

The Swiss model of dual supervision

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FINMA relies to a large extent on the audit firms that the supervised institutions appoint. These firms conduct the regulatory audit of the institutions on behalf of FINMA, examine their compliance with the supervisory requirements and report to FINMA. They must be licensed by the Federal Audit Oversight Authority, whose rules also require their auditors to meet specific qualifications. The supervised institutions pay for the regulatory audit.¹

This dual supervision system, which goes back to the Banking Act of 1934, allows FINMA to supervise a large number of institutions with a relatively small staff. It has been criticised for the potential conflict of interest of auditors who are paid by the institutions they examine, and for the limited depth of the information that FINMA receives. Since its creation, FINMA has strengthened its own direct supervision of the largest institutions and has reduced the scope of the regulatory audit, concentrating it on areas where the auditors' work adds value. The debate about the balance between direct supervision and the use of auditors continues.

The supervision of portfolio managers and trustees under the Financial Institutions Act follows a different model. They are licensed by FINMA, but their ongoing supervision is delegated to supervisory organisations, private bodies authorised and supervised by FINMA. Of the several such organisations that operate in Switzerland, each portfolio manager and trustee of the Basel region is affiliated with one. The supervisory organisations conduct audits of their members, either themselves or through audit firms, and report serious violations to FINMA.²

1 Notes

1. On the regulatory audit of supervised institutions by audit firms licensed by the Federal Audit Oversight Authority (Art. 24 ff.

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FINMASA; Auditor Oversight Act, SR 221.302), see the relevant legislation and FINMA circulars. To be verified. ↩

2. On the supervisory organisations authorised by FINMA for the ongoing supervision of portfolio managers and trustees (Art. 43a ff. FINMASA; Art. 61 FinIA), see the list published by FINMA. To be verified. ↩

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