



Committee of European Banking Supervisors	CEBS/2008/05 IWCFC/DOC/08/02
Interim Working Committee on Financial Conglomerates	

IWCFC and CEBS advice to the EU Commission on whether the supervisory arrangements of relevant Swiss supervisors are likely to achieve the objectives of consolidated and supplementary supervision as set out in Directives 2002/87/EC, 2006/48/EC AND 2002/49/EC

February 2008

Executive Summary

1. Article 143 of Directive 2006/48/EC (referred to hereafter as the 'Capital Requirements Directive' or 'CRD') and Articles 18 and 21 of Directive 2002/87/EC (referred to hereafter as the 'Financial Conglomerates Directive' or 'FCD') require EU member states' supervisors to assess whether the third country parent institutions of EU subsidiaries¹ are subject to 'equivalent' supervision by third country supervisory authorities. The test for 'equivalence' is in respect of the consolidated and supplementary supervision provided for in the CRD or FCD respectively.
2. Each assessment of equivalence must be taken on a case by case basis for each EU banking and investment group or financial conglomerate with a parent institution in a third country. When carrying out these assessments supervisors shall take into account any guidance which may have been provided by the Level 2 committees² in relation to the supervisory arrangements of third country supervisors. The Level 2 committees are obliged to keep this guidance under review. The current guidance is limited to US and Swiss supervisory authorities and was published in 2004³.
3. In June 2007 the Commission formally issued two parallel Calls for Advice to the Committee of European Banking Supervisors (hereafter referred to as 'CEBS') and the Interim Working Committee on Financial Conglomerates (hereafter referred to as the 'IWCFC') in relation to reviewing the 2004 guidance. These Calls for Advice request that CEBS and the IWCFC work together to minimise duplication of work and to produce an integrated piece of advice in respect of consolidated and supplementary supervision for the US and Swiss authorities. CEBS and the IWCFC were specifically directed to consider the changes in consolidated supervision resulting from the adoption of the CRD; any changes to the supervisory regimes or practices in the US or Switzerland since the 2004 exercise; and EU supervisory authorities' experience of co-operating with the relevant US and Swiss supervisory authorities.
4. To tackle the Commission's Calls for Advice CEBS and the IWCFC worked together to formulate a questionnaire on supervisory practices and arrangements for completion by the relevant US and Swiss supervisory authorities and a survey of CEBS and IWCFC members' experiences.
5. The present advice provides CEBS' and the IWCFC's response in relation to Switzerland only. The advice relating to the US is provided in a separate document.

¹ Banking and investment groups or financial conglomerates.

² European Banking Committee or European Financial Conglomerate Committee respectively.

³ See http://ec.europa.eu/internal_market/financial-conglomerates/supervision_en.htm and http://ec.europa.eu/internal_market/bank/thirdcountries/index_en.htm



Structure

6. Chapter 1 provides the background and rationale to the exercise.
7. Chapter 2 sets out the working methodology adopted to produce the advice.
8. Chapter 3 provides the basis for the analysis and a summary of the current supervisory arrangements in Switzerland.
9. Chapter 4 sets out the IWCFC and CEBS' conclusions and recommendations in respect of each of the Swiss supervisory authorities.

Advice

10. Both the FOPI and the SFBC were found to be equivalent notwithstanding limited caveats, which are set out in Chapter 4.



Table of Contents

Executive Summary	2
Structure	3
Chapter 1 – Background	5
1.1 Rationale and history to the exercise	5
1.2 Summary of Call for Advices to both IWCFC and CEBS	6
Chapter 2 - Methodology	6
2.1 Third Country supervisory authorities questionnaire	6
2.2 EEA supervisory authorities experience	7
2.3 Analysis and comparison	7
2.4 Fact checking	8
Chapter 3 – Analysis	8
3.1 Criteria and objectives for assessing third country consolidated and supplementary supervision	8
3.2 General overview of the Swiss regulatory system	9
3.3 Swiss supervisory arrangements as at end 2007	10
3.4 Supervisors' experience	11
Chapter 4 – Recommendations/Conclusions	11
4.1 SFBC	12
4.2 FOPI	13

