Questions and answers

Implementation of too big to fail measures – 6 June 2025

General

What is the Federal Council aiming to achieve with the implementation of the new too big to fail measures?

Switzerland should remain a world-leading active financial centre with a stable and competitive financial sector.

The framework conditions should continue to enable global systemically important banks to also be headquartered in Switzerland and be competitive.

The implementation of the package of measures is intended to substantially reduce the likelihood that another systemically important bank in Switzerland will get into a severe crisis, and that emergency measures by the state will be required. The bulk of the measures therefore focus on prevention.

Moreover, in the event of a crisis, liquidity and resolvability of a systemically important bank should be ensured as credible options. In this way, the Federal Council wants to minimise the risks for the economy and taxpayers.

What are the key decisions taken by the Federal Council on 6 June 2025?

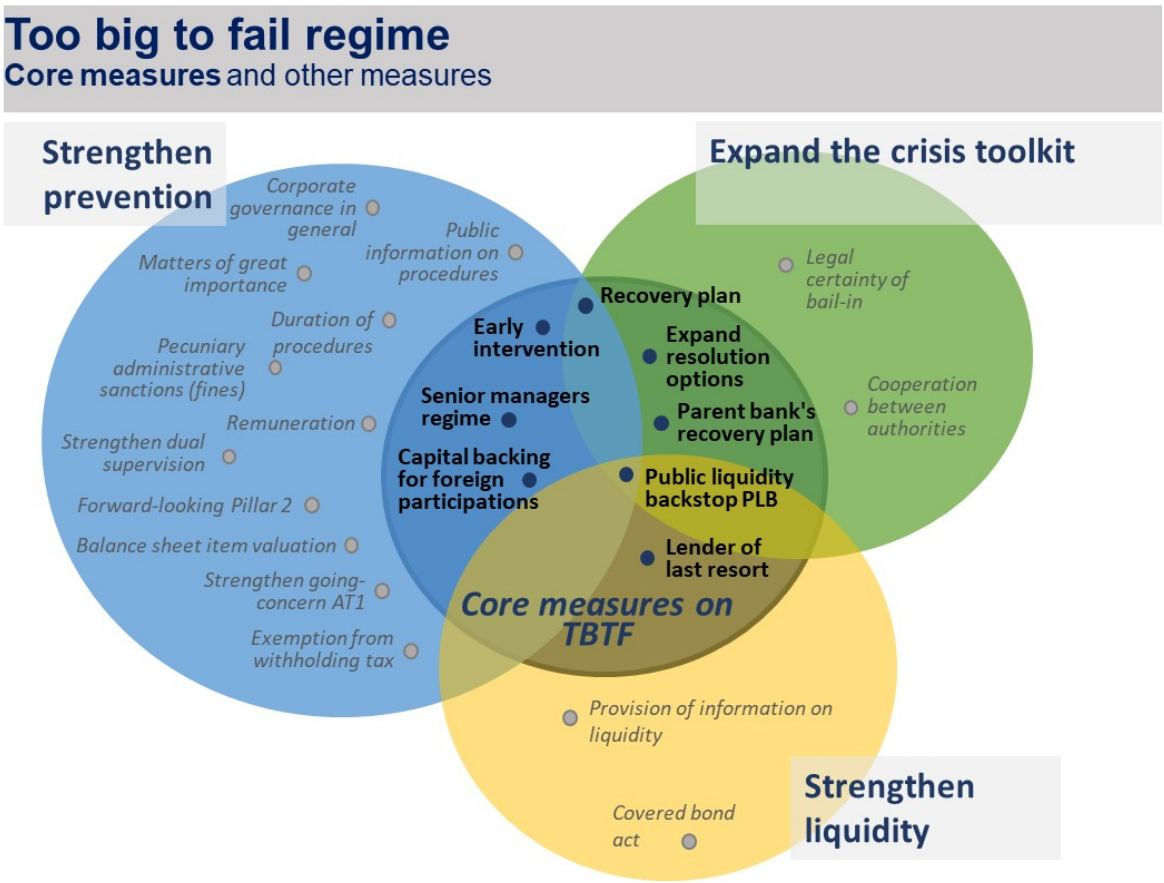
- **Parameters for amendments to legislation**: These refer to the design of the future senior managers regime for banks, the introduction of clawback for bonus payments at systemically important banks in cases of misconduct, a regulation on obtaining liquidity from central banks (especially the Swiss National Bank (SNB)), additional powers for the Swiss Financial Market Supervisory Authority FINMA (e.g. early intervention) and improvements in the recovery planning and resolvability of systemically important banks. The parameters also reflect the decisions on audit mandates from the Federal Council's April 2024 report on banking stability. For example, FINMA should be given powers to issue fines. Based on the parameters laid down by the Federal Council, a bill will be drafted in the first half of 2026 and issued for consultation.

  In addition, the Federal Council defined a parameter regarding capital requirements for foreign participations of systemically important banks. As regards implementation of this parameter, a separate consultation period is already planned for the second half of 2025. This will allow Parliament to debate swiftly and will reduce potential uncertainty for the markets.

