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Switzerland: Trends and Developments

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Trends and Developments

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From Crisis to Catalyst: How Credit Suisse Reshaped FINMA and Wealth Management 2.0

The collapse of Credit Suisse in 2023 was more than a financial event; it was a watershed moment that reshaped Swiss financial regulation and accelerated the evolution of the wealth management industry. What began as a crisis became a catalyst – prompting the Swiss Financial Market Supervisory Authority (FINMA) to strengthen its supervisory framework and pushing financial institutions to adapt to a new environment defined by technology, transparency and accountability.

At the same time, the rise of artificial intelligence (AI), automation and data-driven investment tools has transformed the financial sector, compelling regulators to adapt traditional oversight to a digital reality. Switzerland's response – a principle-based, innovation-friendly framework – seeks to balance market competitiveness with prudence and client protection.

This article examines how the Credit Suisse crisis and the rapid adoption of new technologies have influenced financial regulation in Switzerland, highlighting FINMA's evolving approach, the governance of AI, fiduciary obligations in the digital era and enhanced data protection standards.

Credit Suisse and the evolution of FINMA

The 2023 Credit Suisse rescue was not merely a financial transaction; it was a structural turning point. The crisis prompted FINMA to move from a reactive, compliance-focused model to a more anticipatory and interventionist approach.

In the aftermath, FINMA reinforced crisis management mechanisms, enhanced scrutiny of liquidity and risk controls, and introduced earlier intervention powers, including pecuniary administrative sanctions and the publication of supervisory measures. These changes aim to allow FINMA to act decisively before vulnerabilities become systemic.

Recognising that financial markets are global, FINMA also strengthened co-operation with foreign regulators through supervisory colleges, reinforcing Switzerland's reputation as a transparent and internationally engaged jurisdiction.

Domestically, FINMA has overhauled its regulatory foundations, notably through more rigorous stress testing and renewed focus on governance and risk culture. The proposed Senior Managers Regime will clarify individual accountability within financial institutions, ensuring that responsibility cannot be diffused across hierarchies.

Finally, FINMA's engagement with AI-driven innovation reflects a forward-looking stance. New guidance on AI governance and risk management underscores that technological progress must be matched by ethical oversight and human accountability.

The Credit Suisse crisis, while damaging, has ultimately served as a catalyst for a more agile, assertive and globally integrated regulator.

The regulator's approach: technology-neutral but risk-based

The FINMA approach to algorithm governance is technology-neutral but risk-based: the central requirement remains the protection of customers. Therefore, banks must control their algorithms and inform clients when AI is being used. This implies that supervised institutions must align their governance and risk management with the impact they anticipate from their use of AI, especially if and when powered by third-party providers.

In practical terms, this means that governance and risk management frameworks set up by banks, asset managers or other supervised entities need to be adequate with respect to the anticipated impact of the AI systems deployed. Since AI can vary significantly in terms of complexity, autonomy and consequences, the risk-based element is critical: higher-impact usage triggers more stringent governance.

In substance, automation does not remove accountability: FINMA expects supervised institutions to regularly test AI models in terms of their robustness, stability and precision. Regulated institutions must be able to explain the results derived from AI models to justify themselves in front of investors and clients.

On a national level, the Swiss Federal Council confirmed that it will maintain a sector-specific approach

to regulating AI. For this purpose, the Swiss Federal Council plans on implementing the Council of Europe's AI Convention by making sector-specific amendments to existing Swiss laws. There is no plan to introduce an overall act like the EU AI Act. A consultation draft law is expected by the end of 2026.

For practitioners, the most relevant implications could be the following.

- Governance frameworks must be explicitly updated to cover AI risk. Boards and senior management must understand the exposure and must set policy, acceptable use frameworks, risk management and monitoring metrics.
- Risk assessment processes must include AI model risk and identify their impact (low/medium/high) to adjust governance accordingly.
- Outsourcing (for AI or data) must be carefully reviewed and include clear provisions on the most sensitive topics (eg, data quality, audit rights, vendor due diligence, model validation, data security, exit/transition rights and incident reporting).
- Use of AI in advisory or decision-making contexts requires full transparency towards clients, especially on the nature of the model, the key assumptions and potential limitations.
- Financial institutions are required to constantly monitor and validate their models, and to ensure appropriate reporting if and when required.
- Operations should monitor developments and ensure the services offered are also compliant from a cross-border perspective.

Fiduciary duty 2.0

Robo-advice can be understood as automated asset management, meaning that fortune is managed through an algorithm. This sort of advice is subject to the same due diligence obligations as the traditional fiduciary duties, such as appropriateness and suitability assessments, acting in the client's best interests/avoiding conflict of interests, ensuring transparency around costs/risks, and documenting investment decisions and transactions accordingly. The mere fact that a machine or algorithm is used does not relieve the adviser or the financial institution of its liability.

In particular, the liability regime remains the same as for human advice, and robo-advice triggers an obligation to register in the client adviser register. An individual thus remains responsible for the financial services provided and/or the asset allocation.

