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Introductory remarks by Fritz Zurbrügg

In my remarks, I will start with an analysis of the situation at the Swiss banks from a financial stability perspective, looking at both the big banks and the domestically focused banks. I will then finish with some information on the new banknote series.

Big banks

Since the publication of our *Financial Stability Report* in June, the two Swiss big banks have improved their capital situation further. The improvement was especially pronounced at Credit Suisse, following a capital increase. The Swiss National Bank (SNB) acknowledges the progress made by both big banks in this area. However, a further strengthening of the leverage ratio in particular is necessary.

Strengthening the leverage ratio – and hence resilience – will be achieved by means of the measures recently decided upon by the Federal Council as part of the revised ‘too big to fail’ regulations. The substantially increased leverage ratio requirements will put Switzerland back among the international leaders in this regard. Given that the ‘too big to fail’ issue is particularly pronounced in Switzerland compared to other countries, these measures are, in our view, essential. The SNB therefore welcomes the revision of the ‘too big to fail’ regulations as a crucial step in the overall process of resolving the ‘too big to fail’ issue in Switzerland. It is very important for our country that a lasting solution be found. The SNB will continue to play an active role in this endeavour and in the implementation of the approved measures.

In the process of designing and calibrating the revised capital requirements, care was taken to retain the complementarity and interplay between risk-weighted requirements and leverage ratio requirements. Risk-weighted requirements should guide economic decision-making, while the leverage ratio should serve as a backstop. The leverage ratio requirement thereby takes into account the fact that the models used for risk-weighting are not perfect and do not always capture all risks accurately.

To ensure this complementarity is also retained in the future, the Federal Council has already factored in the expected reforms by the Basel Committee on Banking Supervision with regard to risk-weighted capital requirements. Overall, these reforms are likely to result in an increase in risk-weighted assets and, hence, to a balance between the leverage ratio and risk-weighted requirements in Switzerland. The SNB will actively support the finalisation of the Basel Committee’s reforms as planned and the publication of these reforms by the end of 2016.

In addition to these measures on capital requirements, the SNB still considers it necessary for the big banks to increase their transparency with regard to their risk-weighted assets. The Swiss Financial Market Supervisory Authority (FINMA) has called on the banks to disclose the differences between calculations using the model-based and standardised approaches. At international level, the aforementioned Basel Committee reforms will likewise result in higher requirements in terms of bank transparency.

Domestically focused banks

I would now like to turn to the situation of the domestically focused banks. For these banks, developments on the Swiss mortgage and residential real estate markets still represent the greatest source of risk. Over the last six months, momentum on these markets has again eased slightly overall. Growth in mortgage volumes and prices for owner-occupied residential real estate has been roughly in line with fundamentals. As a result, imbalances on the Swiss mortgage and real estate markets for owner-occupied residential property have remained unchanged since the last news conference.

From a financial stability perspective, this is a welcome development. The measures taken to date to contain the risks on the Swiss mortgage and real estate markets appear to be having an effect. The countercyclical capital buffer, for instance, has contributed not only to strengthening the resilience of the Swiss banking sector, but also – together with the other measures taken, such as the revision of the self-regulation rules – to reducing momentum.

However, it is still too early to sound the all-clear. For one thing, interest rates continue to be exceptionally low. For another, the residential investment property market, in contrast to the owner-occupied segment, shows no sign of cooling. Various indicators suggest that yields have fallen further from a low level, and that prices have risen once again. Moreover, there are isolated signs that risk appetite among the domestically focused banks has, if anything, increased again over the last six months. For example, affordability risk and direct interest rate risk at domestically focused banks have risen once more.

The SNB will continue to monitor developments on the mortgage and real estate markets closely. Accordingly, it will regularly reassess the need for an adjustment of the countercyclical capital buffer.

Announcement of issue date

I would like to round up my speech with a few remarks on the new banknote series. On 14 August 2015, the SNB announced that it would begin issuing the new Swiss banknote series in April 2016. The first denomination to be released will be the 50-franc note. Today, we can announce the exact issue date. The new 50-franc note will be presented to the public for the first time at a news conference on 6 April 2016, and will first be issued on Tuesday, 12 April 2016. The new notes will be put into circulation continuously from that date onwards. A large-scale information campaign will inform the general public about the new note and on ways to check its authenticity. The remaining banknotes in the series will be issued subsequently at half-yearly or yearly intervals. The SNB will announce each new issue date well in advance. The current eighth banknote series will continue to be legal tender until further notice. The date on which the current series is to be withdrawn from circulation will also be announced well in advance.