

# Initiation of consultation on amendment to Capital Adequacy Ordinance

**Bern, 05.04.2019 - On 5 April 2019, the Federal Department of Finance (FDF) initiated the consultation on an amendment to the Capital Adequacy Ordinance (CAO). The proposal concerns three separate topics: the FDF wishes to simplify the requirements for certain small banks and securities firms, adjust the risk weights for domestic residential investment property with a high loan-to-value ratio and ensure that the parent banks of systemically important banks are sufficiently well-capitalised in the event of a crisis.**

As a result of the financial crisis, international standards were created especially in the area of bank security. Switzerland has implemented these standards. National regulation has become more complex as a result and can place a heavy burden on small institutions in particular. The Federal Council intends to ease the burden on small, particularly liquid and well-capitalised banks and securities firms with simplified requirements for calculating the capital required.

In Switzerland, around 30% of mortgages are used to finance residential investment property. Price corrections for these properties, as well as rising interest rates, can lead to considerable losses for banks. In order to increase their resilience, banks should thus use additional capital to underpin mortgages on domestic residential investment property with a high loan-to-value ratio. This measure also applies to mortgages granted by insurance companies. The FDF will ask the Federal Council to give preference to self-regulation in the area of residential investment property, provided that banks quickly offer their support for at least an equally effective strengthening of the existing self-regulation approved by FINMA.

Gone concern requirements are intended to ensure that a systemically important bank in difficulty can be restructured and wound up in an orderly manner without financial assistance from the state. The Federal Council introduced gone concern requirements at

group level for UBS and Credit Suisse back in 2016. Gone concern requirements have also been in force to a reduced extent for domestically focused systemically important banks (PostFinance AG, Raiffeisen and Zürcher Kantonalbank) since 1 January 2019. In keeping with an Financial Stability Board (FSB) international standard, the current proposal is intended to ensure that sufficient capital is available in the event of a crisis, particularly in parent banks and in the Swiss units that perform systemically important functions.

The consultation will run until 12 July 2019.

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## Documents

 [Eigenmittelverordnung](#) (PDF, 754 kB)

 [Erläuterungen zur Änderung der Eigenmittelverordnung](#) (PDF, 1 MB)

 [Orientierungsschreiben an die Kantone](#) (PDF, 90 kB)

 [Orientierungsschreiben an die Organisationen](#) (PDF, 117 kB)

 [Liste der Vernehmlassungsadressaten - Liste des destinataires - Elenco dei destinatari](#) (PDF, 159 kB)

### Publisher

Federal Department of Finance  
<https://www.efd.admin.ch/efd/en/home.html>

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