FSB- G20 - MONITORING PROGRESS – Switzerland September 2011

# *# in brackets are # from the 2010 template*		G20/FSB RECOMMENDATIONS		DEADLINE	PROGRESS TO DATE *Explanatory notes:* *In addition to information on progress to date, specifying steps taken, please address the following questions:* *1. Have there been any material differences from relevant international principles, guidelines or recommendations in the steps that have been taken so far in your jurisdiction?* *2. Have the measures implemented in your jurisdiction achieved, or are they likely to achieve, their intended results?* *Also, please provide links to the relevant documents that are published.*	PLANNED NEXT STEPS *Explanatory notes:* *Timeline, main steps to be taken and key mileposts (Do the planned next steps require legislation?)* *Are there any material differences from relevant international principles, guidelines or recommendations that are planned in the next steps?* *What are the key challenges that your jurisdiction faces in implementing the recommendations?*
I. Improving bank capital and liquidity standards						
1	(Pitts)	Basel II Adoption	All major G20 financial centres commit to have adopted the Basel II Capital Framework by 2011.	By 2011	By 1 January 2007, Switzerland had implemented the Basel II capital framework in its entirety and for all banks subject to Swiss capital requirements (domestic and foreign operations). Switzerland is already preparing for Basel III. Requirements regarding e.g. market risk, credit counterparty risk and securitization issues have been implemented on a fast-track ("Basel 2.5") and are effective since 1 January 2011.	For the remainder of the Basel III requirements, a national working group has been established for the calibration of the framework. The results will be in a public consultation in Q4 2011 and the final rules are planned to get enacted beginning of 2013.
2	(FSB 2009) (Tor)	Basel II trading book revision	Significantly higher capital requirements for risks in banks' trading books will be implemented, with average capital requirements for the largest banks' trading books at least doubling by end-2010. We welcomed the BCBS agreement on a coordinated start	By end-2011	In Switzerland, the Basel 2.5 revision has already become effective 1 January 2011, coordinated with other national regulatory reforms regarding capital and liquidity requirements.	

			date not later than 31 December 2011 for all elements of the revised trading book rules.			
3 (5, 6, 8)	(Seoul)	Adoption and implementation of international rules to improve bank capital and liquidity standards (Basel III); including leverage ratios (Note) Please explain developments in i) capital standards, ii) liquidity standards and iii) leverage ratios respectively.	We are committed to adopt and implement fully these standards (Basel III) within the agreed timeframe that is consistent with economic recovery financial stability. The new framework will be translated into our national laws and regulations, and will be implemented starting on January 1, 2013 and fully phased in by January 1, 2019.	January 1, 2013 and fully phased in by January 1, 2019.	Work to implement the Basel III proposals has progressed and the Swiss regulations reflecting Basel III will be in public consultation in Q4 2011. In addition to the Basel III requirements, Switzerland is working on a framework to tackle the "too big to fail" issues. The findings of an expert commission with significant participation of FINMA, SNB and the Federal Department of Finance (FDF) have been published in September 2010. The legal framework has been drafted and is currently in consultation. It is planned to get enacted in 2012. As outlined above, some of the Basel requirements ("Basel 2.5") are already in force, as have been stricter Pillar II requirements and a leverage ratio for the large banks.	Implementation of Basel III is planned as of 1 January 2013.
4 (4, 7, 9, 48)	(WAP) (FSF 2009) (FSF	Strengthening supervision and guidelines on banks' risk management practices	Regulators should develop enhanced guidance to strengthen banks' risk management practices, in line with international best practices, and should encourage financial firms to re-examine their internal controls and implement strengthened policies for sound risk management. 1.4 Supervisors should use the BCBS enhanced stress testing practices as a critical part of the Pillar 2 supervisory review process to validate the adequacy of banks' capital buffers above the minimum regulatory capital requirement. II.10 National supervisors should	Ongoing	Examples for enhanced guidance to strengthen banks' risk management practices are: • More robust liquidity regulation for the two large banks. • New compensation circular of FINMA to avoid excessive risk incentives for financial institution staff. FINMA participates actively and adopts the standards/ best practices proposed by the Basel Committee and other international regulatory bodies, like the Senior Supervisors Group. The approach adopted by FINMA to perform ST to the Swiss large banks consists of two different workstreams: the Building Block Analysis (BBA), and the Loss Potential Analysis (LPA). The BBA consists in a mandatory and uniform ST-	FINMA and the SNB continue to monitor the economic environment and will adapt the stress scenarios as necessary.