- **Parameters for amendments to ordinances**: These concern the stress testing process for Pillar 2 capital surcharges and the introduction of requirements for banks to prepare collateral. This latter parameter represents the partial implementation of the measure relating to the "lender of last resort" function. To provide a comprehensive overview, a new draft Liquidity Ordinance will be issued for consultation together with the legislative amendments in the first half of 2026.

- **Consultation draft for ordinances**: This comprises the following amendments in particular:
  - Capital requirements for assets that are not sufficiently recoverable in a crisis, for instance capitalised software or deferred tax assets.

- More precise details on the duration and the suspension of interest payments for AT1 capital instruments.
- More precise and swifter provision of information on the liquidity situation in a crisis.



Why should the first amendments to ordinances be implemented before the legislative amendments?

Because the proposed ordinance amendments do not require legislative amendments, and their swift implementation will allow them to take effect earlier, these measures should already be implemented before the package of legislative measures.

Which of the procedural requests and recommendations from the Parliamentary Investigation Committee (PInC) on "Management by the authorities – CS emergency merger" of December 2024 have been adopted by the Federal Council?

The Federal Council made a statement on the PInC report in December 2024. It agrees with the majority of the recommendations, postulates and motions put forward by the PInC and has assumed the mandates. Where legislative amendments are necessary, the mandates will be integrated into the upcoming draft acts and ordinances.

Has the Federal Council made any changes compared to its report on banking stability of April 2024?

In terms of content, the latest decisions implement and provide detail to the recommendations in the April 2024 report on banking stability with regard to achieving a stable and competitive financial sector. One formal change concerns the capital coverage for participations in foreign subsidiaries by the Swiss parent of systemically important banks. In light of the importance for financial stability and the economy, as well as the PInC's findings,

this is to be regulated in legislation, rather than at ordinance level as previously. Implementing this major measure (in view of its impact) at legislative level strengthens democratic legitimacy (decision by Parliament and optional referendum) for the regulatory treatment of foreign participations at systemically important banks.

How were the Swiss Financial Market Supervisory Authority (FINMA) and the Swiss National Bank (SNB) involved in drawing up the measures?

FINMA and the SNB were involved in the work at a technical level, especially in aspects that affected these two organisations directly or indirectly. However, decision-making power rested solely with the Federal Council.

How was the sector concerned involved in drawing up the Federal Council's proposal?

Numerous discussions on various technical aspects were held with the banking sector. Moreover, there was repeated contact at the highest level between the authorities and UBS. As with all regulatory proposals, a public consultation will be held on the ordinance and legislative texts.

Are the measures aimed only at systemically important banks, or are other financial institutions also affected?

The measures are aimed at systemically important banks. They pose greater risks for the Swiss economy and the financial system. However, some measures also affect other banks or financial institutions. For instance, good corporate governance is also a key basic requirement at the remaining banks, which is why measures on corporate governance should be expanded to cover them too. The focus here is on introducing a senior managers regime that makes it easier to hold individuals accountable. However, the design of the senior managers regime will ensure that the implementation burden for smaller banks with less complex organisational structures will be minimal.
As regards early intervention, the amendments should apply to all banks. They are aimed at correcting the current system and making FINMA's supervision and its measures more effective. These amendments are important for the entire system, not just systemically important banks, since these corrections are aimed at improving supervision and preventing banks from getting into crisis. This will also help to protect the reputation of the Swiss financial centre.
Moreover, for reasons of equal treatment, new supervisory instruments (e.g. administrative fines) should apply for all FINMA-supervised entities. FINMA will take the principle of proportionality into account when applying this new instrument.

The too big to fail issue

What is meant by "too big to fail"?
"Too big to fail" describes financial institutions which, by virtue of their size and interconnectedness with the financial system and the economy, cannot be allowed to fail. The measures to alleviate the too big to fail issue are intended to reduce these risks and permanently limit the likelihood of future financial crisis and their costs, and avoid the need for state support as far as possible.

Which banks in Switzerland are systemically important?
Banking groups and banks are systemically important if their failure would cause significant damage to the Swiss economy and financial system. In Switzerland, four financial institutions have been designated as systemically important banks (SIBs) by the SNB: UBS, Postfinance, Raiffeisen Group and Zürcher Kantonalbank (and, until 2023, Credit Suisse). Systemically important banks have to meet stricter prudential requirements than other institutions. They are also required to draw up recovery and emergency plans. In addition, FINMA establishes resolution plans for these banks.
Moreover, the Financial Stability Board deems UBS (and, until 2023, also Credit Suisse) to be a global systemically important bank (G-SIB).

Is the existing too big to fail regime not sufficient?

