

Swiss Bankers Association rejects stricter capital requirements proposed by Federal Council and calls for thorough review of viable alternatives

In its consultation response, the Swiss Bankers Association (SBA) rejects the Federal Council's proposal to amend the Banking Act and the Capital Adequacy Ordinance with regard to the capital backing of systemically important banks' foreign participations at parent company level. Instead, the SBA calls for proportionate, targeted regulation that is aligned with international standards. It also demands a thorough review of viable alternatives to the proposed maximalist approach as well as a holistic view of all planned measures to avoid unnecessary burdens on the financial centre and the real economy. The goal must be to strengthen system stability while also securing Switzerland's competitiveness as a location for finance and business.

The Credit Suisse crisis was primarily the result of failures in management, control and governance. It was not caused by capital requirements being too lax. These are in fact already strict in Switzerland compared with other countries, but they have

been substantially reduced over many years by wide-ranging regulatory concessions. Simply avoiding such concessions in future would be entirely sufficient.

International alignment preferable to insularity

Switzerland's capital requirements are already among the most stringent in the world. What is needed, therefore, is proportionate, targeted regulation that is aligned with international standards and does not impose any extra restrictions that only apply in Switzerland (a "Swiss finish").

While the Federal Council states that only UBS would in fact be directly affected by the proposed tightening of capital requirements, the drastic measure would nevertheless have a broader impact. It would lead to higher costs and potential restrictions for international and domestic banking services and make it more expensive for Swiss banks to do business abroad. This would create a structural disadvantage for Switzerland that, in addition to affecting banks that operate internationally, would weaken the entire financial centre and weigh on the country's real economy.

The Federal Council plans to permit only Common Equity Tier 1 (CET1) core capital as backing for foreign subsidiaries. Besides going far beyond its original proposal from 2024, this is also at odds with both the Basel standards and international practices. Under the current legislation, Additional Tier 1 (AT1) qualifies as loss-absorbing capital in addition to CET1. The planned exclusion of AT1 therefore makes no sense.

Review alternatives and factor in overall impact

The Federal Council's explanatory report rejects alternative approaches to the chosen maximalist option on purely qualitative grounds. The SBA therefore calls once again for a thorough review of viable alternatives backed up by an exhaustive and quantified cost/benefit analysis as well as a transparent account in the dispatch of the options examined. This must clearly outline how effective each option would be in minimising risk and what costs it would give rise to for the overall economy.

The proposed complete deduction of foreign participations from CET1, especially in combination with further capital measures as part of the total package, would additionally tighten the already strict Swiss requirements for no good reason. A holistic view of all planned capital measures is therefore needed to avoid overlaps, false incentives and unnecessary additional burdens. A number of other responses, including those from the real economy, make similar demands.

SBA Chairman Marcel Rohner: “In times of geopolitical and economic tension, competitiveness takes on even greater significance. It is thus especially important for banking regulation to be proportionate, targeted and aligned with international standards.”

SBA CEO Roman Studer: “Responsible regulation must be based on a comprehensive analysis of all measures and their interaction with each other. Taking a holistic view is the only way to avoid overlaps, false incentives and unnecessary burdens.”

The SBA's **full response** (in German) and a **summary of its response/position** (in English, French, German and Italian) can be found [here](#).

Press and media inquiries

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