	2008) (FSB 2009)		closely check banks' implementation of the updated guidance on the management and supervision of liquidity as part of their regular supervision. If banks' implementation of the guidance is inadequate, supervisors will take more prescriptive action to improve practices. Regulators and supervisors in emerging markets will enhance their supervision of banks' operation in foreign currency funding markets.		analysis developed jointly by FINMA and SNB and imposed to banks. This analysis is intended to address limitations in the bank-internal ST-frameworks and, at the same time, to provide a better platform to compare ST-frameworks of the two Swiss large banks. The design of the BBA allows for an assessment of various market-, credit-, funding-, as well as business risk factors. In order to ensure continued relevancy, FINMA and SNB have put in place a formal revision process in close collaboration with the two banks. The LPA is the analysis of the potential cumulative loss of Swiss large banks in case of a further drastic deterioration of markets. The LPA identifies so-called "hot spots", i.e. critical portfolios or business lines of the two large banks. The results and conclusions from the BBA are used as input (together with bank-internal risk reports and discussions with banks' senior risk management) for the LPA and the discussions in the context of LPA are used to refine the BBA. The stress scenarios are developed in conjunction with the SNB. In the course of the Basel III implementation, Switzerland is currently working on a new liquidity regime. For the two large banks, comparable requirements have already been put in force on the basis of an agreement in 2010.	
II. Addressing systemically important financial institutions (SIFIs)						
5 (19)	(Pitts)	Consistent, consolidated supervision and regulation of SIFIs	All firms whose failure could pose a risk to financial stability must be subject to consistent, consolidated supervision and regulation with high standards.	Ongoing	FINMA has supervisory powers for financial groups and conglomerates, including appropriate intervention powers and rights to access information on group as well as solo level. All institutions regarded as systemically important for Switzerland subject to consolidated group regulation and supervision. Group supervision, which is also applied to big insurance groups, has	

					been broadened and extended in the aftermath of the crisis. In addition the Federal Council wishes to limit the economic risks posed by SIFIs On 20 April 2011, the Federal Council submitted the dispatch on strengthening financial sector stability (too big to fail) to parliament. The proposed package of measures in the areas of capital requirements, liquidity, risk diversification and organizational structure is designed to strengthen the stability of the financial system and to prevent the government from having to use tax revenues in the future in order to bail out SIBs. The Federal Council's bill is largely based on the recommendations of a Commission of Experts. The Commission has under significant contributions of FINMA, SNB and FDF submitted its final report to the Federal Council on 30 September 2010. The proposal has been adopted by the first chamber of the Swiss Parliament and will be considered by the second chamber during the autumn session in September 2011. The legislative amendments could thus come into force at the beginning of 2012.	
6 (43, 44)	(Pitts) (Seoul)	Mandatory international recovery and resolution planning for G-SIFIs	Systemically important financial firms should develop internationally-consistent firm-specific contingency and resolution plans. Our authorities should establish crisis management groups for the major cross-border firms and a legal framework for crisis intervention as well as improve information sharing in times of stress. We agreed that G-SIFIs should	End-2010 (for setting up crisis management groups) Ongoing	An expert group has, under significant participation of FINMA, SNB and FDF, developed policy recommendations in the area of capital (quality and quantity), liquidity, organisation/resolvability as well as risk concentration. On the basis of the expert group's recommendation an amendment to the Banking Act has been prepared that is currently being debated in parliament. The legal changes are planned to be in force as of 1 January 2013. Switzerland has established supervisory college arrangements for large Swiss	

	(Lon)		be subject to a sustained process of mandatory international recovery and resolution planning. We agreed to conduct rigorous risk assessment on G-SIFIs through international supervisory colleges and negotiate institution-specific crisis cooperation agreements within crisis management groups. To implement the FSF principles for cross-border crisis management immediately. Home authorities of each major financial institution should ensure that the group of authorities with a common interest in that financial institution meets at least annually.		cross-border insurance and banking groups which cover risk management and contingency aspects. College meetings dedicated to cross-border cooperation on crisis management according to Principle 4 involving all relevant authorities (central banks and supervisors) have taken place for all relevant institutions and will be repeated in future when appropriate.	
7 (45)	(Seoul) (Tor) (WAP)	Implementation of BCBS recommendations on the cross-border bank resolution	We reaffirmed our Toronto commitment to national-level implementation of the BCBS's cross-border resolution recommendations. We endorsed and have committed to implement our domestic resolution powers and tools in a manner that preserves financial stability and are committed to implement the ten key recommendations on cross-border bank resolution issued by the BCBS in March 2010. National and regional authorities should review resolution regimes and bankruptcy laws in light of recent experience to ensure that they permit an orderly wind-down of large complex cross-border financial institutions.	Ongoing	The Swiss banking resolution regime is particularly suited for cross-border cases, as its provisions allow for a resolution process across jurisdictions. The Swiss framework has been applied successfully on several occasions as it provides the instruments for timely and effective measures, protecting all stakeholders in an adequate way. With regard to Swiss SIFI and in the course of the new Swiss too big to fail legislation, new organisational requirements are currently being developed that aim at improving the international and domestic resolvability of such institutions. Between FINMA and SNB, a formal MoU is in place describing the areas of responsibility of both institutions. It also identifies areas of common interest and details the cooperation on these subjects. Furthermore, a tripartite MoU, signed in January 2011, including the Swiss Federal Department of Finance, FINMA and the SNB complements the supervisory setup.	

