

Credit Rating Requirement: Investments in securities with the lowest credit rating (rating level 5) are only permissible if there is corresponding technical expertise in the area of credit risks. This implies that the company must have adequate knowledge and resources to manage the increased risk associated with such investments.

Expertise and Risk Management: Companies must have appropriate expertise and a robust risk management system in place when engaging in high-risk investments. This includes having knowledgeable staff and systems to continually monitor and manage the risks associated with these assets.

Regular Analysis and Monitoring: The risks of high-risk investments must be analyzed and monitored regularly to ensure they remain within the acceptable risk parameters set by the company. This ongoing scrutiny helps in early detection of potential issues that could affect the financial health of the company.

By regulating these aspects, the guidelines aim to balance the potential high returns from high-risk investments with the necessary safeguards to protect the company's financial stability and the interests of the policyholders.



Based on the detailed content from the FINMA Circular 2016/5 regarding how investments in high-risk assets are regulated, here are the evaluations for the two answers provided:

Answer 1 Evaluation:

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