

Switzerland at the table in Basel

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Switzerland was present when the Basel Committee was created. At the end of 1974, after the failure of the Herstatt bank in Cologne and the Franklin National Bank in New York, the central bank governors of the Group of Ten established a standing committee on banking regulations and supervisory practices. Its members were the G10 countries together with Switzerland and Luxembourg, represented by their central banks and, where the two functions were separated, by their banking supervisors. Switzerland participated through the Swiss National Bank and the Federal Banking Commission.¹ At that time Switzerland was not yet a full member of the G10, which it formally joined only in 1984, although it had been associated with the group's work since the 1960s.²

The early history of the Committee, as Goodhart has reconstructed it, reveals a Swiss delegation that defended the interests of a financial centre with large international banks and a tradition of banking secrecy. The Concordat of 1975 on the supervision of banks' foreign establishments raised questions about the access of home supervisors to information held in host countries, which touched directly on Swiss confidentiality rules. In the negotiations on the first capital accord of 1988, the Swiss delegation shared the concern of other continental members that the Anglo-American initiative should not disadvantage banks whose business models differed from those of the large commercial banks of London and New York.³

Since the creation of FINMA in 2009, the Swiss seats in the Committee have been held by the Swiss National Bank and FINMA. The Committee's membership was extended in 2009 to the members of the G20 and several other jurisdictions, which reduced the relative weight of the small European members. Switzerland nonetheless remains one of the few countries that combines membership of the Basel Committee, the Financial Stability Board, the Committee on the Global Financial System and the Committee on Payments and Market Infrastructures with the role

of host state. Swiss officials have chaired working groups and task forces of these bodies. The SNB, for its part, has been represented on the Board of Directors of the BIS since the foundation of the bank in 1930, as Part D, Chapter V described.⁴

Beyond influence on the standards, membership has given the Swiss authorities early knowledge of the direction of international policy, which allowed them to act before the standards were finalised. The clearest example is the leverage ratio. In late 2008, while the Basel Committee was only beginning to discuss a non-risk-based backstop to the risk-weighted capital requirements, the Federal Banking Commission announced that UBS and Credit Suisse would have to meet a leverage ratio at group and single-entity level. The Swiss requirement was in place years before the Basel Committee introduced the leverage ratio in Basel III, first as a disclosure requirement and then, from 2018 in the European implementation and later elsewhere, as a binding minimum.⁵ The Swiss authorities had observed that UBS had reported comfortable risk-weighted ratios before 2008 while its balance sheet had grown to a size that its equity could not support. Drawing the lesson from that experience, they moved faster than the international committee.

1 Notes

1. On the foundation of the Committee on Banking Regulations and Supervisory Practices by the G10 governors at the end of 1974 and its original membership, see Charles Goodhart, *The Basel Committee on Banking Supervision: A History of the Early Years 1974–1997* (2011), chapter 2. To be verified. ↩
2. On Switzerland's association with the General Arrangements to Borrow from 1964 and its formal accession to the Group of Ten in 1984, see the publications of the SNB and the IMF. To be verified. ↩
3. On the positions of the Swiss delegation in the negotiations on the Concordat of 1975 and its revision of 1983 and on the Basel Capital Accord of 1988, see Goodhart, *The Basel Committee on Banking Supervision* (2011), chapters on the Concordat and on capital adequacy. To be verified. ↩
4. On the membership of the SNB and FINMA in the Basel Committee and the enlargement of the Committee's membership in 2009, see the list of members published by the BIS. On the SNB's seat on the BIS Board, see the BIS Annual Report. To be verified. ↩

5. On the leverage ratio introduced by the Federal Banking Commission for UBS and Credit Suisse in late 2008 (with a minimum at group level and a higher minimum at single-entity level, to be met after a transitional period) and the later introduction of the leverage ratio in Basel III (December 2010, finalised in January 2014 and December 2017), see the publications of the Federal Banking Commission and the BIS. Figures to be verified. ↩

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