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Ladies and gentlemen

Welcome also from my side to the annual media conference. I'm looking forward to sharing some of the most important information about our 2024 financial year with you.

2024 was a stable year for the Swiss financial market. Clients were able to depend on a well-supervised financial market. Ensuring client protection and the proper functioning of the financial centre is very important to me personally. This is our primary ongoing task.

As part of its integrated financial market supervision, FINMA monitors all prevalent trends in the financial centre and the resulting risks that are associated with the activities of the supervised institutions. In our annual Risk Monitor, we provide the public with an overview of what FINMA believes are the most important risks facing supervised institutions over a time horizon of up to three years. In our risk-based supervision, we take a comprehensive and functional approach that ensures that similar or identical situations and risks receive the same supervisory treatment across supervised institutions.

Although 2024 was a stable year for the Swiss financial market, we find ourselves in a situation of heightened financial and non-financial risks. The current risk landscape is increasingly shaped by geopolitical tensions, wars, rising government debt in particular countries and the threat of increasing trade barriers. The impact of these on the financial system is difficult to assess.

This means it is all the more important to remain vigilant and ensure increased resilience. Supervised institutions must understand their risks and focus on minimising them. In this context, it is crucial that they effectively take these developments into account in their risk management and governance and calibrate their risk appetite accordingly. Once again, we communicated our expectations regarding good governance and a healthy risk culture through our guidance, circulars and ordinances in 2024.

We continued our supervisory work in a stable but difficult financial environment. The main supervisory tools used by FINMA included on-site supervisory reviews, stress tests, customised surveys and supervisory discussions up to the most senior levels of management. We supplement these with data-driven analyses and the increased use of artificial intelligence.

FINMA conducted a total of 111 on-site supervisory reviews at banks in 2024. FINMA identified a number of serious shortcomings, notably in the areas of money laundering and mortgage lending. As a direct result of the on-site supervisory reviews, FINMA imposed a capital add-on in one case, a restriction on business activity in two cases and a further two cases resulted in enforcement proceedings.

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FINMA carried out 55 on-site supervisory reviews at insurance companies and identified 600 intermediaries who were operating without authorisation.

In the course of 20 on-site supervisory reviews of institutions in the area of asset management, FINMA examined the implementation of the Financial Services Act and in particular its provisions concerning the suitability of financial services, as well as risk management.

Where supervised institutions committed serious breaches of the rules, FINMA intervened decisively to protect financial market clients. If it is not able to restore compliance with the law through findings and recommendations as part of its supervisory activities, FINMA uses its enforcement powers. It investigates breaches of supervisory law, initiates proceedings where necessary and orders measures in the event that violations are confirmed. Where permitted to do so by law, it informed the public about certain proceedings, e.g. where there was a particular need to protect market participants, about proceedings relating to breaches of risk management obligations, anti-money laundering obligations, unauthorised activities and the opening of bankruptcy proceedings due to a lack of minimum own funds.

Last year, our Enforcement division conducted over 733 investigations and concluded 38 proceedings against companies and individuals.

These figures are evidence of effective supervision. But: We want to be even more effective in the future.

Effective intervention early on allows the issues to be resolved using relatively low-key steps and in a way that conserves resources. However, as Marlene Amstad has just explained, this is only possible with the necessary legal certainty if the legal basis required for early intervention is created, which I will talk about more later.

Our aim is to consistently apply and further strengthen our proportional supervisory approach. On-site reviews were mostly held at institutions in supervisory categories 1 to 3 and were significantly less frequent at smaller institutions in categories 4 and 5.

By expanding the small banks and small insurers regimes, we are also lowering the cost of compliance for supervised institutions. For example, when the final stages of Basel III are introduced, these institutions will face less work in implementing the new rules because they will benefit from relief in calculating the required capital. In addition, institutions in the small banks and small insurers regimes are completely exempt from the applicability of the new “Nature-related financial risks” circular, because they are less exposed to these risks than larger institutions.

I mentioned at the beginning that client protection is very important to me personally. I am therefore all the more pleased to highlight a few cases where we demonstrated a strong commitment to client protection in 2024.

In order to further increase client protection in the insurance sector and at the same time reduce the regulatory burden for professionals operating in the intermediary market, our insurance supervision focused on the revised Insurance Supervision Act and the revised Insurance Supervision Ordinance.

As a consequence of these revisions, FINMA has been supervising the intermediary business in the insurance sector since the beginning of 2024. In September 2024, the Federal Council also enacted rules that ban cold calling and limit the commission payable to intermediaries. FINMA provided information and created an online form for reporting unauthorised cold calling. In 2024, FINMA conducted 143 investigations. These concerned unauthorised activities, violations of information obligations, or of the ban on cold calling as well as improper conduct.

