



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

Strategic goals 2021 to 2024

Contents

3 Introduction

- 3 Mandate and objectives**
- 3 Guiding principles**
- 3 FINMA's strategic goals**
- 4 Environment in 2020**
- 6 Continuity of the strategy**

7 Goals relating to the protection of clients and the financial system

15 Operational goals

17 Reporting

Introduction

The Swiss Financial Market Supervisory Authority FINMA is an independent, public law institution. Pursuant to Article 1 of the Financial Market Supervision Act (FINMASA; SR 956.1), FINMA exercises supervision over the financial markets in accordance with the financial market legislation.

Mandate and objectives

In accordance with Article 4 FINMASA, financial market supervision is charged with protecting creditors, investors and insured persons and ensuring the proper functioning of the financial markets. Through its supervisory activities, FINMA enhances confidence in the proper functioning, integrity, competitiveness and future sustainability of Switzerland's financial centre.

The Financial Market Supervision Act (FINMASA) thus defines a clear hierarchy of goals. FINMA's primary objective is to fulfil its mandate to protect individual financial market clients and ensure the proper functioning of the markets. FINMA's core tasks consist of authorisation, supervision, intervention in acute crisis situations and, where necessary, enforcement as well as issuing regulations where permitted by the underlying law. FINMA's goal of contributing to the competitiveness and future sustainability of the Swiss financial centre is derived from its primary mandate. By rigorously meeting, this mandate it strengthens the reputation of the financial centre. Its risk-oriented supervision and principle-based regulation, which seeks to be proportional, competition- and technology-neutral and promote innovation, increases confidence among financial-market clients and investors and contributes to the competitiveness and future sustainability of the financial centre. In addition, FINMA actively participates in international committees and working groups. By maintaining a close and constructive dialogue with foreign partner authorities, FINMA also monitors the international activities of the Swiss financial service providers.

Guiding principles

FINMA carries out its supervisory activity independently and in a consistent manner. Its staff are responsible, have high standards of integrity and are able to deliver results. FINMA guarantees the consistency, predictability and proportionality of its actions. FINMA also aims to ensure maximum possible transparency and to communicate in an appropriate manner with different audiences.

FINMA's strategic goals

FINMA's institutional independence allows it to set its own priorities in fulfilling its statutory remit. These are set down in the form of strategic goals and reviewed every four years. In accordance with Article 9 FINMASA they are presented to the Federal Council for approval and subsequently published. The strategic goals serve as guidelines for FINMA's operational management. Each year, FINMA's Board of Directors defines the focus of strategy implementation for the coming year, which is incorporated into the annual objectives for individual organisational units and employees.

Environment in 2020

A core task of financial-market supervision is to ensure that the supervised institutions remain stable, particularly in the current environment, where change and the resultant risks are ever-present. FINMA regularly evaluates the risk situation of Swiss financial-market participants. The findings of this risk analysis including the resulting focus of its supervisory activity are published on an annual basis. The environment and the resulting exposure to risk for financial-market participants form the basis for the strategic and operational focus of FINMA's activities. Periodic reviews and updates of the environmental and risk analysis are essential, particularly in uncertain times.

Uncertain environment increases stability risks

Extraordinary macroeconomic and political uncertainty has been widespread in 2020. It is difficult to predict how the overall economic situation will develop against the backdrop of the corona pandemic.

Economic prospects are bleak due to the pandemic and are pointing towards a recession in all regions of the world. This exacerbates various risk drivers that could jeopardise the stability of Swiss financial institutions and the financial system. In Switzerland, the effects of the corona pandemic on the solvency of the real economy were initially cushioned by far-reaching fiscal and economic policy measures. However, the medium- and long-term repercussions of the corona pandemic for the Swiss financial centre will only become clear in the coming quarters or even years. The risk of increased defaults on corporate

loans around the world is currently significantly heightened. There are also risks on the global bond markets. Widespread downgrades of corporate bond ratings would have a negative impact on banks' lending business and the assets of insurance companies. The likelihood of a correction on the Swiss real estate market in the investment property segment is also currently elevated, as the vacancy rate is expected to increase further with the cooling of the economy and declining immigration.