Chapter 1 – Background

1.1 Rationale and history to the exercise

11. Article 21(5) of the Financial Conglomerates Directive states that the European Financial Conglomerates Committee (hereafter referred to as the 'EFCC') "may give general guidance as to whether the supplementary supervision arrangements of Competent Authorities in third countries are likely to achieve the objectives of the supplementary supervision as defined in this Directive. The Committee shall keep any such guidance under review and take into account any changes to the supplementary supervision carried out by such competent authorities." Article 18 (1) requires that this guidance is taken into account by the competent authority (the 'coordinator') responsible for exercising supplementary supervision when verifying- in consultation with other relevant competent authorities - whether a regulated entity with its parent headquartered outside the Community, is subject to 'equivalent' supervision in its home country.
12. Similarly, Article 143 of the Capital Requirements Directive requires that the general guidance produced by the European Banking Committee (hereafter referred to as the 'EBC') is taken into account by the competent authority which would be responsible for exercising consolidated supervision when verifying – in consultation with other competent authorities involved - whether a credit institution not subject to consolidated supervision in the EU and having its parent headquartered outside the Community, is subject to 'equivalent' supervision in its home country. Art 143 also requires that this guidance is kept under review.
13. In 2004 the Mixed Technical Group prepared technical advice for the EFCC and the Banking Advisory Committee (the precursor to the EBC) on the equivalence of supervisory regimes for financial conglomerates and banking and investment groups in Switzerland and the US. These jurisdictions were specified because of the economic importance of US and Swiss financial groups to the European Union. This advice provided the basis for the joint BAC and EFCC Guidance which was published on 6 July 2004⁴.
14. The resulting 2004 Guidance stated whether the supervisory arrangements of the relevant Swiss supervisory authorities were likely to achieve the objectives of consolidated supervision as required in the EU. The Guidance also noted any caveats which an EU supervisory authority should take into account when conducting an equivalence assessment. The ultimate decision as to equivalence however remains with the relevant supervisory authority and must be taken on a case by case basis in relation to each EU subsidiary of a Swiss banking and investment group or financial conglomerate.
15. The Directives require that the Guidance is kept under review. To this end, the Commission issued parallel calls for advice to the IWCF and CEBS on June 12, 2007⁵ as to the supervisory arrangements in place for financial

⁴ See http://ec.europa.eu/internal_market/financial-conglomerates/supervision_en.htm and http://ec.europa.eu/internal_market/bank/thirdcountries/index_en.htm

⁵ http://ec.europa.eu/internal_market/financial-conglomerates/docs/20070612_IWCF and [CEBS-supervision_en.pdf](http://ec.europa.eu/internal_market/bank/docs/calls/070612_call_for_tech_advice_en.pdf) and http://ec.europa.eu/internal_market/bank/docs/calls/070612_call_for_tech_advice_en.pdf



conglomerates and banking and investment groups in Switzerland with a request that, as in 2004, consolidated and supplementary supervision be considered together. This joint advice will provide the basis for the review of the Guidance to be prepared by the EBC and the EFCC.

16. As in 2004, separate advices have been produced for the US and Switzerland: this advice applies only to Switzerland⁶.

1.2 Summary of Call for Advices to both IWCF and CEBS

17. In June 2007 the Commission formally issued two parallel Calls for Advice to CEBS and the IWCF on the review of the Guidance in relation to the 'equivalence' of US and Swiss supervisory authorities. CEBS and the IWCF were requested to provide advice on the extent to which the supervision arrangements of the Swiss and US supervisory authorities are likely to achieve the objectives of consolidated and supplementary supervision as laid out in the relevant EU Directives. In providing this advice, CEBS and the IWCF were specifically asked to consider changes in the EU legislation since 2004 and the practical experience of member states' supervisory authorities in relation to information flows between themselves and the Swiss and US supervisory authorities.

18. As the objectives of supplementary supervision under the FCD and the objectives of consolidated supervision under the CRD are deemed to be sufficiently close⁷, the present advice is relevant to both financial conglomerates and banking and investment groups.

19. This advice addresses the arrangements in place for group-wide supervision and does not specifically review arrangements for solo supervision.

Chapter 2 - Methodology

20. CEBS and the IWCF created a joint Working Group to carry out the analysis required to enable them to respond to the calls for advice. The Working Group used the MTG advice and the 2004 BAC/EFCC Guidance as a starting point.

21. The review seeks to take account of the implementation of the Capital Requirements Directive within the EU and possible changes to legislation or practices in Switzerland since 2004.

22. In addition, the practical experiences of EEA Member States' supervisory authorities in relation to supervisory co-operation with the Swiss authorities have been taken into account.

2.1 Third Country supervisory authorities' questionnaire

23. As in 2004, the primary source of information for the current assessment was a questionnaire completed by the following Swiss regulatory authorities:

- The Swiss Federal Banking Commission ('SFBC');

⁶ A separate advice, reference IWCF 08 05ii [and CEBS 08 04], exists for the US supervisory authorities.

