

Self-regulation and sustainable finance

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The Swiss Bankers Association in Basel, whose history Part D described, has developed self-regulatory rules in many areas of banking. Some of them have acquired a special status, since the Financial Market Supervision Act allows FINMA to recognise self-regulation as a minimum standard. Recognised rules become binding for all institutions of the sector, including those that are not members of the association. The audit firms examine compliance with them as part of the regulatory audit.¹ The code of conduct on due diligence, which the next chapter examines, is the best-known example.

Another example concerns mortgage lending, which is the core business of many Swiss banks, including the cantonal banks of Basel. The guidelines of the Swiss Bankers Association on minimum requirements for mortgage financing were adopted in 2012 after FINMA and the National Bank had expressed concern about the growth of the mortgage market. They require borrowers to contribute a minimum share of equity that does not derive from their pension assets. They also require the mortgage to be amortised to a certain share of the property's value within a fixed period. The requirements were tightened for investment properties in 2019.² Their adoption showed how the threat of state regulation can induce the industry to set its own rules, which the supervisor then makes binding.

Sustainable finance has become a further field of this interplay between the state and the industry. The Basel Committee published principles for the effective management and supervision of climate-related financial risks in 2022. FINMA has required the largest banks and insurers to disclose their climate-related financial risks since 2021. A federal ordinance on climate reporting, which entered into force in 2024, extended such disclosure to large public companies, banks and insurers.³ FINMA later issued a circular on nature-related financial risks, which requires institutions to integrate climate and other nature-related risks into their risk management.

The danger that financial products are marketed as sustainable without meeting that claim, known as greenwashing, has occupied FINMA since 2021. Its guidance of that year set out its expectations for collective investment schemes and for the advice given to clients about sustainable products. In 2022, the Federal Council formulated its position on how the prevention of greenwashing should be organised. After considering a statutory solution, it decided to give the industry the opportunity to regulate the matter itself.⁴ The Swiss Bankers Association and the Asset Management Association Switzerland then revised their self-regulation, which defines when a product may be described as sustainable. Whether this approach will prove sufficient, or whether the Federal Council will return to legislation, remains to be seen.

1 Notes

1. On the recognition of self-regulation as a minimum standard by FINMA (Art. 7 para. 3 FINMASA) and the list of recognised self-regulation in FINMA Circular 2008/10, see the publications of FINMA. To be verified. ↩
2. On the guidelines of the Swiss Bankers Association on minimum requirements for mortgage financing (2012, revised 2014 and 2019), recognised by FINMA as a minimum standard, including the minimum share of equity not derived from pension assets and the amortisation requirements, see the publications of the Swiss Bankers Association and FINMA. To be verified. ↩
3. On the Basel Committee's Principles for the effective management and supervision of climate-related financial risks (June 2022), the climate-related disclosure requirements for banks of supervisory categories 1 and 2 under FINMA Circular 2016/1 (since 2021) and the Ordinance on Climate Disclosures, in force since 1 January 2024, see the publications of the BIS, FINMA and the Federal Council. To be verified. ↩

4. On FINMA Guidance 05/2021 on preventing and combating greenwashing, the Federal Council's position on greenwashing of December 2022 and its subsequent decision on self-regulation by the industry (Swiss Bankers Association, Asset Management Association Switzerland, Swiss Insurance Association), see the publications of FINMA and the Federal Council. Status to be verified. ↩

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