Besides the acute uncertainties that arose in 2020, there are also longer-term uncertainties that will continue to have a significant impact on the Swiss financial market in the future. The persistent low and negative interest rate environment remains a constant that affects not only customer behaviour and the profitability of financial institutions and their products but also the future sustainability of business models in the financial market. Particularly banks focused on the interest margin business and life insurers face increasing challenges in this regard. Greater pressure on margins combined with a lack of investment opportunities is also causing market participants to increasingly make riskier investments.

Furthermore, there is a trend towards tougher market access rules for foreign providers in a number of jurisdictions. This must be seen in the context of strained international trade relations. For Swiss financial institutions, this gives rise to legal uncertainties and risks as well as the possibility of additional costs.

Climate change has an impact on financial market risks, too. Both the immediate consequences of climate change as well as regulatory adjustments to achieve climate goals could have an influence on the impairment of certain assets as well as on the frequency of major losses in the insurance sector.

Importance of good corporate governance and combating money laundering and terrorist financing

The Swiss financial centre remains an attractive location for cross-border wealth management due to its stability and highly developed services. Swiss financial institutions are therefore under a particular obligation to take rigorous steps to combat money laundering and terrorist financing. Special diligence is required when handling money from unstable countries as well as virtual assets. Inadequate measures to combat money laundering and terrorist financing also undermine trust in the financial institutions directly involved and can jeopardise their stability. The involvement of individual institutions in major scandals relating to money laundering and terrorist financing can damage the reputation of the entire financial centre and innovation hub.

Good corporate governance, effective risk management and a solid internal control system are particularly important in uncertain times and in light of developments that can affect the robustness of institutions and the sustainability of business models.

Technological advances bring both opportunities and risks

Innovation is a prerequisite for the future sustainability of the Swiss financial centre. Technological advances and the disruption of value chains mean that financial services can be provided in a more efficient and customer-friendly manner. This opens up possibilities for new providers and business models. However, these developments also raise questions about data management and client protection. In addition, they are associated with significant risks such as the threat posed by cyberattacks. Particularly in the insurance sector, the questions of how to deal with extensive data collections (“big data”) in future and appropriately safeguard policyholders’ interests need to be addressed.

New possibilities also arise for FINMA as an authority because data can be gathered more easily from the supervised institutions and are available in a more structured format for supervisory activities. Both correspondence with supervised institutions and the exchange of data were largely digitalised in the last strategy period. Analysing large volumes of data will allow supervisory work to be carried out even more effectively in the future.

Continuity of the strategy

The strategic goals for 2021 to 2024 build on the achievements of the last strategy period – the main one of these being the increased resilience of the Swiss financial market thanks to more robust capital and liquidity buffers.

Thanks to the progress achieved in recent years on capital and liquidity buffers, the Swiss financial sector was able to face the crisis triggered by the corona pandemic from a stronger position in the final year of the outgoing strategy period. In conduct supervision, FINMA registered increasing awareness among the banks over the course of the strategy period from 2017 to 2020. In the area of anti-money laundering, for example, reporting discipline improved significantly. All market exits between 2017 and 2020 were conducted in an orderly manner. Various initiatives launched by FINMA, for example the small-banks regime or optimising the cost-benefit ratio for auditing, have enhanced the proportionality of Swiss

financial-market regulation and increased the efficiency and effectiveness of supervision. Moreover, FINMA looks to ensure that the Swiss financial centre is fit for a future defined by technological developments. FINMA has reacted promptly to the numerous new enquiries from FinTech service providers and introduced processes for responding to these enquiries quickly and competently. By doing so, FINMA has enabled both smaller start-up companies as well as ambitious projects of global scope to evolve in Switzerland. FINMA will continue to pursue this course resolutely.

The corona pandemic is a major global crisis that is having a significant impact on the economic environment and is accompanied by high uncertainty. Looking to the future, FINMA's strategic goals are therefore formulated with a certain degree of openness, so that they provide appropriate longer-term guidance.

Goals relating to the protection of clients and the financial system¹

Goal 1: Capital and liquidity

FINMA will safeguard the stability of supervised financial institutions, particularly by ensuring that banks and insurance companies are well capitalised and have ample liquidity resources.

