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Swiss Financial Market Supervisory Authority FINMA

Press release

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New liquidity regime for Swiss big banks

In the interests of a stable Swiss financial centre, the Swiss Financial Market Supervisory Authority FINMA and the Swiss National Bank (SNB) have, in collaboration with the two big banks, Credit Suisse and UBS, substantially revised the liquidity regime for big banks. The new liquidity regime will enter into force on 30 June 2010.

The Swiss liquidity prescriptions, as set down in banking regulations and which are also applicable to the big banks, are from the year 1988. They have never been extensively revised and cannot ensure a level of resistance to crises for big, globally active Swiss banks which is high enough. Besides capital, adequate liquidity reserves are crucial to safeguard the resilience of big banks. A modern liquidity regime is central to the robustness and in turn to the stability of the financial system. Experiences gained during the recent financial crisis have clearly shown that this is the case.

If a big bank is to master adverse stress situations independent of state aid, its level of liquidity must be considerably higher than specified in the current prescriptions. In collaboration with both big banks, FINMA and SNB have worked out a new liquidity regime. Since FINMA had concluded agreements with both big banks, FINMA and the SNB successfully finalised the new regime on 20 April 2010. The new regime incorporates international trends in liquidity regulations, in particular those elaborated by the Basel Committee on Banking Supervision.

The core element of the new liquidity regime is a stringent stress scenario defined by FINMA and the SNB. The stress scenario covers a general crisis on the financial markets coupled with a creditors' loss of trust in the bank. The new liquidity regulations require that the banks – in particular by holding an adequate reserve of first-class liquid assets – are able to cover the outflows estimated in such a scenario over a period of at least 30 days.

These requirements are to allow the minimum time necessary for the big banks and the authorities to mitigate a crisis situation. The tightening of liquidity requirements for big banks is a result of their systemic importance to the Swiss economy. Starting on 30 June 2010 and then on a monthly basis, the two big banks must demonstrate to FINMA that they are complying with the new requirements.

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