



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

Today's Regulatory Challenges and Trends

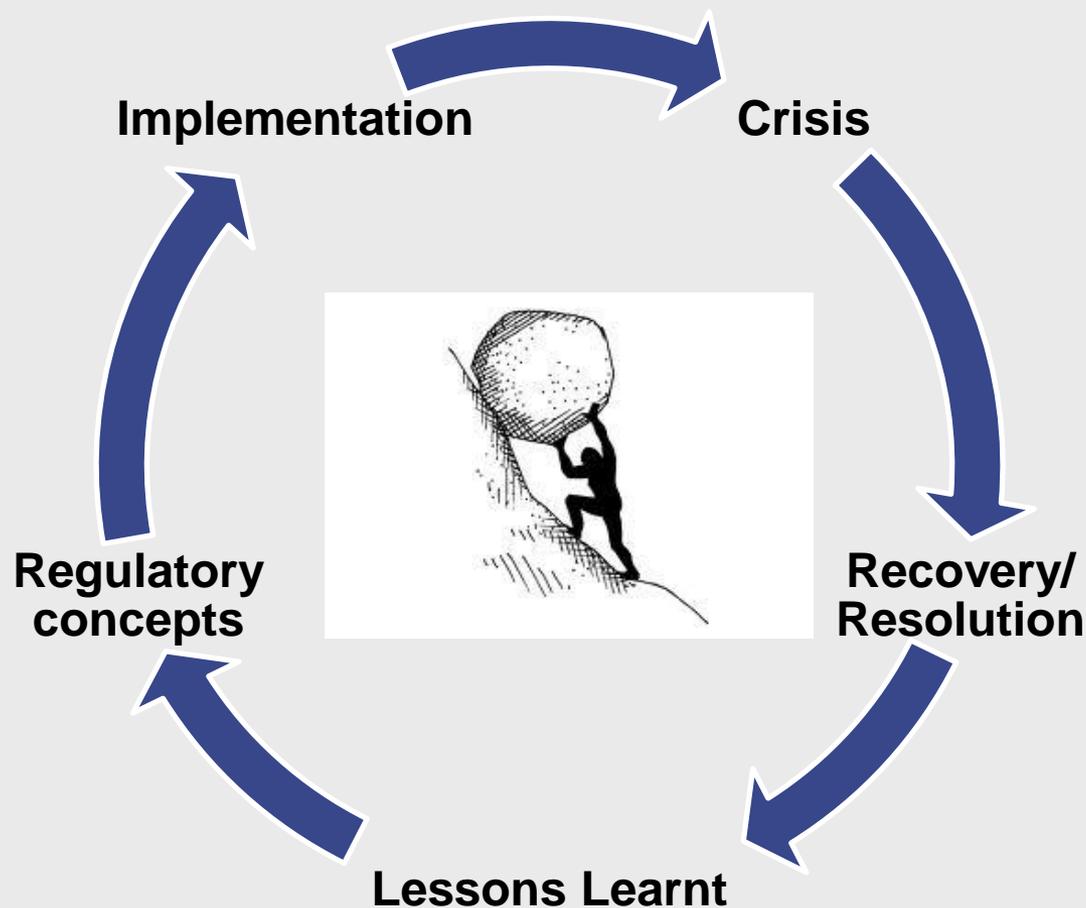
Mark Branson, CEO
ISSA Symposium

21 May 2014

- Introduction: Evolution of financial regulation
- Trends in financial regulation
- The G20/FSB Agenda
- Financial regulation in the European Union
- Financial regulation in Switzerland
- Implications for the industry