In order to protect clients and ensure the proper functioning of the financial markets, FINMA is committed to safeguarding the stability of financial institutions and to a solid, internationally recognised and thus competitive financial system. Capital and liquidity remain the cornerstones of the Swiss financial institutions' stability. FINMA monitors compliance with the requirements and also strengthens their capital and liquidity stress testing regimes.

Following the financial crisis of 2008 to 2009, various regulatory measures have been taken or initiated over the years to protect clients and the stability of financial institutions. FINMA is committed to ensuring that the remaining work is completed promptly and in an internationally compatible manner.

¹ The order in which the individual goals are listed is not indicative of their respective importance.

Goal 2: Conduct

FINMA will have a sustained positive impact on the conduct of supervised financial institutions.

Past scandals have shown that misconduct by financial institutions can harm both clients and the reputation of the entire financial centre. FINMA will therefore remain committed to ensuring compliance with the anti-money laundering and terrorist financing regulations through its supervision and enforcement. In this context, FINMA will focus in particular on money-laundering risks in the digital environment and virtual assets. FINMA will also seek to ensure that suitability, cross-border and market conduct issues (for example, prevention of insider trading and market manipulation) remain high on the agenda.

In the context of implementing the Financial Services Act (FinSA; SR 950.1) and the Financial Institutions Act (FinIA; SR 954.1), FINMA will establish an efficient, transparent and risk-oriented licensing process for all those financial intermediaries who are now subject to supervision. Moreover, it will seek to ensure that the supervisory organisations establish competent supervision in accordance with the Financial Services Act, Financial Institutions Act and Anti-Money Laundering Act (AMLA; SR 955.0). In addition, it will ensure that all affected financial institutions observe the conduct requirements set out in the Financial Services Act. By overseeing compliance with the new provisions, FINMA will contribute to ensuring that financial institutions act in a responsible way towards their clients when providing financial services.

Goal 3: Risk management and corporate governance

FINMA is committed to ensuring that supervised financial institutions maintain the highest risk management standards and will promote responsible corporate governance through its supervisory activities.

Corporate governance, risk management and the internal control system constitute the basic foundations of every financial institution.

Forward-looking risk management and effective checks and balances in the organisation guarantee lasting stability, adherence to conduct rules and long-term success. Within the scope of its supervisory remit, FINMA will ensure that the risks to which financial institutions are exposed are recognised by the supervised institutions and, where necessary, mitigated by taking appropriate measures.

FINMA will focus its attention on the most significant risks for the financial market. These include low interest rates, possible corrections on the real estate and mortgage market, possible defaults and corrections on the bond and credit markets, the threat of cyber-attacks, money laundering, the transition from LIBOR reference interest rates and restrictions on market access as a result of the trend towards tougher market access rules for foreign providers.

FINMA provides transparent information about its risk assessments and publicly discloses aggregated data from its supervisory work and for the financial institutions. This allows interested parties in the financial sector and elsewhere to make a well-founded assessment of the risk situation and gain a broad understanding of market developments.

In dialogue with the industry, FINMA will promote responsible corporate governance, particularly by exerting influence on the composition of corporate bodies and the organisation of decision-making and control processes.

Goal 4: Too big to fail

The plans mandated by law will be completed to provide long-term mitigation of the “too big to fail” risk.

The disorderly failure of a systemically important financial institution is a threat to the whole economy. For the Swiss economy with its relatively large international systemically important banks, this poses a particularly high risk. Important progress has been made in recent years towards mitigating the “too big to fail” risk. FINMA will work closely with all affected institutions to draw up their recovery and emergency plans and guarantee their resolvability. It will provide regular, transparent information about the progress achieved. It will also contribute its expertise to the regulatory projects that are required in this area to finalise the legal basis. The aim is to establish a solid basis for dealing with systemic risks in the financial sector.

Goal 5: Structural change

FINMA will seek to ensure that the financial system remains robust in the light of forthcoming structural changes and its clients are able to benefit from new opportunities without being exposed to additional risks.