The existing too big to fail regime comprises requirements on capital, liquidity, and recovery and resolution planning. It was introduced in 2012 as part of the Banking Act and has been incrementally refined ever since, strengthening the resilience of systemically important banks. However, the Credit Suisse case in March 2023 revealed gaps in the existing regime, and a clear need for action to further develop and strengthen the regulatory framework. For instance, capital requirements are not fundamentally forward-looking, and the parent bank's capitalisation is a critical point in the disposal of foreign participations. As regards liquidity, the magnitude and speed of outflows exceeded all previous empirical values. In addition, the liquidity assistance provided by the SNB was nowhere near sufficient – for example, owing to a lack of sufficient collateral prepared by the bank. Finally, the aim is to reduce the risks in the event of resolution, and to expand recovery and resolution planning to include additional variants and instruments.

In the worst case scenario, could UBS be wound down?

UBS has a resolution plan, and the bank's resolvability is assessed annually by FINMA. In its previous disclosures, FINMA has confirmed UBS's resolvability in principle. Moreover, the Federal Council, based on the lessons learned from the Credit Suisse case, is proposing targeted amendments to the legal framework with regard to resolution. It cannot be said with certainty whether, in the event of an impending bankruptcy, the planned resolution strategy will always be implemented as intended, or whether there is an alternative that is judged to be more appropriate – as in the Credit Suisse case. However, the clear and undisputed goal is that any systemically important bank, even a globally active bank, can undergo an orderly resolution if need be. To guarantee this goal, the options in resolution planning will be expanded. At the same time, it must be noted that resolution will always remain a last resort, and that avoiding a crisis by means of preventive measures, or successfully managing a crisis during the recovery phase, have their advantages. For this reason, the Federal Council views the proposed measures as an overall package.

Is UBS too big for Switzerland?

No. Although the size of UBS's total assets could pose a risk for the Swiss economy in the event of bankruptcy, this risk and its repercussions can be effectively mitigated through appropriate measures. As a result, systemically important banks are subject to additional regulatory requirements over and above those that apply to all banks. This is known as the too big to fail regime.

Can state support be ruled out in the future?

As a matter of principle, emergency state support should be avoided wherever possible. The aim of the too big to fail regime is to avoid the need for state support. Nonetheless, the option

for the Federal Council to use emergency law in specific crisis situations, in the interests of the country and based on the Federal Constitution, should not be categorically ruled out.

Does Switzerland need big banks?

Switzerland has a broad-based banking centre with an international focus. It directly contributes around 5% of gross domestic product and employs over 100,000 people. In its 2020 financial centre strategy, the Federal Council reiterated its ambition that Switzerland should retain its place as one of the leading international financial centres, including as a base for internationally active financial institutions. The Federal Council continues to hold this position. The too big to fail regime should enable global systemically important banks to also be headquartered in Switzerland, be competitive and be resolvable in a crisis, without this causing damage to the economy and taxpayers.

What does the Federal Council's package of measures mean for the international competitiveness of systemically important banks in Switzerland?

The proposed measures are aligned with international regulations and instruments, and strengthen the international competitiveness of the Swiss financial centre, while also taking account of Switzerland's special situation as a leading financial centre with a global systemically important bank.

The key decisions

Capital

What are the plans with regard to capital requirements?

The crisis at Credit Suisse showed clearly that the parent bank's capitalisation was too low. Losses on foreign participations repeatedly eroded the parent bank's capital base. In the future, during a recovery phase – in which it can still act autonomously – a systemically important bank should be able to dispose of foreign subsidiaries without adverse effects on the capitalisation of the Swiss parent bank. This should avoid it going into resolution, which is always a last resort. The Credit Suisse case also confirmed that, in a crisis, it is hard to raise capital, especially in the amounts needed. For this reason, capital requirements for a parent bank's foreign subsidiaries should be increased for systemically important banks. Specifically, the Federal Council is proposing that, in future, systemically important banks should fully deduct the carrying value of foreign subsidiaries from the parent bank's CET1 capital. This measure is to be introduced at legislative level, and is thus subject to approval by Parliament.

There should also be a targeted strengthening of the quality of banks', and especially systemically important banks', capital base. The regulatory treatment of assets that are not sufficiently recoverable in a crisis (e.g. capitalised software, deferred tax assets) and, in particular, of fair value items that are difficult to value (those without current market prices or observable valuation parameters) should be tightened.

In addition, the risk-bearing function of going-concern AT1 instruments should be strengthened, i.e. before a crisis-hit systemically important bank reaches the point of non-viability (PONV).

Why does there need to be a targeted increase in capital in the form of a 100% deduction of foreign participations from the CET1 capital of a systemically important bank's parent entity?

- If a systemically important bank gets into difficulty, it should be sufficiently well capitalised to recover on its own by means of appropriate measures. In particular, it should be possible to dispose of foreign participations that lose value or are sold at

less than carrying value in a crisis, without eroding the parent bank's capital base. This is only guaranteed if there is 100% capital backing.

- Valuation losses on participations result in an equivalent loss of CET1 capital at the parent bank. In the applicable regulations, in the case of UBS, foreign participations are backed at around 60% with going-concern capital (CET1 and AT1) or about 45% with CET1 capital.
- Losses are absorbed directly by CET1 capital. Valuation losses on foreign participations of, say, USD 10 billion would thus lead to a CET1 capital shortfall of USD 5.5 billion at the parent entity of a systemically important bank such as UBS. This is then not available to cover the parent bank's going-concern capital requirements. Only with a 100% participation deduction does the parent bank avoid a capital shortfall caused by a decline in the value of participations.
- Full capital backing is thus also relevant in the case of partial valuation losses on foreign participations.
- This strengthens stability and protects investors, customers, taxpayers and the economy.