	(FSF 2008)		VI.6 Domestically, authorities need to review and, where needed, strengthen legal powers and clarify the division of responsibilities of different national authorities for dealing with weak and failing banks.		In addition to ensuring a regular exchange of views and information between these authorities, the MoU includes provisions for the authorities' terms of cooperation in the event of a crisis.	
8 (41)	(Lon) (Seoul)	Supervisory colleges	To establish the remaining supervisory colleges for significant cross-border firms by June 2009. We agreed to conduct rigorous risk assessment on these firms through international supervisory colleges …	June 2009 (for establishing supervisory colleges) Ongoing	Supervisory colleges have already been established for all four large cross-border groups requiring a college according to the criteria of the FSB (2 banks and 2 insurance firms). The insurance firms are covered by global supervisory colleges since 2008. For the two banks, arrangements similar to supervisory colleges have been in place since 2000. Supervisory colleges are also in place for other important financial institutions.	
9 (42)	(FSF 2008)	Supervisory exchange of information and coordination	V.7 To quicken supervisory responsiveness to developments that have a common effect across a number of institutions, supervisory exchange of information and coordination in the development of best practice benchmarks should be improved at both national and international levels.	Ongoing	On national level, SNB and FINMA share tight links in monitoring the financial sector on the micro as well as macro level and coordinate regulatory initiatives of shared interest. On international level, FINMA has long standing relations with the supervisors of important markets the Swiss SIFIs operate in and has recently broadened and extended supervisory cooperation following the BCBS work on colleges.	
10 (New)	(Seoul)	More effective oversight and supervision	We agreed that supervisors should have strong and unambiguous mandates, sufficient independence to act, appropriate resources, and a full suite of tools and powers to proactively identify and address risks, including regular stress testing and early intervention.	Ongoing	The new integrated supervisory authority FINMA was established in 2009 and was given increased independence and additional tools compared to its ancestor authorities. In 2010, in its report on the financial crisis the control committee of the parliament deemed FINMA's mandate and organisational setup appropriate. Within the current organisational setup, the lessons from the financial crisis led to an improved and more consequently risk oriented supervisory approach and an improved stress testing framework.	

III. Extending the regulatory perimeter to entities/activities that pose risks to the financial system						
11 (27)	(Lon)	Review of the boundaries of the regulatory framework	We will each review and adapt the boundaries of the regulatory framework to keep pace with developments in the financial system and promote good practices and consistent approaches at an international level.	Ongoing	FINMA is continuously reviewing the adequacy of the regulatory and supervisory framework and actively contributes to the international discussion. FINMA is part of the IOSCO task force on unregulated entities and takes part in the development of the IOSCO recommendations.	
12 (30)	(FSF 2008)	Supervisory resources and expertise to oversee the risks of financial innovation	V.1 Supervisors should see that they have the requisite resources and expertise to oversee the risks associated with financial innovation and to ensure that firms they supervise have the capacity to understand and manage the risks.	Ongoing	FINMA is operating qualified and experienced risk departments directly overseeing the risk of large banks and insurances. Other institutions are covered by an early warning system as described below and are regularly reviewed by external auditors directly reporting to FINMA (dualistic supervision). The procedure proved to be effective. It helps to concentrate supervisory resources, while at the same time making sure that issues get recognized and addressed within the continual supervision process.	
Hedge funds						
13 (33)	(Seoul) (Lon)	Regulation (including registration) of hedge funds	We also firmly recommitted to work in an internationally consistent and non-discriminatory manner to strengthen regulation and supervision on hedge funds, … Hedge funds or their managers will be registered and will be required to disclose appropriate information on an ongoing basis to supervisors or regulators, including on their leverage, necessary for assessment of the systemic risks they pose individually or collectively. Where appropriate registration should be subject to a minimum size.	End-2009	Switzerland applies both a direct and an indirect supervisory approach with respect to hedge funds. Directly supervised (after having received the necessary approval by FINMA) are all domestic hedge funds and foreign ones if they shall be distributed in public in or from Switzerland, regardless of their size. In addition, managers of domestic hedge funds need an authorization. For managers of foreign hedge funds an authorization is, so far, optional. The third element of the direct supervisory approach relates to distribution matters and concerns representatives and distributors of hedge funds. The indirect supervisory approach takes place through their interfaces with banks. Moreover, certain investment restrictions for insurers	FINMA currently reviews the approach on hedge fund regulation and supervision, also in regard to information gathering and disclosure. In addition to the IOSCO principles published in June 2009, which are primarily focused on market behaviour aspects, the review also touches on policy options. Changes have to be implemented through the legislative process. The respective draft of the amendment of the collective investment scheme act is currently in public consultation.

