

Communications

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## **‘Too big to fail’ regulations improved: SNB welcomes Federal Council decision**

The key elements in the adjustment of the ‘too big to fail’ (TBTF) regulations were approved by the Federal Council today. The Swiss National Bank (SNB) was represented in the relevant Federal Department of Finance working group. It supports both the measures and their implementation within the period foreseen.

The measures represent a crucial step in the overall process of solving the TBTF issue in Switzerland, covering all three areas which the SNB regards as essential for addressing this problem. First, the new measures will strengthen the going-concern capital requirements (Common Equity Tier 1 capital as well as contingent capital, in order to absorb bank losses during ongoing operations), particularly the leverage ratio. The SNB considers this further reinforcement of resilience to be necessary. The actual level of a bank’s going-concern requirements will depend on its systemic importance.

Second, for the big banks, the new measures will significantly increase the requirements for loss-absorbing instruments in the case of a gone concern (bail-in instruments, i.e. debt capital which can be converted to equity during resolution). Gone-concern requirements for domestically focused systemically important banks will be strengthened at a later stage. Loss-absorbing instruments on a gone-concern basis are necessary to ensure the orderly resolution of a systemically important bank in a crisis.

These measures will once again place Switzerland among the international leaders with regard to both going-concern and gone-concern requirements. The SNB considers this essential since the TBTF issue is particularly relevant in Switzerland.

Third, mandatory deadlines will be set for systemically important banks to finalise their Swiss emergency plans. An assessment of global resolvability will form part of the overall assessment of such plans, in cases where this is a relevant part of their implementation. The

**Press release**

SNB sees global resolvability as the prerequisite for effective cooperation with foreign authorities in the event of a crisis.

The SNB will continue to play an active role in the efforts to solve the TBTF issue in Switzerland and in the implementation of the measures approved today. The Banking Act provides for periodic reviews of the effectiveness of the TBTF measures. The TBTF issue will have been resolved once the measures implemented satisfy both the authorities and the markets that, in a crisis, there is no longer any need for systemically important banks to be bailed out by the state.