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Federal Council launches consultation on the capitalisation of foreign participations by parent companies of systemically important banks

Bern, 26.09.2025 — During its meeting on 26 September 2025, the Federal Council launched the consultation on amendments to the Banking Act and the Capital Adequacy Ordinance. Under the amendments, systemically important banks in Switzerland would be required to provide full capital backing for their participations in foreign subsidiaries in future. The capital requirement will be raised in increments over a seven-year period. The consultation will last until 9 January 2026.

Currently, Swiss banks are only required to provide partial capital backing for their participations in foreign subsidiaries. If the value of these subsidiaries falls, this also reduces the Swiss parent company's capital, which was destined for its operating business.

In future, to ensure that valuation losses on foreign subsidiaries no longer directly impact on the capitalisation of the Swiss parent company, systemically important banks should fully deduct the carrying value of participations in foreign subsidiaries from CET1 capital. This higher capitalisation has a positive effect in all phases of a crisis – going concern, recovery and resolution. During going-concern operation, it reduces fluctuations in the parent company's capital from valuation losses on foreign participations. However, the main benefits of higher capitalisation lie in the recovery phase. In this critical phase, during which the bank is still able to act autonomously, it should be able to dispose of foreign subsidiaries in part or in whole without adverse consequences. This will provide even better protection against foreign losses for both clients and creditors of the Swiss parent company.

The Federal Council, the Swiss National Bank (SNB) and the Swiss Financial Market Supervisory Authority (FINMA) regard this measure as essential for achieving the too big to fail objectives for improved financial stability. An independent appraisal commissioned from BSS Volkswirtschaftliche Beratung AG by the Federal Department of Finance confirms this. The measure takes account of the fact that, compared to other locations for global systemically important banks, Switzerland is a special case as regards the importance of the foreign market.

The new regulations relate solely to systemically important banks with foreign participations. Currently, only UBS would be significantly affected by the new regulations. At UBS, the new regulations would result in a targeted, substantive strengthening of capital in the parent company. The costs of the measure could be considerably shaped by UBS's management decisions, and should be borne by the foreign business rather than by clients in Switzerland, in accordance with the cause-based allocation of costs customary in the banking industry.

The Federal Council will regulate the phased introduction of the legal provision by means of a transitional provision at ordinance level. It intends to grant the affected banks a transitional period of seven years, depending on the progress of the parliamentary debate. The CET1 capital backing should amount to 65% upon the provision's entry into force, rising by 5 percentage points annually thereafter until the target of 100% is reached.

The Federal Council, the SNB and FINMA agree that the proposed measure is appropriate, necessary and targeted, as well as being manageable for UBS. Thus, as explained in its April 2024 report on banking stability, the Federal Council is refraining from measures involving a general increase in capital requirements, which it regards as less appropriate. With this proposal, the Federal Council is implementing parameters which it adopted on 6 June 2025 as part of the overall package for improving the too big to fail regulations (see press release of 6 June). Capital backing at the parent company for participations in foreign subsidiaries is a key measure of the too big to fail regime. The setting of regulations at legislative level reflects this. The measure should be implemented swiftly, and the remaining measures at legislative level are to be brought forward. The Federal Council will launch the consultation on the remaining measures in the first half of 2026.

Attachments

Banking Act
In German

PDF | 743.68 kB | 26 September 2025

Capital Adequacy Ordinance
In German

PDF | 758.44 kB | 26 September 2025

Explanatory report

PDF | 1.25 MB | 26 September 2025

Comparison with existing law (Banking Act)
In German

PDF | 211.26 kB | 26 September 2025

Comparison with existing law (Capital Adequacy Ordinance)
In German

PDF | 262.01 kB | 26 September 2025

Letter to the cantons
In German

PDF | 174.54 kB | 26 September 2025

Letter to the organisations
In German

PDF | 175.44 kB | 26 September 2025

List of addressees
In German, French and Italian

PDF | 138.40 kB | 26 September 2025

Appraisal by BSS Volkswirtschaftliche Beratung AG
In German

PDF | 753.65 kB | 26 September 2025

Expert opinion by Alvarez & Marsal

PDF | 2.34 MB | 6 June 2025

Expert opinion by Prof. Dr. Heinz Zimmermann
In German

PDF | 493.22 kB | 6 June 2025

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