

## Supplementary Supervision of Financial Conglomerates Act

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    - SG No. 105/29.12.2011
    - SG No. 70/9.08.2013
    - SG No. 27/25.03.2014
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    - SG No. 95/29.11.2016
    - SG No. 95/28.11.2017, effective 1.01.2018
    - SG No. 103/28.12.2017, effective 1.01.2018
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    - SG No. 25/29.03.2022, effective 29.03.2022
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## Chapter One

### GENERAL PROVISIONS

#### Subject

- **Article 1**
    - (1) This Act establishes rules for the supplementary supervision of regulated entities in a financial conglomerate.
    - (2) Supplementary supervision is exercised alongside supervision in banking, insurance, and investment services sectors.
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#### Financial Conglomerate

- **Article 2**
  - (1) Defines a financial conglomerate as a group where:
    1. At least one entity belongs to the insurance sector and another to banking or investment services.
    2. Activities in both sectors are significant.
  - (2) Where a regulated entity leads the group, it meets one of the following conditions:
    1. It is a parent of a financial-sector entity.
    2. It holds participation in a financial-sector entity.

3. It is linked to a financial-sector entity by common management or board membership.
- (3) When no regulated entity leads, the group primarily engages in financial-sector activities.
  - (4) A sub-group in a financial conglomerate may qualify as a financial conglomerate if it meets the Act's criteria.
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## Thresholds for Identifying a Financial Conglomerate

- **Article 3**

- (1) Activities across financial sectors are deemed significant if the following ratios exceed 10%:
  1. Financial-sector balance sheet ratio.
  2. Solvency requirements ratio.
- (2) Different financial sectors are significant if the smallest sector exceeds EUR 6 billion (lev equivalent).
- (3) Group activities are primarily financial if the sector's total balance sheet exceeds 40% of the group's total.
- (4) Determines the smallest and most important financial sectors based on averages from paragraph 1.
- (5) Management companies and alternative investment fund managers are grouped by sector.
- (6) For groups not meeting paragraph 1 thresholds, the BNB and FSC may choose not to regard them as a conglomerate.
- (7) If thresholds are met but the smallest sector does not exceed EUR 6 billion, BNB and FSC may exclude certain provisions.
- (8) The BNB and FSC notify relevant authorities and disclose decisions under paragraphs 6 and 7.

## Supplementary Supervision Requirements

1. **Criteria Adjustments for Financial Conglomerate Supervision**

- The criteria for supervision can be modified based on balance sheet total, income structure, off-balance-sheet activities, or total managed assets if these metrics are deemed relevant for supplementary supervision purposes.

2. **Extended Supervision Periods for Financial Conglomerates**

- A financial conglomerate must remain under supplementary supervision if it continues to meet the established criteria within a three-year period, specifically:
  - 8% ratio under paragraph 1 and 35% under paragraph 3.
  - A threshold of CHF 5 billion as per paragraph 2.

3. **Supervisory Authorities' Adjustments**

- The Swiss Financial Commission (SFC) may decide, with approval from other authorities, to terminate or lower specific ratios or thresholds.
  - 4. **Annual Review of Exclusions and Quantitative Indicators**
    - The SFC conducts an annual review of quantitative indicators used in supplementary supervision to ensure they remain aligned with risk analyses for financial groups.
  - 5. **Identifying a Financial Conglomerate**
    - The Swiss National Bank (SNB) and the SFC are responsible for identifying any group falling under the Act. When necessary, they work together with other authorities to determine if a group qualifies as a financial conglomerate.
    - If a group meets the conditions of Articles 2 and 3, the SNB or SFC will notify relevant parties and coordinate with the Joint Committee of European Supervisory Authorities (JCESA).
  - 6. **Scope of Supplementary Supervision**
    - Every regulated entity in a financial conglomerate, including those under a mixed financial holding company based in Switzerland, is subject to supplementary supervision.
    - Entities with significant capital links or influence are also subject to supplementary supervision.
  - 7. **Capital Adequacy Requirements**
    - Financial conglomerates must ensure adequate capital at all times and perform annual capital adequacy calculations.
    - The SFC, as coordinator, oversees compliance with capital adequacy requirements, including adjustments for consolidated or proportional methods as detailed in Articles 6 and 7.
  - 8. **Methods for Capital Adequacy Calculation**
    - Conglomerates may use methods outlined in Article 7, including Deduction and Aggregation (Method 2) or Accounting Consolidation (Method 1) for calculating supplementary capital adequacy.
  - 9. **Extent and Form of Supplementary Calculations**
    - Any capital deficits for subsidiary entities must be included in the supplementary capital adequacy calculations.
- Technical Principles in Supplementary Capital Adequacy Calculation**

#### **Article 9.**

1. When calculating the supplementary capital adequacy, the multiple use of elements eligible for the calculation of own funds at the level of the financial conglomerate, as well as any other intra-group creation of own funds, must be eliminated.
2. Where the solvency requirements for each financial sector are not covered by own funds elements in accordance with the corresponding sectoral rules, only own funds elements eligible according to each of the sectoral rules (cross-sector capital) shall qualify for verification of compliance with additional capital adequacy requirements at the financial conglomerate level.