How high should capital requirements for systemically important banks be?

As is the case today, capital requirements for systemically important banks depend on a number of factors – especially size and market share. It is planned that this principle, which has proved its worth, will be retained. The stricter capital requirements for parent banks are intended to bring targeted improvements. This measure will increase the capital needs of those systemically important banks that own significant foreign subsidiaries. In the current situation, this mainly concerns UBS.

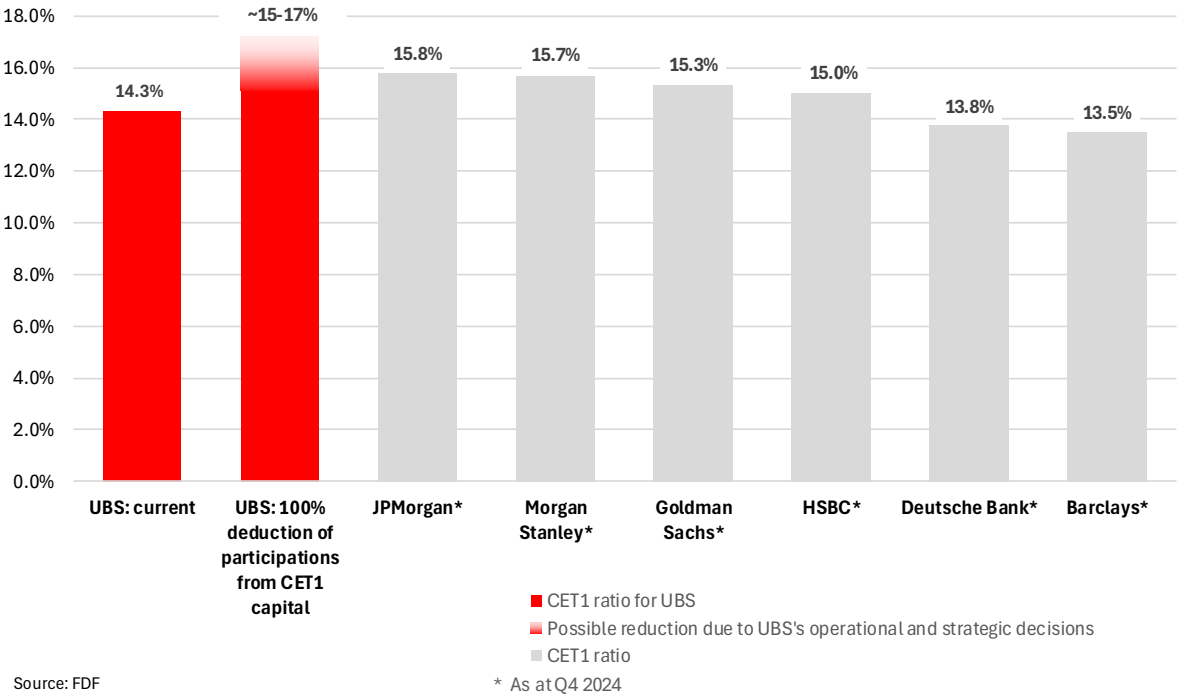
In an international comparison, Swiss banks, especially UBS, already have good capital ratios. Wouldn't another increase bring disadvantages in terms of international competitiveness?

UBS's CET1 capital ratio is currently similar to that of its international competitors (see chart). With the Federal Council's proposed 100% deduction of foreign participations from the Swiss parent bank's CET1 capital, plus the ordinance amendments issued for consultation, and based on the current structures and total assets, the CET1 ratio could rise to 15-17%. The exact value cannot be quantified, as UBS is itself able to substantially influence the CET1 ratio through operational and strategic decisions. For example, it can reduce its additional capital needs by repatriating capital from foreign subsidiaries or retaining reserves that have already been set aside.[1]

[1] The distribution of the special dividend to UBS Group AG reduces its debt (double leverage), provided the amount is not subsequently paid out to shareholders. This increases the capitalisation of the group, and the group's CET1 ratio rises as a result

CET1 ratios in an international comparison

According to current estimates, if all the measures announced by the Federal Council were to be implemented, UBS's CET1 ratio would be slightly above that of other internationally active big banks. To a certain extent, this ratio can also be influenced by management decisions.



Source: FDF

* As at Q4 2024

UBS is a well capitalised and well managed bank. Why do the capital requirements need to be strengthened?

By introducing this measure, the Federal Council is taking precautions for the future. There is no judgement of either the business model or the management of the systemically important banks concerned.

One criticism of the measure is that higher requirements for the parent bank will lead to "overcompliance" with the requirements at group level.

