



Federal Council initiates consultation on introduction of a public liquidity backstop for systemically important banks

Bern, 25.05.2023 - On 24 May 2023, the Federal Council decided that the consultation on the introduction of a public liquidity backstop (PLB) for systemically important banks (SIBs) would be initiated on 25 May 2023. This draft is intended to simultaneously transfer into ordinary law not only the framework for a PLB instrument as introduced in March 2023 by the Federal Council via ordinance, but also other measures introduced at that time and aimed at supporting the takeover of Credit Suisse by UBS. The consultation period, which has been shortened owing to the urgency, will last until 21 June 2023.

Among other things, SIBs perform systemically important functions as defined in the Banking Act (BankA), specifically domestic deposit and lending business, and payment transactions. If a SIB gets into distress or fails, this can cause considerable turmoil in the financial system and significant economic damage, owing to the SIB's size, market share and interconnectedness.

The Federal Council and Parliament have thus implemented numerous measures in recent years to strengthen SIBs' resilience. In 2012, rules for SIBs entered into force which raised the capital and liquidity requirements, and were designed to improve SIBs' resolvability. These requirements have been tightened several times. Moreover, on 11 March 2022 the Federal Council defined parameters for introducing a PLB for SIBs. Internationally, the PLB is part of the standard crisis management toolkit (see box).

Against the background of the crisis of confidence at Credit Suisse, on 16 March 2023 the Federal Council used emergency law to introduce the framework for a PLB in order to prevent a disorderly bankruptcy of Credit Suisse. These provisions, and other measures in

connection with the subsequent takeover of Credit Suisse by UBS, flowed into the draft amendments to the BankA. To avoid them expiring, the Federal Council must submit a draft to Parliament within six months, in order that it be transferred into ordinary law.

As part of the review announced on 29 March 2023 by the Federal Council regarding the events surrounding the takeover of Credit Suisse by UBS, the entire Swiss too-big-to-fail regulatory framework, and thus also the instruments included in this draft, are to be comprehensively reviewed and the results are to be presented to Parliament within the context of the next Federal Council report on systemically important banks in the spring of 2024, in accordance with Article 52 of the BankA. This report should also address various audit tasks which Parliament assigned to the Federal Council in the wake of the events of March 2023.

What is a PLB?

A public liquidity backstop (PLB) is a state liquidity provision. This comes into play when, firstly, the bank's own liquid assets are no longer sufficient to meet its financial obligations and, secondly, the option for the central bank to provide emergency liquidity against collateral has been exhausted. It is then possible, thirdly, for the central bank to provide additional liquidity which is guaranteed by the state. The level of the guarantee must be defined on a case-by-case basis depending on the circumstances.

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Documents

 [Vernehmlassungsvorlage BankG](#) (PDF, 303 kB)

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 [Brief an die Kantone](#) (PDF, 161 kB)

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