The financial industry is facing challenges that could lead to long-term changes in the basic operating conditions in the sector. These include continuing low interest rates, the rapid pace of digitalisation, growing risks connected with climate change and the ageing of the population. Furthermore, the financial consequences of the corona pandemic are also having an impact on the industry. By entering into dialogue with partner authorities in Switzerland and abroad, supervised institutions, interest groups and academics, FINMA is following these developments closely and anticipating the potential consequences and risks of structural change in the financial sector. The findings from this analysis are incorporated into its supervisory activities. Where appropriate, FINMA informs the public and contributes its expertise to policy discussions. FINMA will seek to ensure that access to high-quality financial services is maintained, regardless of the future structure of the financial industry. FINMA uses its expertise and resources in such a way that supervised institutions are able to exit the market with minimum impact on creditors and insured persons as well as on the system as a whole.

Goal 6: Innovation

FINMA will promote innovation in the Swiss financial centre.

Innovation guarantees the future sustainability of the financial centre. Therefore, innovation is and will remain a core element of FINMA's strategic focus in all areas. New products and service providers contribute to the innovation and diversification of the Swiss financial centre and thus to its competitiveness. Building on the progress achieved in recent years, FINMA will remain open to innovative approaches and will continue to broaden its expertise in this area. It will make sufficient resources available so that applications and new enquiries can be dealt with promptly and competently. When applying existing rules to innovative business models and products, FINMA takes a pragmatic and forward-looking approach. It ensures that regulation and supervision do not pose

unnecessary obstacles to innovation and are designed in a technology-neutral way, so that innovative business models and products have a fair chance on the market. FINMA's practice for licensing innovative business models is uniform, transparent and efficient. It ensures that response times are reasonable and applies a proportionate supervisory approach. By systematically applying the relevant legal basis, communicating clearly to the public and ensuring transparent and predictable processes, FINMA also promotes client protection for innovative business models. By doing so, it strengthens Switzerland's credibility, attractiveness and integrity as a sustainable innovation hub. FINMA will also identify the opportunities, challenges and risks associated with artificial intelligence and data analytics and develop the relevant supervisory practice.

Goal 7: Sustainability

FINMA will contribute to the sustainable development of the Swiss financial centre by giving particular consideration to climate-related risks in its supervisory work and urging the financial institutions to tackle these risks transparently.

The quest for sustainability in all its dimensions is a major challenge for the financial markets. In line with its mandate, FINMA's focus in the context of sustainability is also on the associated potential financial risks. Climate-related financial risks are currently the most measurable and significant financial risks in the context of sustainability. FINMA will therefore actively address these. Despite their peculiarities, both physical climate risks and climate-related transition risks fall into the traditional risk categories of credit risk, market risk and operational risk. Climate-related financial risks must therefore be identified and managed as part of the risk management process. FINMA will monitor and promote this as part of its risk-oriented supervision.

FINMA will create greater transparency surrounding climate-related financial risks by ordering the uniform disclosure of these risks by major financial institutions and monitoring implementation and compliance with these requirements.

Going beyond the climate-related financial risks, FINMA will address the various dimensions of sustainability in general and in this context will look out for potential new emerging or increasing financial risks. From a client protection perspective, FINMA will also address the risks in the provision of financial services and the distribution of financial products. Clients may not be deceived by exaggerated or misleading claims of sustainability, for example for investment products.

Goal 8: International cooperation and regulation

FINMA will seek to ensure that Swiss financial regulation is in line with international standards. It will represent Swiss interests in international fora and make the case for credible international standards. FINMA is a recognised, cooperative and reliable partner for foreign supervisory authorities. FINMA is committed to financial regulation that achieves targeted reduction of the risks while also being proportional and as simple as possible.

International networks continue to be a strength of the Swiss financial centre. In coordination with the Federal Department of Finance (FDF), FINMA will continue to actively contribute to international bodies and dialogues. By doing so, it will help ensure the appropriateness of international standards, strengthen global financial stability and ensure fair competitive conditions for Swiss market participants. When implementing international standards in Swiss financial

regulation, FINMA seeks to ensure that Swiss regulation and supervision are recognised as equivalent in the relevant target markets. FINMA maintains close contact with foreign partner authorities in order to improve understanding of the Swiss approach to financial regulation and supervision.

Over the course of the strategy period, FINMA will analyse whether the regulatory framework and its own powers are adequate to effectively and efficiently achieve its supervisory goals. It will also conduct ex post evaluations of selected FINMA ordinances and circulars. FINMA is constantly seeking to reduce unnecessary complexity in regulation. It will continue to pursue its transparent and broad-based regulatory process and will foster constructive dialogue with the FDF and the Swiss National Bank (SNB).

