Swiss Banking

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Deposit insurance strengthened further

Parliament adopts revision of Banking Act

- The Swiss Bankers Association (SBA) welcomes the Swiss Parliament's adoption of the revised Banking Act during its winter session. The revision further improves the protection of customer deposits at banks in the interests of high security and financial market stability.
- The SBA also welcomes the Swiss Parliament's adoption of the reform of withholding tax, which enhances Switzerland's competitive position as a business location.

Proven deposit insurance scheme strengthened

The Banking Act already provides for an effective mechanism to secure customer deposits. However, the Federal Council is keen to optimise this mechanism on an ongoing basis, and in 2019 identified specific areas in which targeted improvements could be made. The revision of the Banking Act it proposed, which has now been adopted by the Swiss Parliament, further strengthens the deposit insurance scheme's functioning and credibility with a view to even better protection for customers. The amendments to the Banking Act will help to bolster the Swiss financial system's stability further still. The SBA welcomes this.
From the customers' perspective, the increased level of protection for their deposits is especially important. Deposit insurance will essentially be improved in three ways:

- Faster payouts: The revised Banking Act shortens the deadline for paying out protected customer deposits (CHF 100,000 per customer and bank) via the deposit insurance scheme to seven working days. The Act did not previously specify a deadline.
- Greater security: The banks' contributions to the deposit insurance scheme are to be increased from a fixed sum of CHF 6 billion to a dynamic 1.6% of all protected deposits in the entire system, which currently equates to around CHF 7.4 billion. This not only increases the scope of protection, but also means that future changes in the volume of protected deposits will be automatically taken into account.

- Stronger funding: Banks will in future cover half of this amount of around CHF 7.4 billion by depositing securities or Swiss francs with a custodian as collateral.

The upcoming implementation of these changes will require extensive adjustments to banks' processes. The Swiss banks are prepared to bear the costs involved in order to strengthen the deposit insurance scheme.

The revision also transfers certain provisions on insolvency for banks to the Banking Act and guarantees the complete segregation of securities for the purposes of the Debt Enforcement and Bankruptcy Act.

Reform of withholding tax: bringing jobs and value creation back to Switzerland

In addition to the revised Banking Act, the Swiss Parliament has adopted a further draft with relevance to Switzerland's standing as a business location. With the reform of withholding tax, the Federal Council and the Swiss Parliament aim to strengthen the Swiss market for debt capital in a targeted manner. The SBA welcomes this reform, which provides an important basis for ensuring that Swiss companies can in future raise more of their own funding on the domestic market. Due to the withholding tax that currently applies to bonds, Swiss companies often finance themselves via foreign capital markets at present. The potential for value creation and jobs that is inherent in this business has thus not been fully exploited up to now. With the reform of withholding tax now adopted, however, this is set to change and bring new jobs and value creation to Switzerland. The reform will effectively pay for itself from the taxpayers' point of view over the medium term and therefore has an excellent cost-benefit ratio.

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