⁷ By definition, the objectives of supplementary and consolidated supervision are interrelated.

- The Federal Office for Private Insurance ('FOPI').

24. The 2007 questionnaire was based on the original questionnaire circulated in 2004, updated in particular to reflect the implementation of Basel II in the EEA through the CRD. The questionnaire was designed to cover the full breadth of consolidated and supplementary supervision: supervisory co-operation and information sharing; qualitative and quantitative group assessments; disclosure; and enforcement.
25. Each third country supervisory authority listed above was asked to complete the questionnaire and the responses (together with any supporting documents) were analysed by the working group. Where necessary, follow up questions or requests for further information or clarification were actioned.
26. The IWFCF and CEBS recognise that the completion of the questionnaire together with the follow up work, represented a fairly time and resource intensive engagement from the third country supervisors.

2.2 EEA supervisory authorities experience

27. As requested in the Calls for Advice particular emphasis was put on co-operation between EEA and Swiss supervisory authorities. Members of the Interim Working Committee on Financial Conglomerates and CEBS' Groupe de Contact were therefore surveyed on their practical experience of dealing with the third country supervisory authorities. The survey sought to discover whether the cooperation between the EEA supervisory authorities and their Swiss counterparts was effective and productive, and whether any problems had been encountered in relation to the transparency of rules or the exchange of information.
28. In general, EEA competent authorities reported a positive relationship and good level of cooperation with the Swiss authorities since 2004. Where "satisfactory" rather than "good" relationships had been reported, the Secretariat followed-up with the concerned EEA supervisory authorities in order to better understand the nature of the issue.

2.3 Analysis and comparison

29. In order to capture the key changes since the 2004 exercise the focus of the IWFCF and CEBS' assessment has been on areas where:
- i) the standard against which equivalence is measured has changed (in particular the CRD)⁸; and/or
 - ii) the Swiss regulatory regime under consideration has changed; and
 - iii) caveats which existed in 2004 may still exist or may have been addressed by changes to the Swiss regimes, and whether new ones have emerged.
30. In limiting the analysis to these three areas in the assessment of equivalence, the Working Group sought to focus its review on what had

⁸ The FCD has not changed in relation to this exercise since 2004.



changed (in terms of requirements or practice) rather than 're-do' the Guidance from first principles.

2.4 Fact checking

The factual analysis, on which the IWCFC and CEBS' recommendations⁹ are based, was shared with the relevant Swiss authorities who were asked to check its accuracy.

Chapter 3 – Analysis

31. In order to assess whether a third country supervisory authority is likely to achieve the objectives of consolidated and supplementary supervision as per the CRD and FCD it is first necessary to be clear what the criteria and objectives are.
32. There are fundamental changes to the Swiss supervisory structure planned which will result in the formation of a new integrated supervisory authority. The practical implication of this change is not yet known.
33. The Swiss regulatory structure comprises three main supervisory agencies who between them supervise the bulk of financial institutions in Switzerland. Since the 2004 exercise there have been a number of major legislative and practical developments in both the banking and securities and insurance sectors.

3.1 Criteria and objectives for assessing third country consolidated and supplementary supervision

34. The Directives describe equivalent supervision in terms of the objectives and results achieved from it¹⁰. It is important to note that this does not require third country supervision regimes to be *identical* to those in the EEA; rather that the same or similar regulatory outcomes are achieved. Recital 14 of the FCD also adds that such equivalent supervision can, however, only exist where "third-country supervisory authorities have agreed to co-operate with the Competent Authorities concerned on the means and objectives of exercising supplementary supervision of the regulated entities of a financial conglomerate". These two principles form the basis of the analysis and ultimately the advice produced below.
35. Specifically, the criteria and the underlying objectives of consolidated and supplementary supervision as provided for by the CRD and FCD were summarised thus:
 - Supervisory co-operation and information sharing.
Objective: To ensure co-ordination and proper exchange of information between the supervisory authorities involved in the supervision of a financial conglomerate's component parts

⁹ See Chapter 4.

¹⁰ Articles 18 and 21 and Recital 13 of the FCD and Article 143 of the CRD.