			They will be subject to oversight to ensure that they have adequate risk management.		exist.	
14 (34)	(Lon)	Effective oversight of cross-border funds	We ask the FSB to develop mechanisms for cooperation and information sharing between relevant authorities in order to ensure effective oversight is maintained when a fund is located in a different jurisdiction from the manager. We will, cooperating through the FSB, develop measures that implement these principles by the end of 2009.	End-2009	FINMA is currently performing a survey to assess the systemic footprint of hedge funds, which is coordinated within IOSCO. FINMA also actively supports the IOSCO task force working on this matter.	
15 (35)	(Lon)	Effective management of counter-party risk associated with hedge funds	Supervisors should require that institutions which have hedge funds as their counterparties have effective risk management, including mechanisms to monitor the funds' leverage and set limits for single counterparty exposures.	Ongoing	Prime Brokerage is a focus in the supervision of the IB activities of the 2 large banks. FINMA has regular meetings with the risk management units of the two large banks to discuss ongoing Hedge Fund (HF) issues. FINMA reviews ad hoc certain businesses activities, reviews ad hoc all kinds of HF reports both large banks produce, talks about disputes/ haircut adjustments with representatives of the large banks and has a dialog with the external and internal audit function on the prime brokerage business of the two large banks. Prime brokerage business is also an important part in our ongoing liquidity supervision of the 2 large banks. FINMA looks at liquidity in-/ outflows from the prime brokerage business and looks at HF	

					stress models. Strategy/growth plans and as well as onboarding strategies for new HF-clients are regularly discussed. FINMA regularly reviews several leverage indicators, margin requirements, excess collateral numbers and across several prime broker in a peer analysis. FINMA, respectively the predecessor organization SFBC, participated in the interagency working group to review the counterparty risk management practices related to hedge funds under the lead of the FRBNY. FINMA participated also in all Senior Supervisors Group (SSG) work streams that looked at counterparty credit risk management. A common report was issued that conveyed the SSG perspective on the state of CCR measurement and management practices based on discussions with major industry participants over the past two years.	
16 (36)	(FSF 2008)	Guidance on the management of exposures to leveraged counterparties	II.17 Supervisors will strengthen their existing guidance on the management of exposures to leveraged counterparties	Ongoing		FINMA is currently reviewing the regulatory and supervisory regime for leveraged counterparties, including hedge funds, also taking into account the IOSCO principles published in June 09.
Securitisation						
17 (50)	(FSB 2009)	Implementation of BCBS/IOSCO measures for securitisation	During 2010, supervisors and regulators will: • implement the measures decided by the Basel Committee to strengthen the capital requirement of securitisation and establish clear rules for banks' management and disclosure; • implement IOSCO's proposals to strengthen practices in securitisation markets.	During 2010	The Basel 2.5 enhancements, concerning securitisation among other things, have been implemented and became effective in Switzerland in January 2011.	

18 (51, 52)	(Lon) (Pitts)	Improvement in the risk management of securitisation, including retainment of a part of the risk of the underlying assets by securitisation sponsors or originators	The BCBS and authorities should take forward work on improving incentives for risk management of securitisation, including considering due diligence and quantitative retention requirements by 2010. Securitization sponsors or originators should retain a part of the risk of the underlying assets, thus encouraging them to act prudently.	By 2010	Both large banks were informed in late 2007 that they are expected to perform due diligence on their securitization positions, particularly in the context of rating methodology. First results were presented to the regulators in 2008. Swiss banks are aware that such due diligence will soon be an integral part of the Basel II Pillar I rules. The Basel 2.5 enhancements, concerning securitisation among other things, have been implemented and became effective in Switzerland in January 2011.	In the course of the Basel III implementation, the risk weights for securitisations are being changed. This will become effective in January 2013.
19 (10)	(FSF 2008)	Strengthening of regulatory and capital framework for monolines	II.8 Insurance supervisors should strengthen the regulatory and capital framework for monoline insurers in relation to structured credit.	Ongoing	In Switzerland, there are no monoline insurers. Hence, there is no need for regulatory action in this regard.	
20 (54)	(FSF 2008)	Strengthening of supervisory requirements or best practices fir investment in structured products	II.18 Regulators of institutional investors should strengthen the requirements or best practices for firms' processes for investment in structured products.	Ongoing	In Switzerland only banks, insurances and securities dealers are permitted to market or to service structured products to retail customers and investors (art 5 CISA). Independent of their investment in structured products, these firms have to comply with severe requirements regarding internal control and risk management practices (e.g. art 9 banking ordinance and FINMA circular 08/24). In the context of the failure of Lehman Brothers FINMA initiated several reviews. Client investments as well as nostro account of 100 banks were analysed for transaction in structured products.	FINMA has identified shortcomings in relation to client protection, namely with regard to the distribution of capital-protected structured products, and put forward various proposals on how the protection of retail clients could be improved in a discussion paper. The responses on the discussion paper are currently being evaluated as a basis for a possible future regulation.
21 (14)	(FSF 2008)	Enhanced disclosure of securitised products	III.10-III.13 Securities market regulators should work with market participants to expand information on securitised products and their underlying assets.	Ongoing	Switzerland is taking part in the international discussions and will amend its rules where appropriate. We also support the FSB's work on disclosure.	

