

## Communications

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# Swiss National Bank: No proposal for activation of countercyclical capital buffer

The Swiss National Bank (SNB) continues to view the momentum on the domestic residential mortgage and real estate markets as exceptionally strong. Signs of overvaluation remain in certain regions and segments of the residential property market.

In the second quarter of 2012, however, there were some indications of a possible slowdown of this momentum. Moreover, on 1 June 2012, stricter capital requirements for mortgages and a revision of the self-regulation rules for mortgage lending were announced. Both measures are intended to have a dampening effect on real estate prices and mortgage market momentum. Given these factors, the SNB has decided not to issue an official proposal to the Federal Council to activate the countercyclical capital buffer at present.

Yet this decision by the SNB should not be interpreted as an all-clear. Interest rates are still exceptionally low and there are signs of high risk appetite in mortgage lending. As a consequence, the risk of a further build-up of imbalances and the associated risks to financial stability remain high.

The SNB will regularly reassess the need to activate the countercyclical capital buffer. Any proposal to the Federal Council for activation, adjustment or deactivation of the countercyclical capital buffer will be publicly communicated, but only after the Federal Council has announced its decision in the matter. No such communication is to be expected before the beginning of 2013.