- Qualitative group assessment.
Objective: To prevent disorderly failure due to poor controls at group level and contagion to EU regulated firms with costs to market confidence and/or consumers
- Quantitative group assessment.
Objective: To prevent disorderly failure due to lack of group financial resources and contagion to EU regulated firms with costs to market confidence and/or consumers
- Disclosure requirements.
Objective: To strengthen market discipline in order to stimulate credit institutions to improve their market strategy, risk control and internal management organisation
- Enforcement.
Objective: To ensure that supervisors are able to take appropriate remedial action to address concerns in relation to the functioning of the group

36. It was against these criteria and objectives that the Swiss supervisory arrangements were measured.

3.2 General overview of the Swiss regulatory system

37. Supervision in Switzerland is conducted by three main agencies with regulatory powers: the Swiss Federal Banking Commission (SFBC) for banking, securities and investment funds, the Federal Office of Private Insurance (FOPI) for insurance and reinsurance and the Federal Social Insurance Office (FSIO) for pension funds. The objects of supervision are institutions, conduct of business, products and markets. Due to the focus of this review only the SFBC and FOPI have been considered.

38. Since July 2003, the Federal Department of Finance has undertaken initiatives to reform financial supervision. A first draft law - the "Federal Act on Financial Market Supervision" (the FINMA Act - 'FINMAG') - was put under consultation in October 2003 and approved by the Parliament in June 2007¹¹. The law contains the basic organisation of a new supervisory authority, resulting from the merger of the Swiss Federal Banking Commission, the Federal Office of Private Insurance and the Anti-Money Laundering Control Authority. It will enter into force on the first of January 2009¹² at which time the new authority (to be called Financial Market Authority) shall be established as an institution under public law with its own legal personality and become operational. It should be noted that the effects of the approval of this merger on both the current financial legislation and the current supervisory practices cannot be anticipated yet.

39. Whilst the SFBC does not currently supervise any financial conglomerates, the legislative framework provides for this possibility and the SFBC

¹¹ While the FINMA project was taken into account, due to the time constraints of this exercise, it was not feasible to consider all the legislation related to it.

¹² With the exception of some organisational articles, where the entrance into force is planned before the above mentioned date.

anticipate that it would operate in a similar fashion to its current supervision of large complex financial institutions and to the way it has supervised financial conglomerates in the past. However, the legal framework is less prescriptive for financial conglomerates and gives more powers of discretionary treatment to the supervisory authority. In this regard article 3g of the Banking Law explicitly provides that, while SFBC has to issue general guidance on own funds, liquidity, large exposures, group-internal exposures and accounting for banking groups, it may alternatively proceed with specific decisions (decrees) and renounce to abstract guidance for financial conglomerates. In respect of this article, the SFBC have said that they do not anticipate issuing general guidance for a "conglomerate population of less than a handful" and that financial conglomerate supervision will be tailor-made.

3.3 Swiss supervisory arrangements as at end 2007

40. At the time of the 2004 assessment, the general legal framework on conglomerates was still to be drafted and supervision of Swiss based banking and insurance dominated financial conglomerates was exercised through the issuance of ad-hoc supervisory decrees.

41. Since 2004, there have been significant changes to both banking and securities and insurance group regulation in order to enhance the supervisory framework¹³. Furthermore, general provisions on financial conglomerates have been included in the Swiss financial legal framework. In particular, the implementation of a new legal framework for the supervision of insurance groups and insurance dominated financial conglomerates will enhance FOPI's ability to come to a group-wide view of the financial soundness of the supervised institutions.

42. These developments are bound to reinforce the Swiss authorities' supervision of sector groups and financial conglomerates¹⁴.

43. For the banking and securities sector the major changes since 2004 are:

- (i) The introduction in the Banking Law of articles 3b – 3h (7 articles), which extended banking group rules to financial conglomerates, which entered into force on January 1, 2006.

¹³ For details on legislative and regulatory developments see para.42 and 43 of the report.

¹⁴ The legal definition of a "financial group" in the Banking Law requires a minimum of 2 companies, of which one must be a bank or security firm (article 3c). Moreover the "group" has to be "predominantly active in the financial sector" and the legally independent entities have to form an economic union. The SFBC use the terms "financial group" and "banking group" interchangeably, however, throughout this report only the term "banking group" has been used to avoid confusion and to conform to the EU legislation terminology. Among banking groups, the SFBC includes the so called "Large and Complex Financial Institutions (LCFI)", to which, according to the principle that administrative action has to be proportionate, the SFBC applies a more intensive level of supervision with respect to less complex entities subject to supervision.

