

The Federal Banking Commission: birth of an authority

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The law of 1934 created the Federal Banking Commission, the first federal authority charged with supervising the banking sector.¹ Its resources were initially modest. It relied largely on the external auditors, who inspected the banks and forwarded their reports to it, and it intervened when breaches were found.²

This model of indirect supervision has its advantages: it limits the size of the public administration, it draws on the expertise of the auditors and it respects the autonomy of the institutions. It also has its weaknesses: the auditors are paid by the banks they inspect, which can create conflicts of interest, and the authority works with second-hand information.

The powers of the Federal Banking Commission expanded over the decades, notably to investment funds and to the supervision of stock exchanges. In 2009 it was replaced by the Swiss Financial Market Supervisory Authority, which brings together the supervision of banks, insurers and the other financial intermediaries.³ Part E will describe this current framework.

1 Notes

1. “1934 : le secret bancaire entre dans la loi”, *Le Temps*, 4 April 2009, which mentions the federal banking commission provided for in the draft. ↩
2. Thibaud Giddey, *Histoire de la régulation des banques en Suisse (1914-1972)*, Geneva, Droz, 2019, chap. IV (“Le régime de surveillance bancaire de 1934-1935”) and chap. VI (“Les débuts difficiles de la commission fédérale des banques (1935-1944)”); presentation of the book (wp.unil.ch/labelettres): “In 1934 the Federal Assembly adopted the first legislation subjecting banks to a specific regulatory regime in

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Switzerland. A supervisory authority, the Federal Banking Commission – forerunner of today's FINMA – is put in place". ↩

3. Federal Act of 22 June 2007 on the Swiss Financial Market Supervisory Authority; FINMA began its activities on 1 January 2009 by merging the Federal Banking Commission, the Federal Office of Private Insurance and the Anti-Money Laundering Control Authority; "La FINMA sur le point de démarrer ses activités", press release of 9 December 2008, admin.ch. ↩

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