IV. Improving OTC derivatives markets						
22 (17, 18)	(Seoul) (Pitts) (Lon)	Reforming OTC derivative markets, including the standardisation of CDS markets (e.g. CCP); and trading of all standardized OTC derivatives on exchanges, clearing and trade repository reporting.	We endorsed the FSB's recommendations for implementing our previous commitments in an internationally consistent manner, recognizing the importance of a level playing field. All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, where appropriate, and cleared through central counterparties by end-2012 at the latest. OTC derivative contracts should be reported to trade repositories. Non-centrally cleared contracts should be subject to higher capital requirements. We will promote the standardization and resilience of credit derivatives markets, in particular through the establishment of central clearing counterparties subject to effective regulation and supervision. We call on the industry to develop an action plan on standardisation by autumn 2009.	By end-2012 at the latest	Most of the OTC transactions Swiss counterparties enter into have a cross-border or international aspect. While OTC derivatives play a major role for internationally active Swiss banks, these transactions are often performed through subsidiaries or branches domiciled and licensed in the country of the particular market. Even if we consider the transactions performed through Swiss-domiciled firms, most OTC transactions take place with international counterparties. Consistently, the Swiss approach on OTC derivatives has so far been more focused on the global OTC activities of Swiss financial intermediaries than on the regulation of the Swiss OTC markets themselves. Of course, Swiss intermediaries have to comply with the rules of foreign markets they participate in and will therefore have to adapt to regulatory changes in all relevant markets they are active in. As supervisor of banks engaged in the OTC derivatives markets, FINMA closely follows the developments in these markets and monitors the compliance of supervised institutions with the international standards.	The assessment of an appropriate regulatory framework regarding OTC derivatives transactions in Switzerland and its impact on the Swiss derivatives market is still ongoing. The measures that are currently implemented in key markets including the EU and the US will have a significant impact which needs to be taken carefully into account. What additional measures need to be taken to foster standardization, central clearing and reporting in the area of OTC derivatives is hence still under review.
V. Developing macro-prudential frameworks and tools						
23 (25)	(Lon)	Amendment of regulatory systems to take account of macro-prudential risks	Amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks and private pools of capital to limit the build up of	Ongoing	The improvement of the macroprudential framework in Switzerland is currently being discussed in a joint working group of the Federal Department of Finance (chair), the Swiss National Bank and the Financial Market Authority (FINMA). The collection of information to identify risks is one aspect of this framework.	

			systemic risk.			
24 (26)	(Lon)	Powers for gathering relevant information by national regulators	Ensure that national regulators possess the powers for gathering relevant information on all material financial institutions, markets and instruments in order to assess the potential for failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions.	Ongoing	FINMA has a very broad legal power to gather any kind of information from supervised financial market institutions deemed necessary for their supervision. In addition, the SNB has the power to collect statistical data.	Whether and how the power of the SNB can be extended to gathering “non-statistical” information from banks as well is currently being considered in the joint working group mentioned above.
25 (28)	(FSF 2009)	Use of macro-prudential tools	3.1 Authorities should use quantitative indicators and/or constraints on leverage and margins as macro-prudential tools for supervisory purposes. Authorities should use quantitative indicators of leverage as guides for policy, both at the institution-specific and at the macro-prudential (system-wide) level… Authorities should review enforcing minimum initial margins and haircuts for OTC derivatives and securities financing transactions.	End-2009 and ongoing	Quantitative indicators enter the regular monitoring and analysis of both the SNB (e.g. in the financial stability report) and FINMA.	The joint working group of the FDF, the SNB and FINMA (mentioned above) is, in particular, considering the introduction of a countercyclical capital buffer. While the criteria for activating the buffer would still have to be defined, quantitative indicators would certainly play a key role.
26 (29)	(WAP)	Monitoring of asset price changes	Authorities should monitor substantial changes in asset prices and their implications for the macro economy and the financial system.	Ongoing	SNB has been monitoring asset prices and their implications for financial stability for several years now. The results are shared with FINMA. FINMA is also monitoring particular markets on macroeconomic level, such as the real estate / mortgage segment.	

27 (32)	(FSF 2008)	Improved cooperation between supervisors and central banks	V.8 Supervisors and central banks should improve cooperation and the exchange of information including in the assessment of financial stability risks. The exchange of information should be rapid during periods of market strain.	Ongoing	SNB and the Swiss Federal Banking Commission have had a Memorandum of Understanding (MoU) in place since 2007 that was continued after the creation of FINMA. During the financial crisis and thereafter, the two authorities collaborated much more closely. To account for the insights gained during that period the MoU was revised in February 2010[1]. Additionally, in January 2011, the Federal Department of Finance (FDF), FINMA and SNB signed a tripartite MoU[2]. The agreement governs collaboration between the three authorities, which includes the exchange of information on financial stability and financial market regulation issues, as well as collaboration in the event of a crisis that would threaten the financial system's stability.	
VI. Strengthening accounting standards						
28 (11)	(WAP)	Consistent application of high-quality accounting standards	Regulators, supervisors, and accounting standard setters, as appropriate, should work with each other and the private sector on an ongoing basis to ensure consistent application and enforcement of high-quality accounting standards.	Ongoing	Potential changes will be coordinated on the level of the BCBS and IOSCO and transposed into national regulation if deemed necessary. Switzerland also supports the FSB's initiatives on accounting issues.	
29 (New)	(Seoul)	Convergence of accounting standards	We re-emphasized the importance we place on achieving a single set of improved high quality global accounting standards and called on the International Accounting Standards Board and the Financial Accounting Standards Board to complete their convergence project.	End-2011	See Answer 28	

