

Memorandum of Understanding in the field of financial stability

between the

Swiss Financial Market Supervisory Authority FINMA

and the

Swiss National Bank SNB

1. Preamble

¹ This Memorandum of Understanding (MoU) between the Swiss Financial Market Supervisory Authority (FINMA) and the Swiss National Bank (SNB) in the field of financial stability

- provides a clear division between the individual tasks of the two institutions,
- describes their common areas of interest and
- governs their collaboration in these areas.

² The statutory responsibilities and decision-making powers of FINMA and the SNB are unaffected. FINMA and the SNB act autonomously in discussion procedures with public offices, hearings and consultation procedures.

³ A separate agreement governs the collection and exchange of statistical data. The collaboration and exchange of information on the supervision and oversight of financial market infrastructures are governed by the provisions of the Financial Market Infrastructure Act (FMIA), the Financial Market Infrastructure Ordinance (FMIO), the National Bank Act (NBA) and the National Bank Ordinance (NBO).

⁴ In addition, the Memorandum of Understanding between the Federal Department of Finance (FDF), FINMA and the SNB on trilateral cooperation between the Swiss financial market authorities of 12 January 2011 (the trilateral MoU) governs the exchange of information on matters relating to financial stability, financial market regulation and cooperation in the event of a crisis.

2. Tasks and responsibilities of the SNB and FINMA

¹ The SNB conducts monetary policy, in accordance with the National Bank Act (art. 5 para. 1 NBA). It is responsible for the supply of liquidity (art. 5 para. 2 (a)–(c) NBA). It contributes to the stability of the financial system (art. 5 para. 2 (e) NBA). After consulting FINMA, the SNB issues decrees designating systemically important banks and their systemically important functions (art. 8 para. 3 Banking Act). The SNB is responsible for submitting proposals on the countercyclical capital buffer to the Federal Council, and consults FINMA prior to any such submission (art. 44 Capital Adequacy Ordinance).

² In fulfilling its mandate, the SNB monitors developments in the banking sector from the perspective of the system as a whole. It does not exercise any banking supervision and is not responsible for enforcing banking legislation.

³ In the event of a crisis, the SNB may also act as lender of last resort in accordance with art. 9 (1) (e) NBA. In doing so, it is guided by the criteria of systemic importance, solvency and sufficient collateral (*Guidelines of the Swiss National Bank on monetary policy instruments*).

⁴ All those who are required by financial market legislation to hold a permit, an admission, a recognition or a registration from the financial supervisory authority (this group includes banks) – as well as collective capital investment schemes – are subject to FINMA's financial market supervision (supervised entities). The objective of this supervision is to protect creditors, investors and insured parties, and to secure the smooth functioning of the financial markets.

⁵ In order to attain these objectives, FINMA monitors developments at the institutions being supervised and in the financial markets from the perspective of the individual banks and financial groups subject to its supervisory activities. It relies on information provided by the institutions being supervised and by their auditing companies, and assesses the risks incurred by the individual banks and groups.

⁶ If necessary, FINMA takes measures to ensure that the institutions it supervises fulfil the supervisory requirements.

⁷ FINMA, in accordance with the provisions of financial market legislation, carries out restructuring and insolvency procedures on entities subject to prudential supervision. In addition, it sets the special requirements for systemically important banks, assesses emergency plans, approves recovery plans and draws up resolution plans.

3. Common areas of interest

¹ The list of tasks and responsibilities set out in the previous section implies that both institutions have an interest in the following areas:

- assessment of the soundness of systemically important banks and/or the banking system;
- regulations that have a major impact on the soundness of banks. These include liquidity, capital adequacy and risk distribution provisions, where they are of relevance for financial stability;
- contingency planning and crisis management.

² In these fields, FINMA and the SNB work together. They consider how their activities will affect the other institution's area of responsibility. Moreover, they coordinate their activities in common areas of interest, in particular with regard to obtaining information from the banks.

³ Where there are common areas of interest, one institution may apply to the other to take measures within its area of responsibilities and competences, or may request it to provide information. The other institution responds in an appropriate form.

4. Management bodies

¹ Where there are common areas of interest, collaboration is managed at the strategic level in the Steering Committee and at the operational level in the Standing Committee for Financial Stability.

² SNB members of the Steering Committee are the members of the Governing Board, while FINMA membership consists of the Chairman of the Board of Directors, the Board Vice Chairman and the CEO. The Committee is co-chaired by the Chairman of the SNB Governing Board and the Chairman of the FINMA Board of Directors. Additional participants may be invited if necessary.

