

The political economy of the UBS debate

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The proposals of the Federal Council to require full capital backing of foreign participations at the parent level turned a technical question into a matter of national politics. Part E, Chapter I described the positions of the actors. From the perspective of this chapter, the debate is a case study in the relationship between an international standard and its national Swiss finish. UBS argued that the proposed requirement would place it at a disadvantage against international competitors, because no other jurisdiction imposed a comparable requirement. In its view, the requirement went far beyond the Basel standards, which UBS met with a margin. The Federal Council replied that the Basel standards were minimum standards and that a bank whose balance sheet was about twice the size of the Swiss economy required a protection that the international minimum did not provide.¹

In April 2026 the Federal Council adopted its dispatch to Parliament on the amendment of the Banking Act. It proposed that systemically important banks should back their participations in foreign subsidiaries fully with common equity, with a transitional period of seven years. According to the Federal Council's estimate, the measure would have required UBS to strengthen the common equity of its parent bank by about twenty billion dollars on the basis of the status quo. At the same time, the Federal Council amended the Capital Adequacy Ordinance with effect from 1 January 2027, in a form modified after the consultation. It retained stricter rules on the capitalisation of software, withdrew a proposal on deferred tax assets and deferred the changes to AT1 instruments.²

The Council of States, as the first chamber, debated the dispatch in September 2026. On 23 September 2026 it rejected the full backing proposed by the Federal Council and adopted by 29 votes to 16 a compromise under which foreign participations would be backed with common equity to ninety per cent of their value, compared with about sixty

per cent under the existing rules. The chamber rejected an alternative favoured by UBS that would have allowed part of the requirement to be met with AT1 instruments. Analysts estimated the additional capital requirement under the compromise at about sixteen to seventeen billion dollars.³ The bill then passed to the National Council, with a final decision not expected before 2027. Because the amendment of the Banking Act is subject to the optional referendum, the final word could lie with the Swiss electorate.

The geography of the debate has a symbolic dimension that observers in Basel have not overlooked. UBS AG has two registered offices, one at the Bahnhofstrasse in Zurich and one at the Aeschenvorstadt in Basel, a legacy of the merger of 1998 between the Union Bank of Switzerland and the Swiss Bank Corporation, which had its roots in Basel. The tower of the Bank for International Settlements, where the Basel Committee meets, stands within walking distance of the Basel office of UBS. Reports in 2025 that UBS was examining a relocation of its headquarters abroad if the capital requirements became too onerous therefore had a particular resonance in the city.⁴ The bank whose predecessors had shaped the Basel financial centre for a century and a half was disputing the regulation of capital with its home state a few hundred metres from the institution that sets the international capital standards.

The political economy of the debate reflects a pattern familiar from the history of the Basel accords. Large banks with international business tend to accept international standards, which level the playing field, and to resist national requirements that go beyond them. Supervisors and finance ministries of countries with large banking sectors relative to their economy tend to want more, because they bear the risks that the international standard does not cover. In the negotiations of the first Basel Accord, the American and British authorities had used the threat of a bilateral agreement to push other countries towards higher capital requirements. In the UBS debate, the bank used the comparison with international standards to resist a national requirement. The Swiss state, in turn, invoked the special position of a small country with a very large bank, an argument without equivalent in the international negotiations.

1 Notes

1. On the arguments of UBS and the Federal Council in the debate on the capital requirements for foreign participations (competitive position, international comparison, size of the bank relative to Swiss

GDP), see the publications of the Federal Department of Finance and UBS's statements of June 2025 and later. To be verified. ↩

2. Federal Council, press release of 22 April 2026 on the adoption of the dispatch on the amendment of the Banking Act (full CET1 backing of foreign participations, seven-year transitional period, estimated effect of about USD 20 billion for UBS) and the amendment of the CAO with effect from 1 January 2027. Status to be verified. ↩
3. On the vote of the Council of States of 23 September 2026 (90 per cent CET1 backing of foreign participations, adopted by 29 votes to 16 against an alternative with partial recognition of AT1 instruments) and the estimates of its effect on UBS, see the reports of the Swiss and international financial press. Status to be verified. ↩
4. On the registered offices of UBS AG in Zurich (Bahnhofstrasse 45) and Basel (Aeschenvorstadt 1) and the reports of 2025 on UBS's consideration of a relocation of its headquarters, see the commercial register and the financial press. Status to be verified. ↩

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