Another supervisory focus aimed at protecting policyholders was FINMA's call for greater transparency in invoicing in the supplementary insurance sector. For example, medical services are still sometimes billed twice – both via basic insurance and supplementary insurance. During on-site supervisory reviews of supplementary health insurers in 2020, FINMA had found that contracts between those insurers and service providers led to excessive prices. On-site supervisory reviews in subsequent years showed that the situation had seen little improvement.
FINMA still recognised a considerable need for action at the end of 2024 and announced stricter supervisory measures if the situation did not improve.

FINMA has also established a high quality standard throughout Switzerland in the area of asset management with new licensing requirements aimed at better protecting clients. Anyone who entrusts their money to a portfolio manager or trustee should be able to assume that adequate minimum standards are in place and that these are monitored. Since the entry into force of the Financial Institutions Act in 2020, portfolio managers and trustees have required a licence. As at the end of 2024, we had processed over 93% of licence applications and granted licences to 1,522 portfolio managers and trustees.

I now come to a topic that FINMA has been focusing on for years. We need to maximise the stability and resilience of the Swiss financial centre in an environment with heightened risks. The following elements are essential for safeguarding the resilience of the supervised institutions: a strong risk culture and governance, robust capital buffers and a solid liquidity position.

Sufficient levels of capital resources ensure that banks, insurance companies and asset managers can fulfil their crucial economic role in both calm and turbulent times.

FINMA subjects banks to regular stress testing. As part of this, it reviews the financial resilience of the institutions and analyses how well they adhere to the regulatory requirements under stressed conditions. FINMA took action where the stress tests conducted in 2024 produced unsatisfactory results.

During 2024, FINMA carried out loss-potential analyses among the systemically important banks on the basis of stress scenarios with a three-year time horizon. We analysed and assessed the effects of those scenarios on the capital situation of the banks. We also evaluated the internal banking stress tests conducted by selected institutions in a variety of supervisory categories. FINMA carried out stress tests and data analyses at 45 banks and insurance companies in the area of mortgage lending. Among other things, additional capital charges were imposed on banks with increased risks.

In the insurance sector, the Swiss Solvency Test shows that insurance companies were well capitalised overall.

The stability and resilience of financial institutions is also dependent on a solid liquidity position. FINMA therefore continued to work towards ensuring that supervised financial institutions in all supervisory areas had adequate liquidity in the year under review.

The special liquidity requirements for systemically important banks entered into force on 1 January 2024. FINMA defined the additional requirements at the end of 2023 on the basis of estimates provided by each of these systemically important banks. Noteworthy features include the requirement for intraday liquidity and the requirement to hold liquidity in order to cover a potential restructuring or liquidation. It is therefore expected that the liquidity requirement for systemically important banks will be covered over a 90-day horizon.
In 2024, all systemically important banks submitted their updated estimates to FINMA. On the basis of those estimates, the additional institution-specific requirements entered into effect on 1 January 2025.

Insurance companies' liquidity was also monitored more closely. The revised Insurance Supervision Ordinance has required insurance companies to submit annual reports on their liquidity planning since 1 January 2024. By publishing its Circular on "Liquidity – insurers", FINMA adapted its practice to the revised Insurance Supervision Ordinance and enhanced its supervisory practice for insurers.

In 2024, management of the liquidity risks facing collective investment schemes remained a key topic in the field of financial market supervision. Among other measures, FINMA conducted on-site supervisory reviews into the liquidity of larger collective investment schemes whose investments mainly comprise shares in small and medium-sized Swiss undertakings or Swiss bonds. Liquidity stress tests were also used here.

I mentioned our Risk Monitor at the beginning of my speech and I would now like to take a closer look at a risk that was once again identified as an increased risk in our 2024 Risk Monitor. I am talking about cyber risks. The number of reports we received about cyber attacks increased by 30% compared to the previous year. There was also a further increase in attacks targeting the external service providers of supervised institutions. They accounted for around a third of reported cyber attacks.

FINMA regards the outsourcing of significant functions to third parties as one of the most important risks facing supervised institutions. During the reporting period, FINMA continuously gathered data on significant outsourcing activities by banks, insurers, financial market infrastructures, and other financial market participants. It identified existing concentration risks and noted an increased concentration at individual service providers supplying significant or even critical functions to numerous financial institutions. An outage at one of those service providers, or an incident involving unauthorised access to sensitive data held by them, could have a very serious impact on the Swiss financial market.

Accordingly, FINMA intensified its supervisory work in that area during 2024. That was reflected, in particular, by the increased numbers of on-site supervisory reviews, as well as by the use of a broad range of diverse supervisory instruments, such as scenario analyses or the publication of guidance.