[1] http://www.finma.ch/e/aktuell/pages/mm-mou-snb-finma-20100312.aspx.
[2] http://www.finma.ch/e/aktuell/pages/mm-mou-20110117.aspx.

30 (12)	(FSF 2009)	The use of valuation reserves or adjustments by accounting standard setters and supervisors	3.4 Accounting standard setters and prudential supervisors should examine the use of valuation reserves or adjustments for fair valued financial instruments when data or modelling needed to support their valuation is weak.	End-2009	FINMA is represented in the Working Groups of BCBS. FINMA will therefore implement the rules related to valuation reserves or adjustments and standards to dampen the potentially adverse dynamics of fair value accounting which are developed by the Working Groups of BCBS	If deemed necessary national regulation will be amended accordingly. Valuation and provisioning standards will be amended in the light of changes of internationally accepted accounting standards. Potential changes will also be coordinated on the level of BCBS and transposed into national regulation if deemed necessary.
31 (13)	(FSF 2009)	Dampening of dynamics associated with FVA.	3.5 Accounting standard setters and prudential supervisors should examine possible changes to relevant standards to dampen adverse dynamics potentially associated with fair value accounting. Possible ways to reduce this potential impact include the following: (1) Enhancing the accounting model so that the use of fair value accounting is carefully examined for financial instruments of credit intermediaries; (ii) Transfers between financial asset categories; (iii) Simplifying hedge accounting requirements.	End-2009	See answer 30	
VII. Strengthening adherence to international supervisory and regulatory standards.						
32 (21, 22, 23)	(Lon)	Adherence to international prudential regulatory and supervisory standards, as well as agreeing to undergo FSAP/ FSB periodic peer reviews (Note) Please try to prioritise any major initiatives conducted	We are committed to strengthened adherence to international prudential regulatory and supervisory standards. FSB members commit to pursue the maintenance of financial stability, enhance the openness and transparency of the financial sector, implement international financial standards, and agree to undergo periodic peer reviews, using among other evidence IMF / World Bank FSAP reports.	Ongoing	Switzerland has an efficiently functioning tax system. It is not a tax haven. Switzerland has concluded a large number of bilateral and multilateral agreements which provide a basis in law for an exchange of information for tax purposes between Switzerland and other states. On 13 March 2009 the Federal Council has decided to optimize Switzerland's international cooperation with other countries and therefore adopt the OECD standard on administrative assistance contained in Article 26 of the OECD Model Convention. Switzerland is determined to act swiftly and to substantially implement	Switzerland will continue to actively participate in the elaboration and further development of the international standards in the relevant multilateral bodies. Switzerland will continue to consistently and swiftly implement the OECD standard in the area of taxes. In June 2011 the Swiss Parliament has approved a further package of 11 DTAs. The approval process should be finalized in Switzerland if no referendum has been triggered by mid-October 2011. Global forum on transparency and exchange of information for tax purposes

	(WAP)	specifically in your jurisdiction.	All G20 members commit to undertake a Financial Sector Assessment Program (FSAP) report and support the transparent assessment of countries' national regulatory systems.		this international standard. It, as of August 31 2011, already initiated 35 Double Taxation Agreement's (DTA) containing an extended administrative assistance clause. 11 of these are in force. As a founding member of the FATF since 1990, Switzerland not only has actively contributed to the elaboration of the international AML/CFT standards during the last thirty years, it has also been at the forefront of their implementation, as stated by several successive country reports. Since 2006,Switzerland co-chairs one of the four main permanent working groups of the FATF, namely the Working Group on Evaluations and Implementation and also co-chaired, together with the UK, the FATF Proliferation Financing Project Team until April 2010.Switzerland's AML/CFT system was evaluated in 2005 by the FATF in the framework of the 3rd round of mutual evaluations. This assessment concluded that the Swiss AML/CFT system is a robust one. The Mutual Evaluation Report highlights, among others, that the Swiss system for ensuring that financial intermediaries comply with their AML/CFT obligations is in a position to ensure full and effective supervision of the subjected entities. Since 2005, it has submitted three reports to the FATF according to the regular follow-up process and has amended its AML/CFT law and ordinances to take into account the observations of the FATF report. In October 2009, the FATF Plenary decided that Switzerland had made significant progress in addressing the deficiencies which were identified in the 2005 MER and decided to remove Switzerland from the regular follow-up process. The Swiss regulatory and supervisory	peer review: In the second half of 2010 the phase 1 review of Switzerland was launched (examination of the legal and regulatory framework). The Phase 2 review (evaluation of the implementation of the standards in practice) is scheduled for the second half of 2012. Switzerland will report further improvements to its AML System in October 2011 within the context of biennial update. A FSB country review of Switzerland is currently being conducted. It is scheduled for publication in 2012. The next Art. IV mission is envisaged for spring 2012.