Financial regulation

Evolving stages



Financial regulation

Trends

Comprehensive overhaul of existing regulation

Expansion to previously unregulated sectors

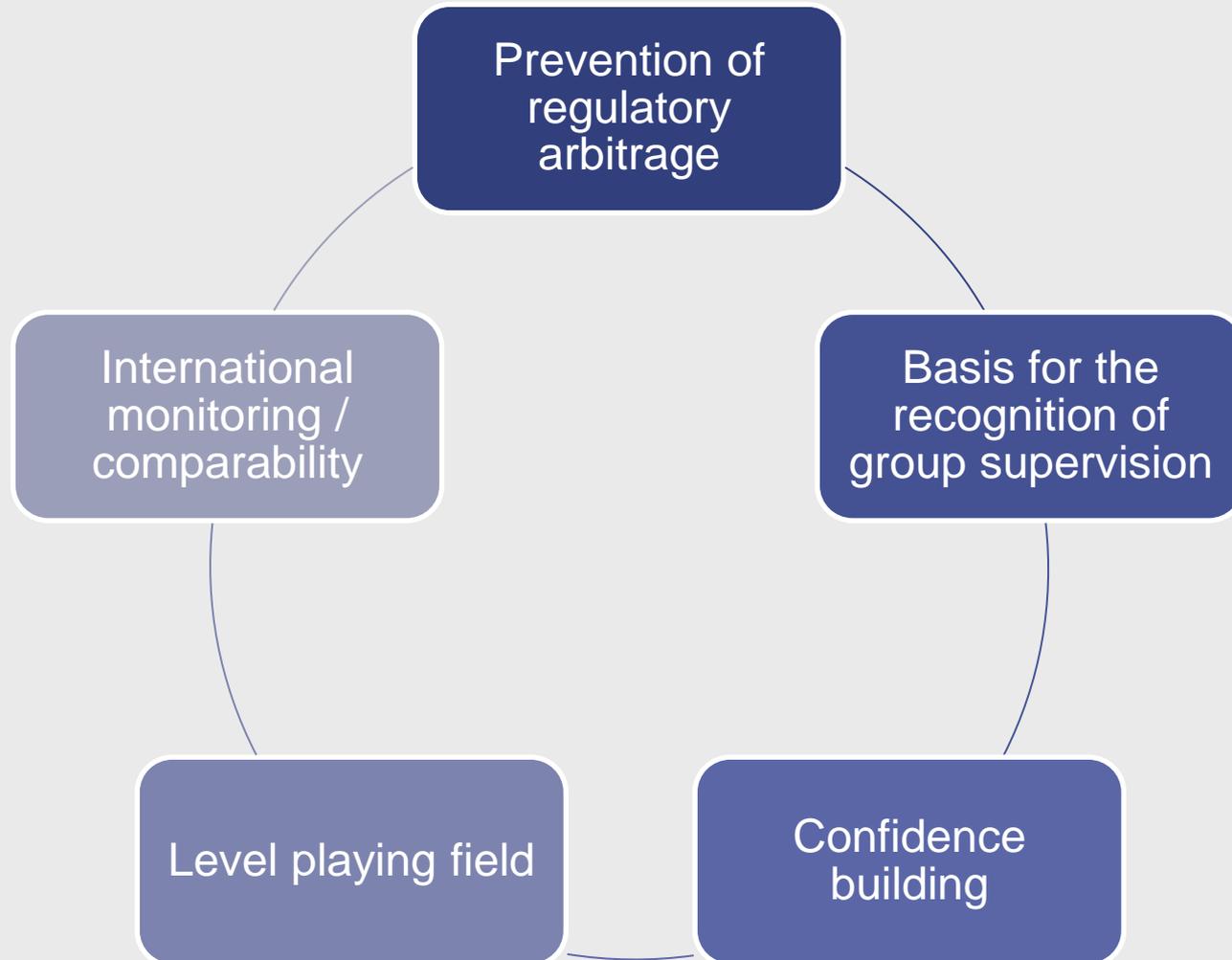
Increasing influence of international actors / norms

Focus on financial stability

Focus on conduct rules (MiFID II)

Increasing supervisory intensity

Internationalisation of financial regulation



- Most international standards are not binding
- But influence national legislation through three channels

Reputation

Regulatory reviews /
assessments

Financial Sector
Assessment Program
(FSAP) of IMF
Regulatory Consistency
Assessment Program
(RCAP) of BCBS