Developments in digitalisation in the financial sector continued to attract national and international attention in 2024. FINMA is open to innovation and evaluates services in a technology-neutral manner. However, we believe that innovation needs clear regulation and supervision that applies best practice.

This is the only way innovation can be successful, contribute sustainably to the growth of the financial sector and in particular guarantee optimum customer protection.

The level of innovation in the Swiss financial centre remains high and is based on legislation, regulation and supervisory practices that are ahead of other jurisdictions. FINMA continued to respond swiftly and competently to enquiries about innovative business models in 2024. In 2024, we used data collection, supervisory discussions and targeted on-site supervisory reviews to evaluate how financial institutions deploy artificial intelligence, among other things. We assessed the risk management and governance of the supervised institutions in connection with the use of AI and addressed associated risks. FINMA published the insights and expectations gained from these activities in its guidance on “Governance and risk management when using artificial intelligence”.

We recently witnessed a first in Switzerland in the area of DLT or distributed ledger technology. FINMA licensed the first DLT trading facility to date, which allows DLT securities to be traded. The licence was granted on the basis of the DLT Act, which came into force in Switzerland on 1 August 2021. This Act supports innovation in the FinTech sector, without compromising stability and security for market participants. The DLT trading facility, which was licensed last month, is therefore based on a solid legal foundation and a comprehensive regulatory framework for the multilateral trading of DLT securities.

Esteemed media professionals. I would now like to discuss the integration of CS into UBS.

The integration requires intensive supervision, for which FINMA has deployed the entire range of supervisory tools. FINMA employees carried out around 40 on-site supervisory reviews in Switzerland and abroad last year and maintained an intensive dialogue on integration issues. A milestone was reached when FINMA approved the legal merger of the main legal entities.

The planned merger of the two parent companies was completed on 31 May 2024, followed by the merger of the Swiss units on 1 July 2024. The merger of the asset management units took place on 30 August 2024. All regulatory requirements were satisfied.

FINMA’s supervisory activities also focused on the proper functioning of corporate governance. As a result of the merger of the legal entities, UBS had to define centralised standards such as decision-making competencies and risk limits for the merged large bank.

FINMA also expected a review of the client base acquired from CS for non-financial risks, such as particularly high-risk client groups or regions. Additionally, FINMA closely monitored whether the combined bank’s risk appetite is appropriate, and how the new UBS manages and controls these risks.

Furthermore, an intensive dialogue took place with the bank on topics relating to information technology, particularly improvements to the defences against cyber attacks. Anti-money laundering measures were also of great importance in ongoing supervision.

UBS submitted a consolidated recovery and emergency plan for the first time since the takeover. FINMA expects UBS to overhaul its recovery and emergency plan further and therefore suspended the annual evaluation of these plans in 2024.

The recovery plans of all the domestic systemically important banks were approved by FINMA in 2024.

With the entry into force of the revised insurance supervision legislation, recovery plans became mandatory for the first time for Swiss insurance groups. After working actively with FINMA, the affected insurers presented their first recovery plans in 2024.

I now come to the last part of my presentation, in which I will look ahead.

FINMA will continue to organise its supervision in a proportional, risk-oriented and technology-neutral manner in the future. We will learn lessons from the CS crisis to ensure we protect the stability of the financial centre and its clients even better. We will strengthen our supervisory practices, methods and analyses, particularly with regard to the supervision of risk culture, governance and business models, but also with regard to the supervision of recovery and resolution plans. We will also step up our direct supervision by carrying out more of our own on-site supervisory reviews (subject to changes in legislation).

At the same time, we support the strengthening of our powers, as included and recommended in both the TBTF report and the PInC report on the CS crisis.

- We want a clear legal basis on which to be able to intervene earlier when there are problems, for example in the event of shortcomings in governance, such as where a board of directors and senior management are not reflecting the firm’s values and risk culture in their conduct and decisions.

- We want to be able to communicate more actively about our supervisory activity, in particular about concluded enforcement proceedings.

- We want to see the introduction of an accountability regime and have the power to levy fines.

These statutory powers are in line with the repertoire of our international peers and are lacking in the current legal framework, which we believe should be adapted as quickly as possible.

As you may have seen in the press or perhaps reported on yourself, FINMA has adapted its organisation.

In particular, by creating a new cross-divisional function for “Integrated Risk Expertise” we are strengthening FINMA as an integrated supervisory authority, promoting expertise in terms of financial and non-financial risks and supporting intensified, direct supervision with more of our own on-site supervisory reviews.

With our new organisation, we have set the course for fulfilling our mandate to protect financial market clients and the functioning of the financial markets even more effectively in future.

Thank you for listening.