³ The Steering Committee meets as often as necessary and at least twice a year.

⁴ The Steering Committee:

- discusses the overall economic environment as well as the situation in the financial markets and the banking sector, focusing on systemically important banks;
- sets strategic priorities in the common areas of interest;
- discusses the results of joint projects.

⁵ The Standing Committee is co-chaired by the Head of Financial Stability at the SNB and the Head of the Banks Division at FINMA. The other members of the Standing

Committee are determined by the co-chairs. Additional participants may be invited, where the agenda so requires. If necessary, meetings chaired by the Head of the SNB's Department II and the CEO of FINMA may be organised.

⁶ The Standing Committee meets as often as necessary and at least four times a year.

⁷ The Standing Committee:

- specifies the objectives for joint projects, based on the strategic priorities determined by the Steering Committee;
- determines the management structure and organisation for joint projects;
- lays down the form that contact with banks is to take in the case of joint projects;
- draws up mandates for FINMA and SNB project participants;
- coordinates and supervises joint work;
- prepares drafts as a basis for decision-making.

5. Other meetings

The members of the SNB Governing Board and the FINMA Board of Directors meet once a year. The Steering Committee draws up the list of participants and the agenda.

6. Information exchange and opinion sharing in banking sector oversight

¹ FINMA and the SNB exchange information and share opinions on the soundness of the banking sector and systemically important banks.

² FINMA and the SNB are authorised to exchange information and documents that are not publicly accessible, if they require these in order to fulfil their tasks (art. 39 para. 1 Financial Market Supervision Act and art. 50 NBA). The information to be exchanged includes, in particular:

- assessment of risks in the macroeconomic and financial environment;
- preparation of macroeconomic scenarios for assessing financial stability and/or as a basis for conducting stress tests in the areas of liquidity and capital adequacy requirements, as well as for conducting crisis simulation exercises;
- assessment of the various risk exposures for the banking sector, in particular for the systemically important banks;
- assessment of capital adequacy and liquidity of the banking sector, in particular with regard to the systemically important banks;
- conclusions from the risk assessment for small and medium-sized banks;

- questions arising out of specific incidents or issues;
- assessment of a possible need for action;
- planned, ongoing and completed analyses and research.

³ Such information should be treated as confidential.

⁴ Information is exchanged either when it is topical or at the regular meetings of the Steering Committee and the Standing Committee. Where appropriate, written documents are prepared and exchanged for the meetings.

⁵ FINMA informs the SNB of important findings obtained in the course of its supervision of the systemically important banks and the banking sector in general.

⁶ The SNB informs FINMA about general economic developments and findings that might have an impact on systemically important banks and the banking sector in general.

7. SNB enquiries with systemically important banks

In order to fulfil its statutory mandate, the SNB may carry out its own enquiries with systemically important banks, and may request that these banks provide information. It informs FINMA of its intentions, and also informs FINMA about the results of these enquiries.

8. Cooperation in joint projects

¹ In the common areas of interest mentioned under section 3, FINMA and the SNB work together in joint projects.

² For such projects, the Standing Committee decides whether management co-leadership by both institutions is appropriate. This is particularly the case when the project relates to a core aspect of the common areas of interest mentioned under section 3 and requires a division of tasks.

³ The final decision in a joint project falls within the statutory competence of either FINMA or the SNB, depending on the subject matter in question. Either institution must consult the other before reaching a final decision. Depending on the situation, this consultation will take place either at Standing Committee level or at the level of the Steering Committee. The legal decision-making competences of the two institutions will not be affected by either their work in joint projects or the joint management.

⁴ FINMA and the SNB coordinate their communications activities in joint projects.

9. Contact with foreign authorities and international bodies

In the common areas of interest, FINMA and the SNB coordinate important activities as well as statements made to foreign authorities and international bodies, and keep each other informed on the latest developments.

10. Contingency planning and crisis management

The SNB and FINMA work together closely in crisis situations and take the requisite contingency measures. Cooperation with the FDF in crisis management matters is governed by the provisions of the trilateral MoU (cf. Preamble).

11. Entry into force

This MoU comes into force at the time of signature and supersedes the MoU of 23 February 2010. It will be reviewed regularly and adjusted as required.

Berne, 15 May 2017

**Swiss Financial Market
Supervisory Authority**

Swiss National Bank
