

Communications

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Committee of experts on ‘too big to fail’ issue – SNB and FINMA recommend rapid implementation of measures

The committee of experts appointed by the Swiss Federal Council to examine ways of limiting economic risks posed by large companies published its final report today. Its recommendations focus on the banking industry, where the too big to fail (TBTF) problem is particularly serious. At present, there is no doubt that the two big banks are systemically important in Switzerland.

The Swiss Financial Market Supervisory Authority (FINMA) and the Swiss National Bank (SNB) were both represented on the committee of experts and were therefore involved in drawing up the recommendations. They support the measures proposed by the committee in the areas of capital, organisation, liquidity and risk diversification, which are aimed at mitigating the TBTF problem in Switzerland.

The SNB and FINMA regard it as absolutely essential that the committee’s proposals are implemented in their entirety. This applies both to the specific form of the measures and to their calibration. Otherwise, a significant reduction in the TBTF problem will not be achieved.

The proposed measures are in line with international banking regulation reforms that are underway. The proposals go beyond the international minimal standards laid down by the Basel Committee on Banking Supervision, particularly with respect to capital and liquidity requirements. However, these minimal standards do not address the TBTF problem. The proposals of the commission of experts are compatible with the Financial Stability Board principles for systemically important financial institutions and they take account of Switzerland’s special situation.

FINMA and the SNB recommend rapid implementation of the proposals.

Commenting on them, Philipp M. Hildebrand, Chairman of the SNB Governing Board, said, “I welcome the recommendations of the committee of experts. The proposed comprehensive measures build on the Basel III regulatory minimum standards and are in line with the recommendations of the Financial Stability Board. They will significantly mitigate the ‘too big to fail’ problem in Switzerland and thus reduce the risk for the Swiss economy. The proposed measures are a result of a broad-based consensus within the

committee of experts. This will facilitate their implementation. The measures will strengthen the long-term resilience and competitiveness of the Swiss financial centre.”

Expressing his opinion on the recommendations of the committee of experts, Eugen Haltiner, Chairman of the FINMA Board of Directors, said that the package of coordinated measures fulfilled FINMA’s expectations. It went beyond international requirements but for Swiss circumstances was necessary. He therefore stressed the necessity for all parts of the package to be implemented rapidly, without any concessions.

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