Operational goals

Goal 9: Resources

The resources required will be based on the expenditure necessary for FINMA's extended legal remit to be fulfilled in an efficient manner. New technologies will be used to help realise gains in efficiency and effectiveness.

FINMA manages its resources efficiently and economically. The use of resources is aligned consistently with the risks and geared towards efficient processes and lean structures. Being an integrated supervisory authority, FINMA can also adjust its deployment of resources quickly and flexibly. Resources will be increased selectively over the course of the strategy period to enable FINMA to fulfil the new tasks assigned to it in the Financial Services Act and the Financial Institutions Act as well as new issues relating to FinTech.

FINMA will ensure that its supervisory processes, priorities and allocation of resources are focused on the most important risks for the Swiss financial centre. It aims to avoid unnecessary overlaps in the coordination of supervisory instruments between FINMA and its mandataries.

By using its resources prudently, FINMA will build up the reserves required by law in the strategy period from 2021 to 2024.

FINMA has a modern and stable IT infrastructure in place and will constantly endeavour to improve the efficiency of its processes. Through further digitalisation and automation, FINMA will optimise the interfaces with the supervised institutions as well as internal processes, particularly those with high recurring volumes. FINMA will also continue to develop its data strategy in order to improve the effectiveness and efficiency of its supervision by making use of modern technologies. FINMA will thus increasingly move to a data-based monitoring system.

Goal 10: Staff

FINMA's staff are highly qualified and receive continuous training. They are highly motivated, display a high level of integrity and are flexible. As an attractive employer, FINMA is committed to ensuring equal opportunities and that work can be successfully combined with family life.

Efficient and effective financial-market supervision with an outstanding international reputation requires highly qualified managers and employees.

Employees at all levels are encouraged to undergo continuous further training. They are supported by FINMA in this. In addition, FINMA promotes flexibility and versatility among its employees through internal rotations and internships as well as external secondments.

FINMA encourages internal recruitment when filling managerial positions. By doing so, it offers motivated and highly qualified employees opportunities to progress.

FINMA's personnel policy promotes equal opportunities and diversity among its staff. Thanks to modern, flexible working conditions it ensures that work can be successfully combined with family life. It offers employees of all ages appropriate prospects. Thanks to a fair personnel appraisal system, actively following up on the results of regular employee surveys and proactive internal communication, FINMA ensures that its employees show high levels of job satisfaction and identify strongly with their employer.

Reporting

FINMA publishes its strategic goals as specified in Article 9 para. 1 let. a FINMASA and Article 14 of the Ordinance to the Financial Market Supervision Act (SR 956.11). In doing so, FINMA follows the template for the adoption of strategic goals by independent government entities. FINMA reports annually to the Federal Council and the Control Committees of the Federal Assembly (CC) on the status of implementation of the strategic goals. It also discusses current issues of financial-market policy and the focus of its supervisory activities with the Federal Council at least once a year. It presents the Federal Council and the CC with relevant economic and financial-market data and provides a qualitative assessment of progress in implementing the strategic goals.

In spring of each year, FINMA accounts for its activities during the previous financial year by publishing its Annual Report, encompassing the report itself and the financial statements. The Risk Monitor published in autumn every year highlights the risks that FINMA will focus on in its future risk-based supervision. FINMA publishes further [reports](#) such as the Resolu-

tion Report and the Insurance Market Report. It also provides databases on specific topics and activities, such as the databases on its enforcement activities and court decisions. Key data on the market and on FINMA as an authority are also available on its website. By means of clear website content, topical publications and speeches and presentations, FINMA regularly provides the public with information about the latest developments in financial-market supervision. However, in accordance with the terms of the Financial Market Supervision Act, FINMA is only permitted to provide information on individual cases if there is a particular supervisory interest. Having regard to the legal requirements, FINMA aims to ensure maximum possible transparency surrounding its activities and the fulfilment of its mandate.

The information provided allows the public to find out how FINMA operates, its priorities and the implementation status of FINMA's goals for the current strategy period. This transparency helps boost confidence in supervision and the Swiss financial centre.

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