The financial conglomerate definition is that of a "financial group (namely banking group in the EU terminology) with a significant insurance activity". Neither "predominantly active in the financial sector" nor "significant insurance activity" is further defined. Therefore, the term "financial conglomerate" indicates – in the report - "financial conglomerate with predominant banking or securities activity", while "insurance dominated financial conglomerate" are indicated as "insurance conglomerate".

(ii) The partial revision of the Banking Ordinance introducing articles 11 – 14a which implemented guidance on internal controls and risk management for banking group and conglomerate supervision. These changes in the Banking Ordinance came into force on January 1, 2007.

(iii) The Implementation of Basel II into the Swiss supervisory framework, which resulted in a new, separate Ordinance on own funds and large exposures (to be applied to both banking groups and conglomerates), which entered into force on January 1, 2007 as well. A transitional period allows for the deferral of compliance with Basel II standards until 1 January 2008.

44. There have also been major developments in the supervision of the insurance sector, the most significant of which are:

(i) The adoption of the Insurance Supervision Law (ISL) which entered into force on 2006. As envisaged in 2004, the ISL provides for an explicit legal basis for the supervision of groups and insurance conglomerates and results in the group-wide supervision of insurance groups. Supporting directives issued by FOPI have strengthened solvency requirements and enhanced its approach to risk management supervision. These measures should enhance FOPI's ability to form a group-wide view of the financial stability of the institutions supervised.

(ii) The conclusion of an MOU with all EU/EEA insurance and pension funds supervisors in February 2006, which has led to an intensified co-operation between EU/EEA insurance supervisors and FOPI.

3.4 Supervisors' experience

45. With reference to the relationships with the SFBC some EEA supervisors made observations in relation to difficulties and restrictions on the exchange of information due to the legal arrangement on professional secrecy in force in Switzerland. The said authorities underlined that the obtainment of certain information from the SFBC and from Swiss components of EU banking groups during on-site inspections had at times proved difficult.

46. With respect to co-operation between FOPI and EEA insurance supervisors it is recognised that the multilateral MOU signed by FOPI and all EEA members in February 2006 enhances information exchange.

Chapter 4 – Recommendations/Conclusions

47. In 2004 it was concluded that, on balance, there was broad equivalence in the Swiss supervisory approaches to both consolidated and supplementary supervision, notwithstanding some caveats in the area of supervisory cooperation and information exchange and the use of group specific decrees rather than a general approach. The expected changes in the supervisory regime were also flagged as an issue which should be kept under review.



48. The key observations and conclusions of the 2007 analysis in respect of each of the Swiss supervisory authorities are set out below.

4.1 SFBC

49. It is the IWCFC and CEBS' opinion that the supervisory arrangements of the SFBC would meet the objectives and deliver similar outcomes to those provided for by the CRD and FCD. The caveat of 2004 (reliance on ad hoc case by case decrees) has now been addressed by the significant changes detailed above and therefore no longer applies. The caveat of 2004 (features of the legislative regime limiting information exchange with non-Swiss supervisors) remains although, as in 2004, this does not harm the level of cooperation from Swiss authorities deemed essential for any finding of equivalence. When assessing the equivalence of the Swiss supervisory regime, EEA member states' supervisory authorities should take account of possible changes due to the envisaged unification of the supervisory authorities in 2009 and the absence in 2007 of practical experience in the supervision of predominantly banking financial conglomerate.

50. When taking individual equivalence decisions supervisors may wish have regard to the following:

- There are currently no financial conglomerates supervised by the SFBC. The new regime is therefore untested in practice for conglomerates. The observations below should therefore be assumed to be tentative and, in the event that a financial conglomerate does fall under the SFBC's remit the co-ordinating supervisor must verify whether the approaches outlined below have been implemented.

Supervisory cooperation and information sharing

- The SFBC has the authority to cooperate and to share information with other supervisory authorities, and has shown the willingness to do so. Supervisory information provided to the SFBC is adequately protected. However, as in 2004, the so-called "private banking carve-out" (i.e.: Swiss rules on professional secrecy) – that is applicable to banking groups, insurance groups and (banking and insurance) financial conglomerates - still has an impact on the extent and speed with which certain kind of information can both be provided by the Swiss authorities to other countries' supervisors and be verified on-site in Switzerland by foreign authorities exercising consolidated supervision over banking and conglomerate groups with Swiss components.
- The SFBC's approach to "common assessment" (i.e. shared evaluation) should be verified if and when a Swiss based financial conglomerate becomes subject to SFBC overall supervision.