					framework was assessed in FSAPs and IMF Art. IV consultations several times. Despite not being a G20 member, Switzerland has undergone FSAP and according updates. No aspects were assessed as non-compliant. Furthermore, the recent FSB update on information-exchange based on FSAP results showed that Switzerland is fully compliant with all relevant standards. The last update of the Swiss FSAP assessment was performed in 2007.The last Art. IV consultation was concluded in May 2011.	
Reforming compensation practices to support financial stability						
33 (15)	(Pitts) (Tor)	Implementation of FSB/FSF compensation principles	We fully endorse the implementation standards of the FSB aimed at aligning compensation with long-term value creation, not excessive risk-taking. Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention. We call on firms to implement these sound compensation practices immediately. We encouraged all countries and financial institutions to fully implement the FSB principles and standards by year-end. We	End-2010	FINMA has continued its work on compensation in the financial sector in close coordination with the FSB, BCBS, and IAIS, as well bilaterally with other supervisory agencies. In addition FINMA participates in a compensation implementation practice sharing group with four other national supervisors. The FINMA rules were enacted on 1 January 2010 and are compulsory for all large banking and insurance institutions. FINMA has conducted intensive reviews on compensation of large, internationally active banks particularly. Affordability, liquidity and capital considerations were key in these efforts. In addition, FINMA required a self-assessment by all financial institutions subject to our rules in 2011, which covers a wider set of considerations, including compensation structure, mix, governance, and controls.	FINMA will finalize its review of the self-assessments, discuss with institutions where improvements are needed, and draw lessons on the impact had and where further regulatory or supervisory action may be useful.

	(Seoul)		call on the FSB to undertake ongoing monitoring in this area and conduct a second thorough peer review in the second quarter of 2011. We reaffirmed the importance of fully implementing the FSB's standards for sound compensation.			
34 (16)	(Pitts)	Supervisory review of firms' compensation policies etc.	Supervisors should have the responsibility to review firms' compensation policies and structures with institutional and systemic risk in mind and, if necessary to offset additional risks, apply corrective measures, such as higher capital requirements, to those firms that fail to implement sound compensation policies and practices. Supervisors should have the ability to modify compensation structures in the case of firms that fail or require extraordinary public intervention.	Ongoing	Swiss compensation regulation gives FINMA the authority to apply corrective measures (including higher capital requirements) and to modify compensation structures. FINMA has already formally intervened on compensation matters at some players and actually tested its powers on compensation successfully.	
VIII. Other issues						
Credit rating agencies						
35 (37)	(Lon)	Registration of CRAs etc.	All CRAs whose ratings are used for regulatory purposes should be subject to a regulatory oversight regime that includes registration. The regulatory oversight regime should be established by end 2009 and should be consistent with the IOSCO Code of Conduct Fundamentals.	End-2009	Credit rating agencies whose ratings are used for regulatory purposes (e.g. as basis for capital adequacy) have to be registered with and recognized by FINMA. The recognition is currently governed by FINMA circular 2008/26 "Rating Agencies" and includes requirements in regard to objectivity, independence, access to ratings, disclosure, resources and credibility. Process and requirements are in line with the standards of the BCBS and with the "IOSCO Code of Conduct Fundamentals for Credit Rating Agencies" (2004).	FINMA revised its Circular regarding Recognition of Credit Rating Agencies in 2011 which takes effect on January 2012. The scope of application is extended to all institutions supervised by FINMA which use credit ratings for regulatory purposes. By this occasion the IOSCO Code of Conduct Fundamentals 2008 and in future always the current version are the basis for FINMA's recognition of CRAs. Moreover, FINMA adapts new rules from the BCBS Regulatory Framework (Basel III) regarding the registration requirements. Because of the Swiss market of CRAs FINMA renounces of an own ongoing