Higher requirements abroad and intragroup interlinkages may result in a capitalisation at UBS Group AG that exceeds the requirements applicable to the latter in a consolidated view. The Swiss regulations impose the same capital requirements on the Swiss entities as on the consolidated group. The fact that the requirements for the consolidated group are not enough to cover the capital needs of all domestic and foreign entities is thus not due to overly high requirements for the parent bank. Rather, the reasons are the group structure, the resulting intragroup financial interlinkages (e.g. through lending), which disappear in a consolidated view, and potentially higher requirements abroad. The Swiss regulations can only shape the requirements for the Swiss entities. Requirements abroad are set by foreign regulators, and the intragroup interlinkages are shaped by UBS itself.

In the past, the Swiss regulations offset the higher requirements abroad and the intragroup interlinkages with lower requirements for the parent bank, by permitting participations in subsidiaries to be partly financed with debt. The associated risks should now be more consistently avoided – including by taking the recommendations of the Parliamentary Investigation Committee (PInC) into account.

By how much will the capital requirements for UBS increase if the Federal Council's proposed measure on full capital backing at the parent bank with regard to foreign participations is introduced?

According to rough estimates by the authorities based on publicly available data and the situation at end-2024, the planned measures, including the ordinance amendments, will increase the going-concern capital (2024 CET1 and AT1 combined) of UBS's parent bank (UBS AG) by around USD 18 billion. At the same time, the measures will result in a strengthening of capital quality. This means that the increase in required going-concern capital will have to be met with around USD 26 billion of CET1, while AT1 holdings can be reduced by about USD 8 billion, which lowers the interest bill. The amount of additional CET1 capital that UBS will have to obtain in order to meet the stricter requirements depends on management decisions by UBS. These estimates are based on backward-looking data for 2024 and are valid only on the assumption, among other things, that there is no change in balance sheet size and risk-weighted assets, no revaluation of participations, no adjustment of voluntarily held management capital buffers, no further repatriation of capital or structural changes, no movements in relevant exchange rates and no other changes to regulatory requirements.

How high is the cost of UBS's additional capital needs?

An increased need for capital should not be equated with increased costs.[2] However, the total capital costs of debt and equity may rise because investors expect a higher return on equity than on the debt it replaces. Precise estimation is difficult, as more equity also reduces the risks and hence costs, and the overall view depends on numerous factors and assumptions. Returns on equity also stabilise, which should also dampen investors' expectations as regards profits. The FDF has commissioned two independent expert opinions on this question; these were published together with the parameters for the planned legislative amendment. The Zimmermann expert opinion estimates that, for example, an additional USD 20 billion of CET1 capital will increase UBS's average total capital costs by around USD 640 million annually. Based on current publicly available data, the Alvarez & Marsal expert opinion estimates additional total capital costs of USD 0.8 billion to 1.3 billion for estimated capital needs of between USD 14.7 and 23.3 billion. The estimated costs in the Alvarez & Marsal expert opinion do not include the risk reduction from higher equity described above, or the resulting potential cost savings, and are thus higher.

Can UBS continue to grow abroad?

Growth abroad is still possible, but in future increases in the value of foreign subsidiaries or the purchase of further foreign subsidiaries will have to be fully covered by capital and can no longer partly be financed with debt at the cost of the parent bank.

Has it been assessed whether a conservative valuation of foreign participations might not be a more suitable alternative to full deduction?

Yes. A conservative valuation method would supplement a partial capital backing for foreign participations, while simultaneously reducing capital needs at the parent bank. With a lower valuation, the maximum potential loss would be lower but, as soon as valuation losses occur, the problem of procyclicality in valuation changes persists with regard to the CET1 ratio:

If capital requirements remained unchanged, each USD 1 in valuation losses on foreign participations would still lead to a CET1 capital shortfall of USD 0.55 at the parent bank. Even if a conservative valuation method were anchored in the regulations, the capital required to cover these valuation losses at the parent bank would no longer be available to cover the risks arising from the parent bank's own operating activities.

[2] Additional economic capital costs should not be equated with lower annual profits at UBS. The capital cost calculation includes the profit expectations of investors, which are not reflected in the profit and loss statement

Has it been assessed whether restrictions on investment banking or different capital requirements for wealth management and investment banking activities might not be more appropriate alternatives to full deduction?

Such variants were considered. The significance of investment banking in a bank's business model is a business decision and should not be prescribed by the legislator. The general capital requirements for client business already take account of the specific risk profile of a bank's various business activities.

Moreover, as the risks of a subsidiary are not confined to investment banking, a different treatment for wealth management and investment banking activities is not a convincing option. Even in wealth management, there is no guarantee that such a portfolio could be sold during a crisis without incurring substantial valuation losses. This applies especially during a crisis of confidence or when a negative-return portfolio has to be sold in an unfavourable economic environment. Moreover, it would be almost impossible to sell a wealth management portfolio that was subject to legal proceedings such as tax claims, sanctions violation claims or money laundering cases.

In addition, in practice the ringfencing of investment from wealth management is complicated, and would be difficult for FINMA to check.

Why, instead of full capital backing for foreign subsidiaries by the parent bank (i.e. 100%), was an increase to, say, 80% CET1 capital (from the current 45%) not proposed?

