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Shadow Banking in Switzerland

Case study supplementing 2014 FSB report

Bank-like structures in the credit market such as hedge funds, other funds and leasing companies – so-called shadow banks – play a substantially smaller role in Switzerland than international publications had assumed up to now in rough estimates. This is indicated in a new, specific case study on Switzerland, which is contained in the annual report on shadow banking published today by the Financial Stability Board (FSB).

This is the fourth year that the FSB has published its report on shadow banking. In the report, the shadow banking sectors of 25 countries are measured using a broadly based method and set in relation to the GDP of the respective country in order to render the data comparable. Measured in this way, Switzerland has a large shadow banking sector by international standards, as already reported in previous years. In the Swiss case study, the figures published by the FSB are explained and more precisely defined using additional data. According to this, the role of shadow banks with bank-like risks is considerably smaller than assumed by the FSB's broadly based model. Whereas the FSB's general approach puts the size of Switzerland's shadow banking sector at CHF 1,500 billion, or around 250% of GDP, the more specific approach of the case study estimates this share to be less than CHF 500 billion, or approximately 80% of GDP.

However, further developments in the shadow banking sector and any associated risks for financial stability should continue to be closely monitored in the future. Moreover, it is necessary to take into account the development of international regulatory standards, to which Switzerland also contributes.

The FSB report on shadow banking is available at: www.financialstabilityboard.org.