Equivalence

Pre-condition to market
access

Third country regime in the
European Union

Extraterritoriality

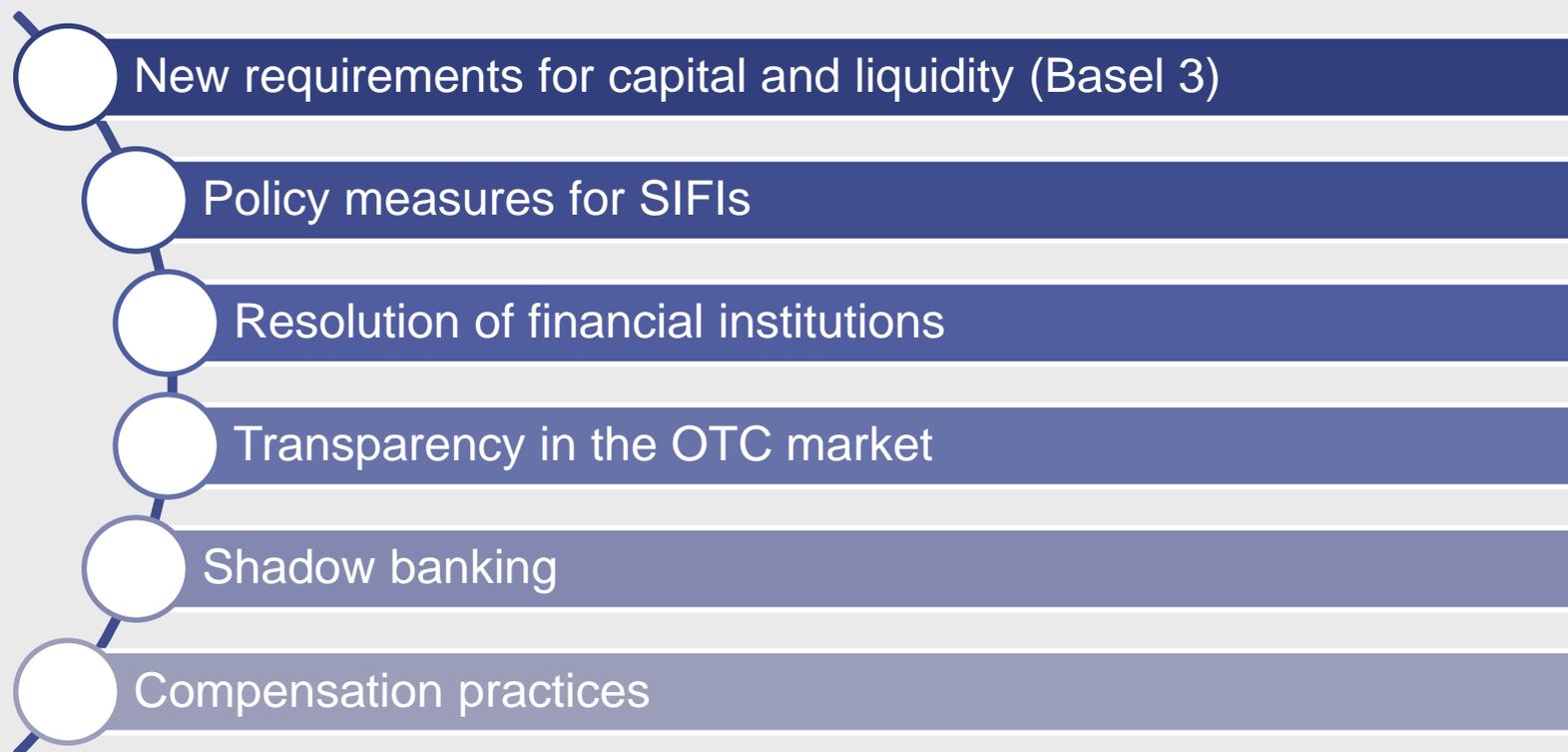
Interference with
national authority

Dodd Frank Act in the
United States (Volcker
Rule, Swap Dealer
requirements)

