intensity depending on the risk situation.

Insurers

FINMA operates on the basis of Integrated Insurance Supervision:

- The Swiss Solvency Test (SST) is used to determine the economic risk exposure and risk capacity of an insurance company and is based on principles similar to those of the EU's Solvency II regime.
- In addition to this quantitative approach, qualitative supervisory instruments (Swiss Quality Assessment SQA) will focus on corporate governance, risk management, internal control systems and various processes such as investment management.
- Alongside this, various traditional instruments continue to be used. On the basis of business plans and within the framework

of reporting obligations, reporting must cover the aspects of Solvability I in particular and restricted assets. If any threats to solvency or irregularities are discovered, FINMA has a range of protective measures at its disposal.

Markets

- Stock exchanges require operating licences and are subject to the supreme supervision of FINMA. FINMA must approve the stock exchanges' by-laws.
- Securities dealing will be monitored by the exchanges and FINMA for signs of insider trading, manipulation of the market or other irregularities. When investigating the grounds for any suspicions, FINMA will coordinate its activities with the criminal prosecution authorities.
- FINMA is responsible for enforcing regulations governing the disclosure of holdings and takeover procedures; it is the first level of contact for complaints regarding decisions taken by the Takeover Board.
- The Federal Act on Collective Investment Schemes (CISA) sets out the approval and licensing of products and the institutions involved by FINMA.
- In the implementation of CISA, FINMA takes the measures necessary to promote and develop the Swiss fund market.

6

How FINMA is financed

FINMA's costs are financed in full by the institutions supervised via the fees and supervisory duties levied. The basis for this is Article 15 of the Federal Act on the Swiss Financial Market Supervisory Authority (FINMASA). The financing models of the merged authorities have been combined and, where necessary, adapted to suit the new Authority.

The fees will be charged to the supervised institutions individually and, in particular, based on rulings and supervisory procedures. In contrast, supervisory duties cannot be charged individually and may only be attributed on a group basis. The level of supervisory charges attributable to the group of supervised institutions will be appropriately divided over the individual parties, as far as possible on a 'user pays' basis.

For the first year of operations, 2009, operating costs of CHF 86 million have been projected. With allocations to reserves prescribed by FINMASA of 10% of operating costs, total costs will amount to CHF 94.6 million. The revenue side of the budget envisages CHF 81.3 million for supervisory duties and fees of CHF 13.3 million.

7 National and international Cooperation

At the national level, FINMA works in close contact with the Federal Department of Finance and the Swiss National Bank (SNB). It signed a Memorandum of Understanding (MoU) aimed at financial stability with the SNB in 2007. In addition, FINMA maintains relations with industry associations such as the Swiss Bankers Association, the Swiss Insurance Association and the Swiss Funds Association, as well as with other stakeholders, such as SIX Swiss Exchange, the Swiss Takeover Board, the Federal Audit Oversight Authority and the Swiss Institute of Certified Accountants and Tax Consultants.

FINMA is actively involved in the activities of various international organisations and associations and makes regular contributions to their work with a view to following and shaping developments at the international level. The most important international bodies with which FINMA is involved are:

- Basel Committee on Banking Supervision (BCBS)
- International Association of Insurance Supervisors (IAIS)
- International Organization of Securities Commissions (IOSCO)
- Joint Forum (aimed at harmonising supervisory rules between international bodies and supervisory authorities for banks, securities dealers and insurance companies)
- Senior Supervisors Group (SSG)
- Organisation for Economic Cooperation and Development (OECD)
- Financial Action Task Force (FATF)

In the international area, FINMA is party to several Memoranda of Understanding which facilitate collaboration and the exchange of information between supervisory authorities.

Postal address of FINMA until 30 June 2009

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Authority FINMA
Schwanengasse 2
CH – 3003 Berne

Locations of FINMA until 30 June 2009

Schwanengasse 2, Berne
Schwanengasse 12, Berne
Christoffelgasse 5, Berne

Location of FINMA from 1 July 2009

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