While this would ensure that more capital is available at the parent bank level to absorb valuation losses on foreign participations during a crisis, and hence would also help to reduce risks, fluctuations in valuations would continue to impact the parent bank's regulatory capital. Under an 80% deduction regime, a decline in the value of UBS AG's foreign participations of, say, USD 10 billion would still lead to a CET1 capital shortfall of USD 2 billion at the parent bank. The problem whereby the sale of a foreign subsidiary results in capital shortfalls at the parent bank can only be consistently solved with full capital backing.

Was it examined whether the full carrying value of foreign subsidiaries could also be partly deducted from AT1 bonds or bail-in bonds?

Such variants were considered. The aim of the measure is to ensure that going-concern revaluations of foreign subsidiaries do not affect the regulatory capitalisation of the parent bank. Valuation losses on assets (incl. participations) always reduce CET1 capital. Only by deducting these positions from CET1 capital can a stabilising effect be achieved. AT1 bonds are not loss-absorbing in the going concern, and only loss-absorbing to a limited extent in the recovery phase. Bail-in bonds are not available for loss-absorption in the going concern, but only during recovery. However, an autonomous strategic realignment in the recovery phase of a crisis without any impact on the parent bank's CET1 ratio would not allow for the use of AT1 bonds and bail-in bonds as capital backing.

What does the Federal Council consider to be an appropriate transitional period, as mentioned in the parameter for Measure 15?

Ideally, the required capital should be accumulated without taking on debt, without restricting organic growth too much, and without overly reducing distributions. The authorities consider that, as things currently stand, these goals can be achieved through a sufficiently long transitional period – for instance at least six to eight years after the new regulations come into force.

Are these measures targeted?

The Federal Council is refraining from a general increase in capital requirements for systemically important banks or a tightening of the progressive component, and is limiting the full capital deduction to foreign participations. While a general increase in capital requirements would have affected all systemically important banks as well as the business

activities of the entire group, this measure focuses on the business activities and future growth in foreign subsidiaries, and thus strengthens the financial resilience of the parent bank.

Will lending costs for domestic SMEs also rise as a result of the new capital requirements?

As regards the measure to provide capital backing for participations in foreign subsidiaries, potentially higher financing costs will affect business activities at foreign subsidiaries and could therefore make such activities more expensive (predominantly in the United States). Conversely, the capital requirements for domestic lending business do not change. In principle, the costs in domestic lending business would not rise if the higher financing costs were passed on to the originator, as is customary in banking.

Why are even more capital-related measures needed, in addition to the measure at ordinance level relating to foreign participations of the parent bank?

The two bills address different problems and have different impacts on the legal entities concerned. The additional capital requirements are not cumulative. The capital that UBS needs to meet the stricter capital requirements of the draft ordinance at group level already covers part of the capital needed to provide backing for foreign participations of the Swiss parent bank.

If there had been no phase-in and no regulatory filter, and if Credit Suisse had accumulated more capital accordingly, would it have withstood the crisis?

Without the regulatory filter or the phase-in of risk weighting for participations, Credit Suisse would have had to accumulate more equity earlier. From such a starting point, because there was only partial capital backing for the subsidiaries by the parent bank, the Credit Suisse parent bank's capital would have dropped sharply owing to the valuation losses on the participations. Recovery options would still have been severely curtailed and would thus have prevented foreign participations from being disposed of without impacting the parent bank's capitalisation, for example.

Liquidity

What is planned with regard to the bank's own liquidity?

With effect from 1 January 2024, systemically important banks in Switzerland must hold statutory additional liquidity buffers compared to other banks (TBTF liquidity requirements). Thus, the strengthening of banks' own liquidity holdings as a first line of defence has already been implemented for systemically important banks. The effectiveness of the new provisions must be reviewed by the end of 2026. Therefore, no change to the existing parameters is envisaged.

Will the liquidity assistance of the Swiss National Bank (SNB) be expanded?

To ensure that banks are better prepared for obtaining central bank liquidity assistance in a crisis, a requirement for banks to prepare collateral is to be introduced. For systemically important banks, it is combined with a quantitative minimum requirement. For the remaining banks, the legislation will only prescribe qualitative requirements. Moreover, in order to optimise process efficiency, legal simplifications are to be drawn up with regard to banks' transfer of collateral to the SNB, so that existing barriers to the transfer of collateral can be removed. Such simplifications are aimed at increasing the volume of liquidity assistance granted by the SNB, but they do not change the fact that the use of assets as collateral for obtaining central bank liquidity requires preparation.

As a result of concerns that recourse to liquidity might become known at an unfavourable moment and interpreted by the market and investors as weakness, thereby further exacerbating the crisis, banks are hesitant about obtaining liquidity from the central bank (so-called stigma problem). Are any corresponding measures planned?

Although the stigma problem cannot be eliminated completely, a deferral of the publication of ad hoc announcements about recourse to central bank liquidity is being introduced for banks in order to reduce this stigma.