The G-20 / FSB reform agenda

The new “face” of global finance

Overarching objective: Increase resilience of the financial system and institutions

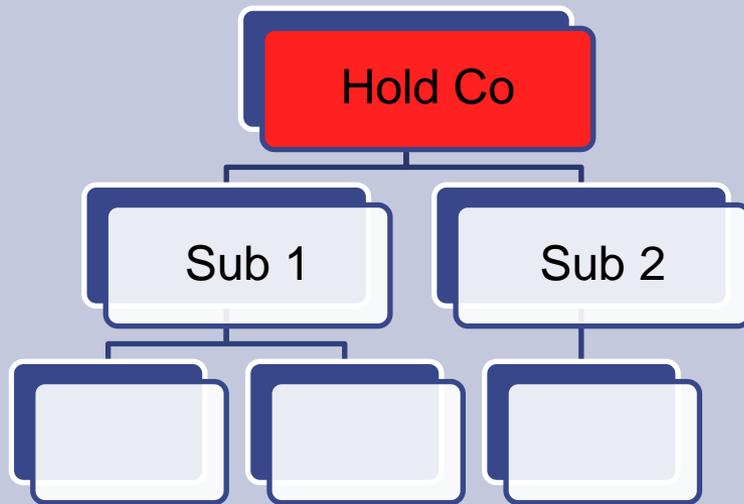


Aim	Policy measures	
	What has been done?	What will be done?
Increase resilience	<ul style="list-style-type: none">• Capital (Basel 3 and G-SIB surcharge)• Liquidity Coverage Ratio	<ul style="list-style-type: none">• Adequacy of internal models• Review of Leverage Ratio• Development of NSFR
Effective resolution	<ul style="list-style-type: none">• Key Attributes• Bail-in tool / strategy	<ul style="list-style-type: none">• GLAC• Cross-border recognition
Improve resolvability	<ul style="list-style-type: none">• Recovery and Resolution Planning	<ul style="list-style-type: none">• Structural reforms

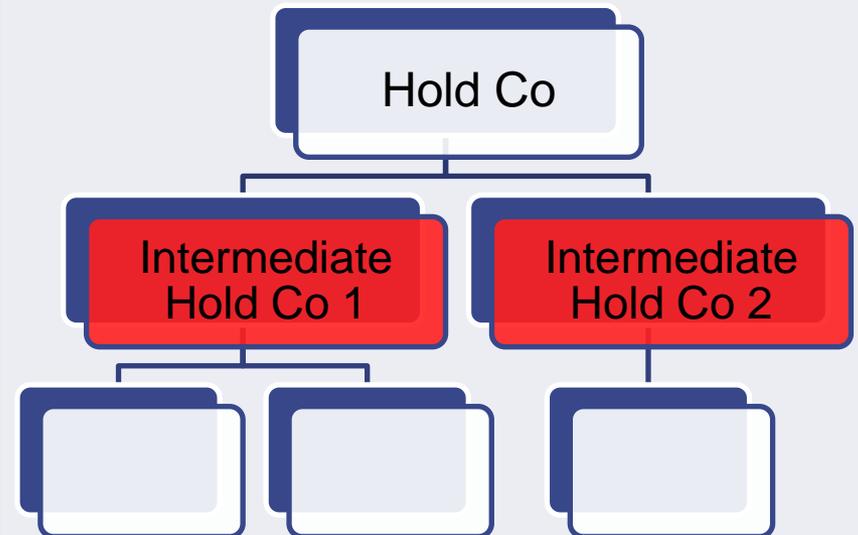
Resolution of financial firms

«SPE» or «MPE»?