Further, the new generation of investors is not only digital-native but also ESG-focused. Respect of sustainable governance is thus key to satisfying the expectations of these new investors. For financial institutions, this implies a need to stay on top of new sustainability standards and regulations to attract this next generation of investors.

As a consequence, AI and new technology used in the context of wealth management should integrate ESG criteria within their advisory frameworks, and ensure that their digital advice platforms and algorithms include ESG considerations.

For practitioners, the most relevant requirements could be the following:

- review contracts, disclosures and product governance of AI/robo-advisory offerings to ensure the same level of compliance as for individual advisors;
- ensure client-advisor registration – ie, that the natural person or persons responsible for the service are clearly identified, qualified and registered as such;
- consider how ESG criteria are assessed and implemented; and
- ensure a clear mapping of liability.

Data protection and confidentiality

On 1 September 2023, the new Federal Act on Data Protection (FADP) entered into force. As it is largely inspired by and aligned with the General Data Protection Regulation (GDPR) (to ensure Swiss companies remain competitive), companies that already comply with the GDPR only need to make minimal adjustments.

The revised FADP updated the existing one by introducing the most recent principles on privacy rules, thus ensuring stronger rights for the data subjects – ie, clients.

In particular, clients have the right to ask whether, how and by whom their personal data is being processed, but also to require such data to be corrected or destroyed. The FADP also introduces the concept of "informed consent" – ie, long data subjects/clients must be adequately informed before any personal data processing, which would otherwise violate their privacy, can proceed.

Essentially, privacy is now the rule and not the exception. This is expressed by the new principle of "privacy by design", where, by default, any measures necessary to protect data need to be taken without any intervention by the data subjects/clients being necessary.

In the financial sector, such new rules and concepts apply to both application programming interfaces (APIs) and AI.

The FADP also introduced new sanctions in case of serious breach by the data processor, which may lead to fines of up to CHF250,000. Sanctions are primarily focused on individuals; entities are only concerned if the fine does not exceed CHF50,000.

For practitioners, the most relevant requirements could be the following:

- review existing agreements (on data governance and with third-party services providers) to ensure they align with FADP, in particular to ensure that dataflows (including third-party clouds, APIs and AI vendor services) are mapped, properly addressed (eg, in terms of data processing obligations, audit rights, deletion/exit procedures and breach notification) and have privacy-by-design architecture;
- ensure that any AI/algorithmic model processing personal data is documented for privacy-by-design and default privacy compliance;
- ensure that client communications, consents and disclosures reflect the FADP requirements (right of access, correction, deletion) and that a proper procedure is set up to address data subject/client requests; and
- ensure that personal data breach protocols (including individual sanction risk) are integrated into incident response planning.

Switzerland's balanced approach

In 2021, Switzerland introduced a distributed ledger technology bill (the DLT Act).

The DLT Act integrated crypto-assets and digital ledger technologies into Swiss civil law (the Swiss Code of Obligations) and financial market regulations (the Financial Services Act, or FinSA, and the Financial Institutions Act, or FinIA).

Based on subsequent experience with different business models, the Swiss government is currently in the process of amending the fintech licence for sandbox regimes (Article 1b of the Banking Act), crypto service providers and payment service providers (see FINMA's Guidelines for FinTech licence).

FinSA and FinIA propose a modern framework for services and licensing. As such, they provide codes of conduct and licensing requirements for financial institutions that manage third-party assets.

On or around 22 October 2025, the Swiss Federal Council announced two new licence categories. The first one will replace the fintech licence and institute a new licence category for payment instrument institutions. Such institutions will be allowed to issue a special type of stablecoin (stablecoins are cryptocurrencies that are linked to the value of underlying assets – eg, USD or CHF, real estate or other investments – and designed with a value-stabilising mechanism), and will be subject to special anti-money laundering requirements.

The Swiss Federal Council also plans to introduce a second licence for crypto institutions providing services in relation to cryptocurrencies. Essentially, such institutions will be subject to less comprehensive licensing and operating criteria, but will have to meet certain requirements to prevent conflicts of interest.

In parallel, the new FADP was implemented to update the privacy rules in line with the new digital era. It completely overhauled the initial Act – dating back to 1992 – to account for the use of social networks, the cloud, the internet of things and AI.

Key take-aways

These are as follows:

- FINMA's algorithm governance stance is technology-neutral but risk-based – supervised entities must monitor, control and disclose AI usage and adapt governance frameworks accordingly;
- automation (including robo-advice) does not relieve the institution of accountability – instead, fiduciary duties remain;
- automation introduces new fraud risks, and the promise of efficiency must be tempered with appropriate fraud risk/control frameworks;
- the FADP (as of 1 September 2023) modernises Swiss data protection law, aligning closely with the GDPR and strengthening individual rights; and
- Switzerland takes a balanced approach – innovation-friendly (the DLT Act, fintech licence updates, crypto service provider regulation) yet rooted in strong supervision and principle-based frameworks.

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