The Federal Council already presented the public liquidity backstop (PLB) for systemically important banks to Parliament for approval in 2023. Will this be retained?

Yes. No measures that go beyond the current bill have been identified. Extending the PLB to non-systemically important banks is not considered to be appropriate. The discussion of the subject by Parliament is currently paused.

What is a public liquidity backstop?
A public liquidity backstop (PLB) is a state liquidity guarantee that is a standard instrument internationally in banking crises. It comes into play, firstly, if the bank's own liquid assets are no longer sufficient to meet its financial obligations and, secondly, if the option for the central bank to provide liquidity assistance against collateral has been exhausted. It is then possible, thirdly, for the central bank to provide additional liquidity which is guaranteed by the state as part of a restructuring of the affected bank. The amount of the guarantee is determined on a case-by-case basis.

Will short-notice fund withdrawals be restricted in the future?

No. This would interfere too much with bank customers' withdrawal options, and with the bank's business model. Depositors should not be bound by regulation to a bank, and thus exposed to a risk that they do not themselves wish to bear. Moreover, introducing withdrawal restrictions could mean that, in a crisis, bank customers would become even more suspicious of the bank concerned, owing to the limited amount that can be withdrawn, and might bring forward their deposit withdrawals, thereby potentially exacerbating the crisis.

To what extent is the introduction of legislation on covered bonds being contemplated, in order to diversify funding sources?

A covered bond act could generally offer advantages for individual banks' recourse to liquidity. However, it will only be possible to review these advantages and potential disadvantages in detail at a later date, particularly once the measures to strengthen liquidity provision via the lender of last resort (LoLR) and the public liquidity backstop (PLB) have been implemented and their impact is clearer.

Recovery and resolution

What amendments is the Federal Council aiming for as regards the recovery of a systemically important bank?

SIBs' ability to recover autonomously in a crisis, and thereby further reduce the likelihood of insolvency, should be strengthened. To this end, the legal requirements for the recovery plan should be strengthened, especially as regards the scope and feasibility of recovery measures. Moreover, a legal basis is to be established, so that FINMA can order measures to remedy any shortcomings (especially surcharges for going-concern capital and liquidity).

What amendments is the Federal Council aiming for as regards the resolution of a systemically important bank?

As revealed by the assessment of the Credit Suisse case, the legal and implementation risks in the resolution of a systemically important bank must be reduced further. Specifically, the options available for resolution should be expanded and tailored to various crisis scenarios. Furthermore, legal certainty for the existing instruments should be improved. Moreover, as called for by the PInC, the legal framework for resolution planning should take greater account of a SIB's international interlinkages, and thus improve resolvability.

Corporate governance

How should individuals be made more accountable for mismanagement in the future, rather than only institutions?

FINMA already has powers to prohibit individuals from practising a profession and from performing an activity, or to withdraw recognition for guarantees of proper business conduct, or to take other measures against individuals. In supervisory practice, however, it is difficult to clearly prove rule violations by individuals. At international level, some jurisdictions have approaches to increase the accountability of individuals who are directly responsible for mismanagement (UK, Hong Kong, Singapore, Ireland). The Federal Council proposes to introduce a senior managers regime and to establish this in law as an explicit organisational requirement for all banks. This regime assigns clear responsibilities to senior managers, so that they can be more easily held accountable, either by the bank itself or by FINMA, for breaches of duty.

How does the planned Swiss senior managers regime differ from that in the United Kingdom?

The term "senior managers regime" comes from the United Kingdom. For the institutions and supervisory authorities concerned, implementing and operating the regime is regarded as onerous because many people in an organisation are affected, among other reasons. Conceptually, there are parallels with the proposed Swiss senior managers regime, but the latter will be less onerous.

Why is the senior managers regime also being applied to non-systemically important banks?

The review following the publication of the Federal Council report on banking stability revealed that even at non-systemically important banks, responsibilities are not sufficiently assigned and that, as a result, misconduct cannot be proved or sanctioned. This measure is therefore aimed at establishing an appropriate minimum standard to boost good corporate governance, including at non-systemically important banks. Most banks currently have appropriate corporate governance, so they will only need to make minor adjustments.

Bonuses

What remuneration-related measures have been decided?

Remuneration systems must not provide employees with incentives to excessive risk-taking, and must not jeopardise long-term compliance with regulatory requirements (especially those on capital and liquidity).

The planned legal amendments focus particularly on variable remuneration (bonuses). These must not be paid out, for example, if this comes at the cost of sound capitalisation. When designing the remuneration system, all banks must comply with minimal principles that

ensure this goal. Systemically important banks are subject to more far-reaching requirements, as they pose greater risks for the Swiss economy and the financial system.

Can salary components that have not yet been paid out be reduced or cancelled in the event of mismanagement?

Yes. At systemically important banks, the remuneration system must provide for at least some parts of variable remuneration to be deferred. In the event of mismanagement, these deferred or retained remuneration components must be cancelled or reduced by the bank or upon the orders of FINMA.

Should already paid salary components be repayable in the event of mismanagement (clawback)?

