

FINMA's Markets division heightened its supervision in 2013, developing an approach to conducting supervisory reviews at supervised institutions under the Collective Investment Schemes Act. With regard to combating money laundering, FINMA intensified its supervision of self-regulatory organisations, including issues related to auxiliaries acting for financial intermediaries who transfer money or assets.

The Markets division once again stepped up its supervision of the various market participants in 2013, introducing risk-based approaches and, where necessary, implementing clearly focused supervisory measures.

Changes to supervision of financial market infrastructures

Having allocated financial market infrastructures to various risk categories in 2012, FINMA put its risk-based supervisory approach into practice in 2013. It carried out an assessment of the infrastructures in the Swiss financial market and used it to give each institution an individual rating. Two parameters – categorisation and rating – determine the intensity of supervision.

The extension of FINMA's risk-based supervisory approach to include financial market infrastructures marks a key step towards ensuring effective supervision of these important market participants. The implementation of the legislative project headed by the FDF for the new Financial Market Infrastructure Act (FMIA) will permit broad-based, yet individually tailored, supervision of financial market infrastructures in Switzerland that is in keeping with international standards.

On-site inspections of supervised institutions under the Collective Investment Schemes Act

In 2013, FINMA introduced on-site inspections (supervisory reviews) for supervised institutions under the Collective Investment Schemes Act. These enable FINMA to obtain its own, independent assessment of a business area or a function at a supervised institution, and thus allow for more efficient supervision. The first such supervisory review was carried out in 2013, and the plan is to introduce this new supervisory tool for the collective investment schemes sector in 2014.

Reviews of investment advisors

In recent years, FINMA has found that persons formally engaged as advisors to investment funds were actually carrying out activities that went beyond mere advisory services, and as such require authorisation. It therefore introduced measures to ensure that the activities of investment advisors are in future restricted to the advisory function. As a result, there was an increase in the number of applications submitted to FINMA by investment advisors in 2013 requesting authorisation as asset managers of collective investment schemes. In other cases, the fund providers refrained from engaging investment advisors altogether.

Money laundering: focus on the independence of SROs and regulatory arbitrage

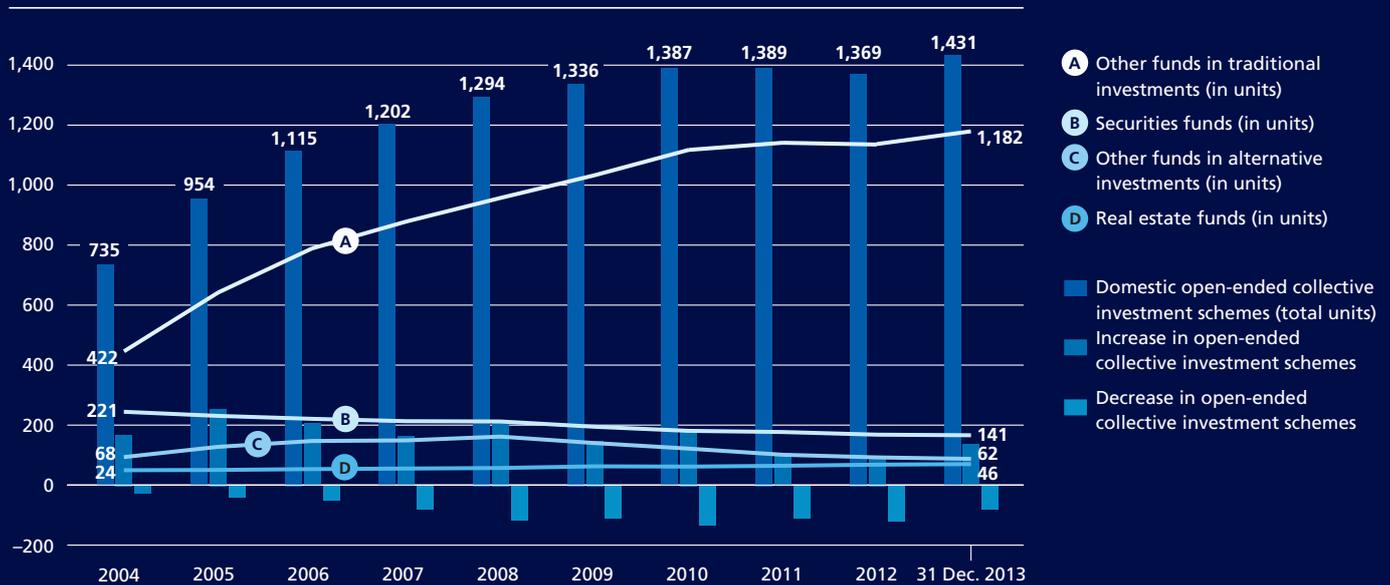
In 2013, FINMA also increased its supervisory activities in the area of money laundering and the financing of terrorism. In the case of self-regulatory organisations (SROs), measures were taken to prevent regulatory arbitrage and ensure the independence of the SROs. FINMA also examined compliance with the provision set down in the Ordinance on the Professional Practice of Financial Intermediation (OPPF)⁶³ stating that auxiliary persons of financial intermediaries active in Switzerland may only act for a single authorised or affiliated financial intermediary. FINMA found that this rule had not been heeded in all cases. Together with the SROs responsible, it took steps to restore compliance with the law.

⁶³ Specifically, compliance with Article 1 para. 2 let. 1 no. 3 OPPFI.

Trends in product volumes

Compared with 2012, the number of open-ended Swiss collective investment schemes increased in 2013 due in particular to first-time authorisation of other funds for traditional investments and real estate funds. UCITS were able to continue their steady upward trend for the distribution of authorised foreign collective investment schemes from in and outside Switzerland to non-qualified investors.

Growth in the number of domestic open-ended collective investment schemes between 2004 and 2013 according to fund type



Growth in the number of foreign collective investment schemes between 2004 and 2013

