

## Internationally recognised supervisory standards for a sustainable financial centre

Five years after FINMA was created, it is time to take stock of where financial market supervision stands today and also what the future holds. Anne Héritier Lachat, Chair of the FINMA Board of Directors, and the FINMA CEO, Patrick Raaflaub, take a look back and forward.

The merger of FINMA's three predecessor authorities – the Swiss Federal Banking Commission, the Federal Office of Private Insurance and the Anti-Money Laundering Control Authority – took place amidst the early stages of a lengthy crisis. In addition to its day-to-day activities of licensing, supervision, enforcement and regulation, coupled with the task of establishing the new authority's strategy, approach and organisation, FINMA found itself having to work closely with the sector through the financial crisis, the euro and sovereign debt crisis and the paradigm shift in cross-border asset management.

### Well placed strategically

The path we have pursued for the last five years has not always been smooth. Together with our employees,

we have achieved some key milestones between 2009 and 2013. We particularly wish to highlight the professionalisation of supervision, the authority's international reputation and its increasingly established role in Switzerland.

We have developed a systematic, risk-oriented supervisory approach that is now firmly anchored in all our divisions. In banking, insurance, financial market infrastructure and collective investment schemes, the large and interlinked institutions are subject to greater supervision than smaller market participants, whose failure would be less dangerous and of less importance to the economy as a whole. The risk-oriented approach enables us to deploy our limited resources where they are most needed.



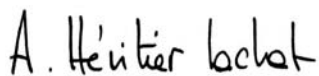
### Respected internationally

Thanks to the professionalism of our licensing, supervision and enforcement, FINMA receives good marks in international quality reviews. Where the global standards for the sector are being developed – in 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) – we have become a force to be reckoned with, and one that actively brings the Swiss perspective to bear. Also in the international arena, FINMA works hard to create a solid basis for the Swiss financial sector and its clients, and to maintain its competitiveness.

FINMA's contributions to global standard-setting bodies are taken seriously, for instance, in 2013, our initiative to improve the resolvability of internationally active, systemically important banks. Switzerland has laid the groundwork for the resolution of systemically important financial institutions. The next step, both nationally and internationally, is to address the issue of those banks that are 'too big to fail'. With its two large banking groups, Switzerland has a vital interest in ensuring that a good solution is found. We will continue to play a targeted role in achieving this.

### Change brings opportunities

It is clear that Switzerland's financial sector will face major challenges in the years ahead. Financial institutions must rethink their business models, identify new strengths and leave old weaknesses behind them. Change also brings with it new market opportunities. If they are to negotiate this change successfully, Swiss financial market players must be able to compete under the same conditions as their competitors abroad. Switzerland is therefore to some extent compelled to bring its legal framework in line with international standards. This will mean our country giving up a measure of its autonomy, but gaining or retaining access to other markets in return.



Prof. Anne Héritier Lachat  
Chair

Where do FINMA's principles fit into this process? We are exacting in terms of prudential standards – equity capital, liquidity and risk management. At the same time, our regulation is based more strongly on principles than is the case in other countries. We regulate more intensively, especially where products and innovations are concerned.

### A capable partner at the national level

FINMA is committed to being a capable partner for financial and regulatory issues at the national level. Five years on from FINMA's creation, politicians and the public still have many questions about the authority, its tasks and activities. This shows that there is still scope for us to improve by continuing to implement our strategy diligently and by not allowing ourselves to be driven by day-to-day events.

FINMA is a supervisory authority that is bound by official secrecy and is therefore not at liberty to communicate everything. Refusal to grant approval inevitably invites criticism. An authority that supervises systematically, conducts proceedings and, ultimately, may impose sanctions cannot be surprised if it is criticised. The most important thing is that we perform our supervisory function effectively and consistently, but also in a way that is fair, predictable and open to dialogue.



Dr Patrick Raaflaub  
CEO

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