						supervision of CRAs particularly the most considerable CRAs are based abroad and will be subject to ongoing supervision in other jurisdictions in the medium-term.
36 (38)	(Lon)	CRA practices and procedures etc.	National authorities will enforce compliance and require changes to a rating agency's practices and procedures for managing conflicts of interest and assuring the transparency and quality of the rating process. CRAs should differentiate ratings for structured products and provide full disclosure of their ratings track record and the information and assumptions that underpin the ratings process. The oversight framework should be consistent across jurisdictions with appropriate sharing of information between national authorities, including through IOSCO.	End-2009	Switzerland has already included the requirements of the according IOSCO code in its recognition practices.	Switzerland will review the adequacy of its recognition process and requirements with respect to the recommendations of the BCBS working group. It is envisaged that a possible need for adjustments will be rather small. In addition, the relevant agencies currently recognized for regulatory purposes are foreign firms.
37 (39)	(FSB 2009)	Globally compatible solutions to conflicting compliance obligations for CRAs	Regulators should work together towards appropriate, globally compatible solutions (to conflicting compliance obligations for CRAs) as early as possible in 2010.	As early as possible in 2010	Switzerland will follow the recommendations and standards of the BCBS. As nearly all relevant rating agencies are based outside Switzerland, there should not be too much room for potential conflicts.	
38 (40)	(Seoul) (FSF 2008)	Reducing the reliance on ratings	We also endorsed the FSB's principles on reducing reliance on external credit ratings. Standard setters, market participants, supervisors and central banks should not rely mechanistically on external credit ratings. IV. 8 Authorities should check that the roles that they have assigned to ratings in regulations	Ongoing	Switzerland follows the respective BCBS recommendations and standards.	

			and supervisory rules are consistent with the objectives of having investors make independent judgment of risks and perform their own due diligence, and that they do not induce uncritical reliance on credit ratings as a substitute for that independent evaluation.			
Risk management						
39 (48)	(Pitts)	Robust, transparent stress test	We commit to conduct robust, transparent stress tests as needed.	Ongoing	FINMA is conducting in-depth discussions with the large banking institutions and assists these initiatives by providing own stress scenarios. The stress scenarios are developed in conjunction with the SNB.	FINMA and the SNB continue to monitor the economic environment and will adapt the stress scenarios as necessary.
40 (49)	(Pitts)	Efforts to deal with impaired assets and raise additional capital	Our efforts to deal with impaired assets and to encourage the raising of additional capital must continue, where needed.	Ongoing	Currently, the Swiss large banks are sufficiently capitalised and were able to deal with impaired assets (albeit with state assistance in one case).	FINMA continues to monitor the situation closely and would intervene formally and informally if necessary.
41 (53)	(WAP)	Enhanced risk disclosures by financial institutions	Financial institutions should provide enhanced risk disclosures in their reporting and disclose all losses on an ongoing basis, consistent with international best practice, as appropriate.	Ongoing	The Senior Supervisors Group defined in a report leading-practice disclosures for selected exposures (i.e. those instruments that the marketplace now considers to be high-risk or to involve more risk than previously thought). Both big banks have to comply with those standards. In addition since January 1 2009 CS and UBS have to issue an annual “Pillar 3 report” that provides information on their implementation of the Basel II framework and risk assessment processes in accordance with the Pillar 3 requirements.	
Others						
42 (46)	(FSF 2008)	Review of national deposit insurance arrangements	VI.9 National deposit insurance arrangements should be reviewed against the agreed international principles, and authorities should strengthen arrangements where needed.	Ongoing	During the crisis, the level of protection per deposit and bank was increased from CHF 30,000 to CHF 100,000 on a temporary basis. The maximum amount covered by the deposit insurance scheme was raised from CHF 4 billion to CHF 6 billion. These amendments came into force on December 20, 2008. In March 2011 the	

					parliament has decided an amendment of the banking act that converts the temporary increase in permanent law. It furthermore includes improvements concerning the financial restructuring procedure (namely the possibility of maintaining bank services), a reduction in the time for payouts from deposit insurance, the recognition of foreign insolvency measures, and regulations regarding unclaimed assets. However, a formerly proposed change to an ex-ante funded scheme was rejected in the consultation period.	
43 (55)	(Pitts)	Development of cooperative and coordinated exit strategies	We need to develop a transparent and credible process for withdrawing our extraordinary fiscal, monetary and financial sector support, to be implemented when recovery becomes fully secured. We task our Finance Ministers, working with input from the IMF and FSB, to continue developing cooperative and coordinated exit strategies recognizing that the scale, timing and sequencing of this process will vary across countries or regions and across the type of policy measures.	Ongoing	Switzerland supports the 2010 Fund recommendations on exiting from crisis intervention policies. Exit policies are in line with the Fund recommendations. Fiscal support is being injected as a package of temporary measures. The time of withdrawal of the measures was defined at the inception. The last stimulus will terminate in 2012. The government sold its stake in one bank that was built up as a recapitalization measure. In coordination with other central banks, the SNB has decided to extend its temporary US dollar liquidity swap arrangement with the Federal Reserve to 1 August 2012.	

<u>Origin of recommendations</u>:

Seoul: The Seoul Summit Document (11-12 November 2010)
Pitts: Leaders' Statement at the Pittsburgh Summit (25 September 2009)
Lon: The London Summit Declaration on Strengthening the Financial System (2 April 2009)
Tor: The G-20 Toronto Summit Declaration (26-27 June 2010)
WAP: The Washington Summit Action Plan to Implement Principles for Reform (15 November 2008)
FSF 2008: The FSF Report on Enhancing Market and Institutional Resilience (7 April 2008)
FSF 2009: The FSF Report on Addressing Procyclicality in the Financial System (2 April 2009)
FSB 2009: The FSB Report on Improving Financial Regulation (25 September 2009)