to risks that exceed its capacity or the scope of its business operations.
3. **Coverage Requirements**: All potential obligations arising from derivative transactions must be fully covered at all times. This coverage can be either through the underlying assets or liquidity to ensure that the company can meet its derivative obligations without fail.

Reporting Requirements
1. **Regular Risk Analysis**: The risks associated with derivative usage, such as market and credit risks, must be regularly analyzed — weekly for market risks and monthly for credit risks.
2. **Executive Reporting**: The outcomes of these analyses must be reported to the company's executive board regularly — monthly for market risks and quarterly for credit risks.
3. **Annual Reporting to FINMA**: Companies must report their derivative activities annually to FINMA, detailing the usage, risk exposure, and compliance with the set regulatory requirements.

Liquidity Management
When using derivatives as part of their investment strategies, maintaining sufficient liquidity is crucial:
- **Liquidity Reserves**: Insurance companies must ensure they have enough liquid assets or cash equivalents to meet obligations from derivatives at all times. This is especially critical for derivatives with potential future financial obligations like margin calls.
- **Cash and Cash Equivalents**: These can include readily available funds such as cash deposits and highly liquid government bonds, which are counted towards covering potential derivative payouts.
- **Prohibitions on Double Usage**: The same assets or liquidity must not be used to cover multiple derivative positions unless they cover different aspects of the same underlying asset, ensuring clear and unambiguous coverage for each position.