3. In cases referred to in paragraph 2, where sectoral rules provide for limits on the eligibility of certain own funds elements which would qualify as cross-sector capital, these limits shall apply mutatis mutandis when calculating own funds at the level of the financial conglomerate.
4. In cases referred to in paragraph 2, when calculating own funds at the level of the financial conglomerate, competent authorities shall also consider available surplus of own funds and the absence of restrictions on transferability of own funds across different legal entities in the group. If there are restrictions, only the unrestricted own funds elements at the level of the financial conglomerate shall be included.

## **Risk Concentration**

### **Article 10.**

1. Regulated entities or mixed financial holding companies shall notify, on a regular basis and at least annually, the coordinator of any material risk concentration at the level of the financial conglomerate, in accordance with the rules laid down in Article 12.
2. The notification under paragraph 1 with the necessary information shall be submitted to the coordinator by the regulated entity heading the financial conglomerate. If the financial conglomerate is not headed by a regulated entity, the necessary information shall be submitted by the mixed financial holding company or the regulated entity identified by the coordinator after consultation with other relevant competent authorities and the financial conglomerate.
3. Significant risk concentration shall be subject to supervisory overview by the coordinator.
4. The Swiss National Bank (SNB) and the Swiss Financial Commission (SFC) may, on an individual basis and jointly if necessary, set quantitative limits or take other supervisory measures to achieve supplementary supervision objectives regarding any risk concentration at the level of a financial conglomerate.
5. If a financial conglomerate is headed by a mixed financial holding company, the sectoral rules on risk concentration of the most important financial sector within the conglomerate shall apply to the entire sector, including the mixed financial holding company.

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## **Intra-group Transactions**

### **Article 11.**

1. Regulated entities or mixed financial holding companies shall notify, on a regular basis and at least annually, the coordinator of any significant intra-group transactions of regulated entities within a financial conglomerate, in accordance with the rules in Article 12. An intra-group transaction shall be deemed significant if its amount exceeds 5% of the total solvency requirements at the financial conglomerate level.
2. Notification under paragraph 1 with the necessary information shall be submitted by the regulated entity heading the conglomerate. If not headed by a regulated entity, the

information shall be provided by the mixed financial holding company or the regulated entity identified by the coordinator, after consulting other relevant authorities and the conglomerate.

3. Intra-group transactions shall be subject to supervisory overview by the coordinator.
4. The SNB and the SFC may, individually or jointly, set quantitative limits and qualitative requirements for intra-group transactions or adopt other supervisory measures aimed at achieving supplementary supervision objectives.
5. When a conglomerate is headed by a mixed financial holding company, sectoral rules on risk concentration of the most important financial sector shall apply to that sector as a whole, including the mixed financial holding company.

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## **Technical Application of Provisions on Intra-group Transactions and Risk Concentration**

### **Article 12.**

1. The SNB or the SFC, if appointed coordinator, shall determine, after consulting relevant competent authorities, the types of transactions and risks about which regulated entities in the financial conglomerate must notify them per Articles 10 and 11. When acting as coordinator or providing opinions as a relevant authority, the SNB or SFC shall consider the group's structure and risk management.
2. After consulting relevant authorities and the conglomerate, the SNB or SFC shall, as coordinator, set appropriate thresholds based on regulatory requirements for own funds and/or technical reserves to identify significant intra-group transactions and material risk concentration requiring notification in line with Articles 10 and 11.
3. In supervising intra-group transactions and risk concentration, the SNB or SFC as coordinator shall monitor potential risk spread to other entities in the conglomerate, conflicts of interest risks, circumvention of sectoral rules, and risk levels.
4. The SNB or SFC may apply sectoral rules for intra-group transactions and risk concentration at the conglomerate level to prevent circumvention.

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## **Risk Management and Internal Control Mechanisms**

### **Article 13.**

1. Regulated entities in a financial conglomerate shall implement adequate risk management and internal control mechanisms, including administrative and accounting procedures.
2. Risk management mechanisms shall include:

- Sound governance and management, with approval and periodic review of strategies and policies by governing bodies at the conglomerate level for all assumed risks.
  - Adequate capital adequacy policies to assess the impact of individual entities' activities on the conglomerate's risk profile and capital needs.
  - Procedures ensuring risk monitoring systems within individual regulated entities are well-integrated and consistent for measuring, monitoring, and controlling risks at the conglomerate level.
  - Participation in rehabilitation and restructuring schemes as required, with periodic review.
3. Internal control mechanisms shall include:
- Capital adequacy rules to identify and measure all material risks and align own funds appropriately.
  - Reporting and accounting procedures to track intra-group transactions and risk concentration.
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## **Exercise of Supplementary Supervision - Competent Authority (Coordinator)**

