

# Small banks regime: partial revision of FINMA Circulars 2018/3 “Outsourcing – banks and insurers”, 2008/21 “Operational risks – banks”, 2017/1 “Corporate governance – banks”, 2016/1 “Disclosure – banks”, 2019/1 “Risk diversification – banks” and 2017/7 “Credit risks – banks”

## Key points

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1. FINMA has always taken a proportionate approach in its supervision and regulation. The principle of proportionality has consistently been reflected in its circulars in recent years and it has introduced various exemptions and preferential rules for smaller institutions.
2. FINMA is now continuing these efforts with the idea of the small banks regime. Its aim in doing so is to further increase the efficiency of regulation and supervision for small, solid institutions and to eliminate unnecessary administrative hurdles without threatening stability and safety margins. In addition, experience shows that it is possible to resolve a small bank without there being dramatic consequences either for creditors or the system as a whole, should this be necessary.
3. The launch of a pilot project in July 2018 with a total of 68 institutions was an important milestone and allowed valuable experience to be gained for the permanent implementation of a system for small banks. The pilot project is scheduled to last until the end of 2019.
4. At the regulatory level, the introduction of a regime for small banks necessitates an amendment to the Federal Council's Capital Adequacy Ordinance (CAO). A corresponding draft was prepared by the Federal Department of Finance. A consultation on the proposed changes is taking place in parallel to FINMA's consultation on the amendment of its circulars.
5. In implementing the small banks regime, FINMA is making changes to various aspects of its codified supervisory practice. It is revising its FINMA Circulars 2018/3 "Outsourcing – banks and insurers", 2008/21 "Operational risks – banks", 2017/1 "Corporate governance – banks", 2016/1 "Disclosure – banks". At the initiative of FINMA a CAO relaxation in relation to the future derivative exposure provision in conjunction with the rules on risk diversification (keeping the current market value method instead of moving to the new standardised approach SA-CCR) was also considered as part of the revision for all banks in categories 4 and 5, resulting in adjustments to FINMA Circulars 2019/1 "Risk diversification – banks" and 2017/7 "Credit risks – banks".
6. Further amendments to FINMA Circ. 2016/1 "Disclosure – banks" reflect the adjustments to the CAO provisions for systemically important banks approved by the Federal Council in November 2018, which entered into force on 1 January 2019. The relaxations introduced as part of the small banks regime pertaining to FINMA Circulars 2018/3 "Outsourcing – banks and insurance companies" and 2008/21

“Operational risks – banks” should also apply to institutions under Art. 1*b* BA.

7. The adjustments to the circulars result in a differentiated applicability of the relaxations for small banks, banks in Supervisory Categories 4 and 5, other banks and institutions under Art. 1*b* BA (see section 8.6).
8. The consultation will go on until 12 July 2019.