Qualitative group assessment

- Major amendments to the Swiss banking legislation have strengthened the supervisory regime for banking groups and financial conglomerates. As regards the supervision of financial conglomerates, the legal framework is more discretionary than for banking groups.



- The SFBC does not have (as in 2004) direct powers to prohibit undesirable group structures, however it does have indirect powers.
- The SFBC assesses the fitness and propriety of a group's management, as well as the suitability of shareholdership.

Quantitative group assessment

- As regards capital requirements for banking groups, the reference standard that has been implemented is the Basel II framework. As regards pillar 2 requirements, the technical implementation measures are still pending. However, the SFBC, while having already opted for a quantitative capital surcharge, is going to formalise a full fledged Pillar II supervisory process only for a restricted number of very significant banking groups (LCFI).
- In theory the SFBC envisages that capital requirements for financial conglomerates would be calculated according to the method of consolidation plus deduction of insurance participations. It is worth noting, however, that the SFBC has now been given the discretionary power to impose to financial conglomerates, when needed, either an additional capital charge or adopt the insurance requirement instead of deduction.
- The SFBC is monitoring significant risk concentrations at group level as well as intra-group transactions/exposures. For banking groups, the rules are the same as in the EU.
- Banking groups, and by extension financial conglomerates, are expected to have in place internal capital management processes, which are subject to SFBC review. However, a fully fledged Pillar II supervisory process will only apply to the LCFIs.

Disclosure

- The SFBC is applying to banking groups the Basel II "pillar 3" requirements. In principle, similar provisions should apply to financial conglomerates.

Enforcement

- The SFBC has the authority to take appropriate enforcement measures, including the right to withdraw the domestic licence.

4.2 FOPI

51. It is the IWCFC and CEBS' opinion that the supervisory arrangements of the FOPI would achieve the objectives and achieve similar outcomes to those provided for by the CRD and FCD. The caveat of 2004 (reliance on ad hoc - case by case decrees; difference in outcome of insurance supervision) has been addressed by significant changes to the insurance supervision regime (including both qualitative and quantitative measures) and therefore no longer applies. The caveat of 2004 (features of the legislative regime limiting information exchange with non-Swiss supervisors) remains although, as in 2004, this does not harm the level of cooperation from Swiss authorities deemed essential for any finding of equivalence. When assessing the equivalence of the Swiss supervisory regime, EEA member states' supervisory authorities should take account of possible changes due to the envisaged unification of the supervisory authorities in 2009.



52. When taking individual equivalence decisions supervisors may wish have regard to the following:

Supervisory cooperation and information sharing

- FOPI has the authority to cooperate and to share information with other supervisory authorities, and has shown the willingness to do so. Supervisory information provided to the FOPI is adequately protected. As in 2004, the Swiss rules on professional secrecy – that are applicable to banking groups, insurance groups and (banking and insurance) financial conglomerates - still have an impact on the speed with which certain kind of information can be provided by the Swiss authorities to other countries' supervisors. However, the conclusion of an MOU with all EU insurance and pension funds supervisors in February 2006 has led to an intensified co-operation between EU insurance supervisors and FOPI.

Qualitative group assessment

- With respect to 2004 there has been substantial progress concerning certain qualitative aspects of the FOPI approach. Explicit legal provisions relating to the supervision of insurance groups and insurance conglomerates enhanced FOPI's powers in relation to qualitative aspects of the insurance groups and insurance conglomerates, such as: shareholders assessment, review of the group structure, organization, and risk management assessment.
- FOPI assesses the fitness and propriety of a group's management, as well as the suitability of a group's shareholdership.

Quantitative group assessment

- The new detailed legal framework in place for insurance supervision has improved FOPI quantitative supervision regarding financial conglomerates. As regards capital adequacy requirements, group capital for financial conglomerates is prudently measured and monitored, comparable to international standards. In addition, the application of the so called Swiss Solvency Test to insurance dominated conglomerates makes FOPI's supervision even more advanced, with regard to risk sensitivity of the quantitative supervision, than that currently exercised by most EU insurance supervisor.
- FOPI monitors risk concentrations on a conglomerate level, as well as intra-group transactions within a conglomerate.
- FOPI requires financial conglomerates to have in place appropriate risk management systems and internal control mechanisms at group level, which are proportionate to the group's business level and risks

Disclosure

- FOPI does not currently require conglomerates to disclose externally quantitative data on their risk based solvency calculations, although it intends to request disclosure of risk management practices in the conglomerate's annual reports or internet homepages.



Enforcement

- FOPI has the authority to take appropriate enforcement measures.