Single point of entry (SPE)



Multiple point of entry (MPE)



Application of resolution tools («bail-in»)

GLAC

- GLAC = Gone Concern Loss Absorbing Capacity
- Purpose: Ensure G-SIBs have sufficient capacity to absorb losses and/or contribute to a recapitalisation through the resolution process
- Permit a resolution strategy that can achieve the continuity of the G-SIB's critical economic functions while preserving financial stability.
- Instruments eligible towards GLAC must be both *credibly and feasibly* exposed to loss in resolution
- Quantitative (amount) as well as qualitative (location within the group, duration) of debt instruments

Financial market regulation in the EU

Complete overhaul

- Overarching aim: Integrated financial market in the EU
 - > Harmonisation of regulatory and supervisory regime
- ECB will be primary supervisor of around 120 “significant” banks
- Creation of a single European Rulebook (= limitation of national discretion)
- Around 25 different legislative initiatives
 - Retail consumer protection (MIFID II)
 - Infrastructure (EMIR)
 - Prudential (CRD IV)
- Third country regimes and equivalence requirements, however different design, no horizontal approach

Financial market regulation in Switzerland

Prudential requirements

- High prudential standards (Capital, Liquidity, Risk management)
- «Swiss Finish» for systemically important banks

“Slim” and principle based regulation

- Low regulatory density
- Room for pragmatism and innovation (e.g. conduct)
- Less prescriptive (for instance bank structure)

Limitation of systemic risk

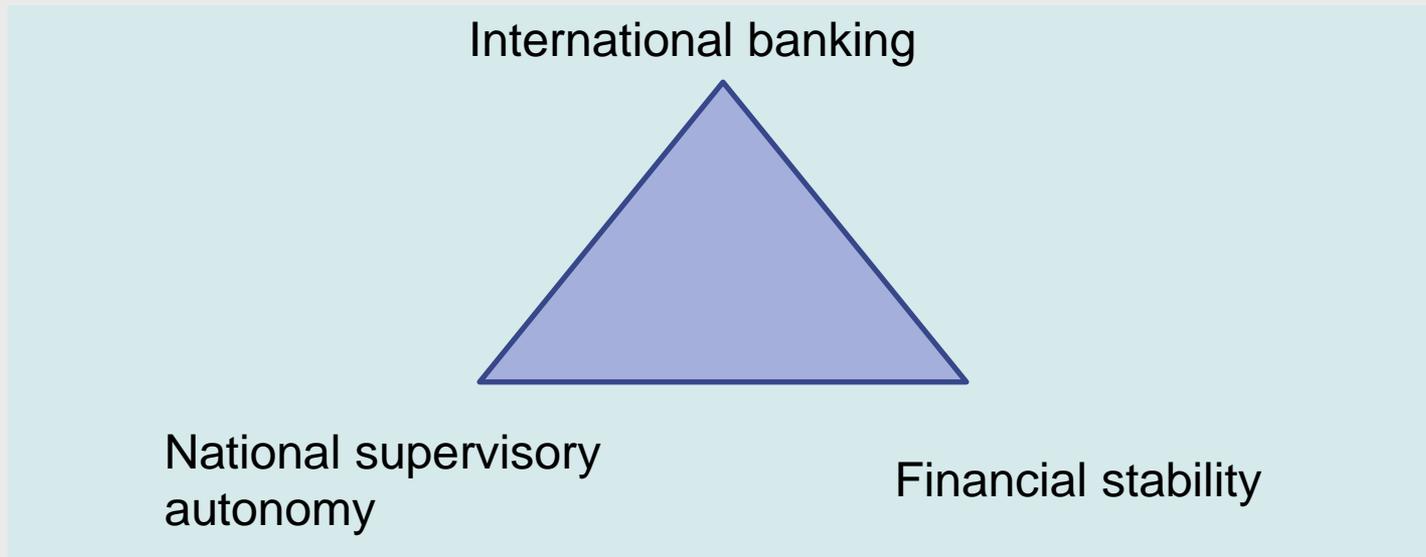
- Credible and feasible strategy to resolve of – above all else – systemically relevant banks

Internationally equivalent and accepted

- Swiss financial sector is export-oriented
- Acces to foreign markets only with equivalent regulation and supervision
- Reputation

Financial market supervision

Towards a new trilemma?



- Consolidated group supervision put into question
 - Trend towards subsidiaries (instead of branches)
 - Greater localisation (financial as well as operational)
- > Importance of international cooperation is paramount



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