Yes. The Federal Council is in favour of introducing "effective clawbacks" for systemically important banks, which would allow remuneration components that have already been paid out to be reclaimed.

Why do the parameters not contain a cap on variable remuneration (bonuses)?

Imposing a cap on variable remuneration is not considered to be appropriate. Academic studies show that there are clear drawbacks. For instance, higher fixed salaries have been observed as a knock-on effect. This increases the entity's fixed costs, which limits the options for reducing costs, especially in a crisis.

Cooperation between authorities during a crisis

How is it planned to improve cooperation between the authorities during a crisis at a systemically important bank?

In principle, the three authorities' current responsibilities and powers should be retained. It is planned to tighten up the roles and responsibilities, and to more clearly define the cooperation and decision-making between FINMA, the SNB and FDF. The findings of the Parliamentary Investigation Committee (PInC) will be taken into account.

Amendments concerning FINMA

What new powers is FINMA to receive?

Firstly, FINMA should be able to intervene more easily by means of more explicit legally defined requirements. Secondly, its regulatory toolkit should be expanded (e.g. in the area of corporate governance, for early intervention purposes or by means of periodic penalty payments) to enable it to exercise its authority more effectively. In addition, FINMA will be granted powers to fine legal entities.

To date, FINMA has not been able to issue fines against non-compliant financial institutions. Why should this now be possible?

Pecuniary administrative sanctions (fines) are not part of the core too big to fail toolkit but they do help to strengthen supervision and form part of the standard toolkit at international level. Moreover, fines are perceived by the public as a signal that there are serious deficiencies at a financial institution. The planned publication of fines will thus have a preventive effect.

In addition, FINMA should be given powers to impose periodic penalty payments (PPP), under which, following an enforceable ruling, it can order the periodic payment of a specific amount until orderly operations can be restored at the institution. However, this is not a sanction but rather an enforcement measure against legal entities.

Why are fines not being introduced for natural persons?

Administrative fines against individuals entail the risk that they would interfere with supervisory investigations in the context of enforcement proceedings, and would weaken the effectiveness of supervision accordingly. FINMA already has sanction instruments at its disposal that have a drastic effect on natural persons, in the form of prohibitions from practising a profession and from performing an activity, the withdrawal of recognition for guarantees of proper business conduct, or the confiscation of unlawfully acquired profits.

Amendment of the Federal Act on Withholding Tax (too big to fail instruments)

Why is interest on too big to fail instruments exempted from withholding tax?

Currently, banks that operate in Switzerland can issue certain bonds – too big to fail instruments – that can be converted into equity or written down if the point of non-viability is reached. These too big to fail instruments increase the stability of the financial centre by raising a bank's capital ratio. To be effective, it is very important that they be issued in Switzerland. In this regard, tax law represents an obstacle to the extent that withholding tax is generally levied on associated interest payments. To eliminate this drawback, these too big to fail instruments are exempted from withholding tax. This ensures that banks can continue to issue too big to fail instruments from Switzerland on competitive terms. This is crucial, as an insufficient ability to raise funds can have a negative impact on financial stability.

What happens if the exemption clauses are not extended any further?

The applicable exemption clauses for withholding tax on interest from too big to fail instruments expire at the end of 2026. Interest on too big to fail instruments issued after that date would thus be liable for withholding tax.

Why should the exemption clauses be extended until 31 December 2031?

In its report on banking stability of 10 April 2024, the Federal Council advocated an unlimited extension of the exemption clause in the Withholding Tax Act (Measure 21). However, as the package of legal measures envisaged in this report cannot enter into force until 1 January 2027, the Federal Council intends to use the project to amend the Withholding Tax Act to extend the exemption clauses on withholding tax until 31 December 2031. This should ensure that no gaps arise between 1 January 2027 and the entry into force of the package of legislative measures on banking stability. The proposed limited extension of the deadline also enables the legislator to definitively evaluate this measure in the context of the overall package of measures in the Federal Council's report on banking stability.

Next steps

Why is there no consultation on the parameters of the planned legislative amendments, as there is with the ordinance texts?

Consultations are only conducted for specific drafts of laws or ordinances. In the case of the parameters, although exchanges with the sector are planned over the next few months, the formal public consultation will only be held on the specific draft legislation, provisionally in the first half of 2026.

What is the timetable?

The consultation period for the proposed **ordinance amendments** runs until September 2025. The ordinances can then be adopted by the Federal Council and enter into force at the beginning of 2027 at the earliest.

For the **legislative amendment on capital backing** for foreign participations by the Swiss parent bank:

- Autumn 2025: consultation draft based on the parameters published in June 2025
- First half of 2026: Federal Council dispatch to Parliament
- Provisionally in the second half of 2026: discussion of the bill by both chambers of Parliament
- Start of 2028 at the earliest: entry into force

The following timetable is envisaged for the **remaining legislative amendments**:

- First half of 2026: consultation draft based on the parameters published in June 2025
- First half of 2027: Federal Council dispatch to Parliament
- Provisionally in 2027: discussion of the bill by both chambers of Parliament
- 2028/29: Entry into force