### **Article 14.**

1. A coordinator, appointed from the Member States' competent authorities, exercises supplementary supervision over regulated entities in a financial conglomerate.
  2. The coordinator, from among the competent authorities in the Member States involved, may include those in which the mixed financial holding company has its head office.
  3. When a regulated entity heads the conglomerate, the coordinator role is assigned to the SNB or the SFC, which has authorized that entity under sectoral rules.
  4. If a mixed financial holding company heads the conglomerate, the SNB or SFC authorizing the regulated subsidiary of the holding company acts as coordinator.
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## **Cooperation and Exchange of Information Between Competent Authorities**

### **Article 16.**

1. The SNB and SFC shall cooperate closely with each other and with other competent authorities overseeing regulated entities in financial conglomerates, including relevant conglomerate coordinators.
2. In line with sectoral rules and this Act, the SNB and SFC shall provide requested information to authorities overseeing supervised entities. Information deemed essential may be provided without explicit requests.

3. The SNB and SFC shall collect and share information on:
  - The group's legal, management, and organizational structure, including all regulated entities, unregulated subsidiaries, and significant branches in the conglomerate, as well as beneficial owners with a qualifying share.
  - The competent authorities responsible for supervision of the regulated entities.

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### **T3. Financial Conglomerate Provisions**

3.1 The financial conglomerate's development plans.

3.2 The financial situation of the financial conglomerate, focusing on capital adequacy, intra-group transactions, risk concentration, and profitability.

3.3 Information on the financial conglomerate's major shareholders, management bodies, and any persons authorized to manage and represent entities within the financial conglomerate.

3.4 The organization, risk management, and internal control systems at the financial conglomerate level.

3.5 Procedures for the collection and verification of information from entities within the financial conglomerate.

3.6 Adverse developments in regulated or other entities within the conglomerate that may seriously impact regulated entities.

3.7 Major sanctions and exceptional measures taken by competent authorities in accordance with sectoral rules or this Act.

3.8 Other issues of importance for supplementary supervision under this Act.

### **Information Exchange and Consultation**

4.1 In line with sectoral rules, the Swiss National Bank (SNB) and the Swiss Financial Commission (SFC) may exchange information concerning regulated entities within a financial conglomerate as needed for fulfilling their duties with the following authorities: central banks, the European System of Central Banks, the European Central Bank, and the European Systemic Risk Board.

4.2 Prior to decisions on certain issues, the SNB and the SFC must consult other competent authorities if such decisions affect other authorities' supervisory tasks:

- Changes in shareholder, organizational, or management structures of regulated entities requiring SNB or SFC approval.
- Major sanctions or exceptional measures taken by the SNB or SFC.

4.3 In urgent situations or where consultation may hinder effectiveness, the SNB and the SFC may decide not to hold consultations. In such cases, they must inform other competent authorities without delay.

4.4 If appointed as the coordinator, the SNB or the SFC may request information from the competent authorities of the Member State where the parent company is headquartered. If such information is available to a competent authority under sectoral rules, the SNB or the SFC may apply to that authority to obtain it.

4.5 The SNB and the SFC may exchange information outlined in paragraphs 1 to 4 with other authorities as well.

4.6 Where a coordinator in another Member State conducts stress tests for a financial conglomerate, the SNB or SFC (if relevant competent authorities) shall provide cooperation.

4.7 Where the SNB or SFC is the coordinator, it shall provide information to the Joint Committee of the European Supervisory Authorities (JCESA) as required under this Act.

4.8 The SNB and the SFC must cooperate with the JCESA by providing all necessary information under Article 35 of Regulation (EU) No. 1093/2010 (European Banking Authority), Article 35 of Regulation (EU) No. 1094/2010 (European Insurance and Occupational Pensions Authority), and Article 35 of Regulation (EU) No. 1095/2010 (European Securities and Markets Authority).

### **Additional Supervisory and Enforcement Powers**

5.1 The SNB and the SFC may take additional supervisory actions as specified in the sectoral rules to prevent regulatory circumvention by regulated entities within a financial conglomerate.

5.2 For supplementary supervision, the SNB and the SFC have the authority to perform verifications on mixed financial holding companies and unregulated entities within a financial conglomerate.

### **Third Countries**

6.1 For parent undertakings headquartered outside the EU, the SNB or the SFC will verify whether those entities are subject to equivalent supervision by a third-country competent authority.

6.2 The SNB or the SFC may apply methods ensuring effective supplementary supervision of regulated entities within the conglomerate in cases where equivalent supervision is lacking.

6.3 If designated as the coordinator, the SNB or the SFC may require the establishment of a mixed financial holding company within the EU and apply this Act to the regulated entities within that holding company.



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