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

CH-3003 Bern

To: Banks, Securities Traders, Financial and Insurance Groups and Conglomerates, and Insurers subject to FINMA Supervision

Reference: FINMA Communication 6 (2010)
Contact: Institutions are requested to contact their regular FINMA supervisory team
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Bern, 3 March 2010

FINMA Newsletter 6 (2010)

FINMA Circular 2010/1 Remuneration Schemes

Ladies and Gentlemen

Institutions falling below the relevant capital threshold set out in Margin No. 6 or 7 of the above Circular[1] are not currently required to implement the provisions of the Circular. However, for these institutions it is recommended under Margin No. 8 to "take into account the principles of the Circular for their remuneration schemes as best practice guidelines."

FINMA is contacting directly those institutions which, based on current information, are subject to the Circular by reason of Margin No. 6 or 7.

Other institutions – those not subject to the Circular under Margin No. 6 or 7 – are encouraged to review their remuneration practices and the governance behind these practices in the context of Margin No. 8 of the Circular. For such review, the attached list of sample questions may be of use. We encourage that the Board of Directors lead any such review.

As part of its regular supervision of institutions (including on governance and risk management practices), FINMA may conduct discussions with selected institutions in the course of 2010 and 2011 regarding their internal review of their remuneration approach. In any such discussion FINMA may touch on questions such as those in the attachment.

[1] Required regulatory equity capital of CHF 2 billion as defined in Margin Nos. 6 and 7 of the Circular.

FINMA would also like to remind institutions that:

(1) Pursuant to Margin No. 9 of the Circular FINMA reserves the right to require even firms that are below the relevant capital threshold under Margin No. 6 or 7 to comply with any or all of the requirements of the Circular;

(2) Consistent with FINMA Circulars 2008/24 (for banks) and 2008/32 (for insurers), FINMA expects all financial institutions to use remuneration systems that are reasonable, do not create inappropriate incentives, and are not inconsistent with any corporate governance, risk management or internal control principles applicable to such institutions, including those set out in Circulars 2008/24 (for banks) and 2008/32 (for insurers).

Yours sincerely

Swiss Financial Market Supervisory Authority FINMA

Mark Branson	Dr. René Schnieper	Gabe Shawn Varges
Head of the Banks Division	Head of the Insurance Division	Head of Governance

Enclosure: Sample Reference Questions

Reference: FINMA Communication 6 (2010)

Sample Reference Questions

1. Has a meeting of the full Board of Directors or of its Remuneration Committee taken place to evaluate and decide whether to take into account all or any of the FINMA remuneration Circular's principles for your institution's remuneration scheme?
2. Are there any major differences of view as between the Board of Directors, management, or any of the control functions regarding your institution's remuneration approach and whether or not to take the Circular into account?
3. If a decision has been made to take into account any or all the Circular's principles for your institution's remuneration scheme, has the full Board of Directors or the Remuneration Committee set out or approved a work plan or similar for carrying out any work needed for this purpose?
4. Does the work referred to under Question 3 above cover as well your subsidiaries and affiliated companies, or are there separate projects or processes planned for these?
5. Does the work under Question 3 above apply also in respect of the remuneration scheme applicable to control functions (Margin No. 59 of the Circular)?
6. Does the work under Question 3 above include taking into account Margin Nos. 40 and 41 regarding factoring in variable remuneration in capital and liquidity planning?
7. Even if it is decided not to follow any aspect of the Circular as a best practice matter, does a review of your institution's remuneration scheme show any need to make it more risk-adjusted or to improve its governance, including in terms of more leadership by the Board of Directors on the subject?
8. Has your Chief Risk Officer formally risk-reviewed your institution's current or planned remuneration scheme?
9. Has compliance with your institution's existing remuneration policy been formally tested in the past three years? Has it been considered for a control function (for example, Compliance or Internal Audit) to be involved going forward to help ensure compliance with your remuneration policy?
10. Has it been considered necessary to adjust your institution's risk policy manual or similar to include risk considerations from remuneration practices?