

The risks of the brand

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A brand built on standards carries particular risks. Its value depends on the credibility of the standards, and that credibility can be damaged by failures that have nothing to do with the city itself. The financial crisis of 2007 to 2009 was the first great test. Basel II had been adopted in 2004 and was being implemented in Europe when the crisis broke. Its reliance on internal models and on external ratings was widely criticised for having allowed banks to hold too little capital against complex structured products. The Basel Committee responded with Basel III, but the name had become associated, for a time, with regulatory failure.¹

The fall of Credit Suisse in March 2023 was the second test, this time on Swiss soil. Part E, Chapter I and Part F, Chapter III described how the bank, which met the regulatory capital and liquidity requirements until shortly before its collapse, was taken over by UBS under emergency law and how FINMA ordered the complete write-down of Additional Tier 1 instruments with a nominal value of about CHF 16 billion. The write-down, which preceded any loss for shareholders, provoked hundreds of legal actions by bondholders. According to reports, the Federal Administrative Court held in a partial decision in October 2025 that the write-down order lacked a sufficient legal basis, a decision that has been appealed to the Federal Supreme Court. The case raised doubts about whether the Basel capital ratios measure what they claim to measure and whether AT1 instruments can absorb losses as intended outside a formal resolution.²

The BIS itself has been the object of criticism throughout its history. Part D, Chapter V recalled the controversies about its conduct during the Second World War and the resolution of Bretton Woods in 1944 that called for its liquidation. In more recent decades, critics have objected to the lack of democratic accountability of central bank cooperation in Basel, to the secrecy of its meetings and to the influence of a small group of central

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banks over global standards. Popular books, such as Adam LeBor's *Tower of Basel*, have presented the BIS as a secretive institution that runs the world's finances. The BIS has responded with greater transparency, an expanded membership and an extensive publication programme, but such images remain part of the brand.³

Further risks arise from geopolitics. The BIS counts the central banks of China, India, Saudi Arabia and Russia among its members. After the Russian invasion of Ukraine in February 2022, the BIS suspended the access of the Central Bank of the Russian Federation to its services and meetings. The fragmentation of the global economy into competing blocs, the use of financial sanctions and the debates about alternative payment systems put pressure on an institution whose legitimacy rests on universal cooperation among central banks. Part K, Chapter I will discuss the role of the BIS Innovation Hub in projects on cross-border payments, including the debate that led to the withdrawal of the BIS from the mBridge project in 2024.⁴

The Basel Convention and the Basel Institute face risks of their own. Weak enforcement of the Convention may reduce it to a symbolic regime in the eyes of the public. The confusion between the city and the Geneva-based Secretariat dilutes the link between the name and the place. The Basel AML Index, as Part E, Chapter III explained, can be misread as a measure of the volume of money laundering, and countries that obtain a poor score sometimes contest its methodology. Every institution that carries the name contributes to the brand and draws on it, with the consequence that a failure of any one of them may affect the others.⁵

1 Notes

1. On the criticism of Basel II after the financial crisis of 2007–2009 (reliance on internal models and external ratings, procyclicality, insufficient capital against trading book and securitisation exposures), see Part F, Chapter II, and the literature cited there, in particular Goodhart, The Basel Committee on Banking Supervision, 2011. To be verified. ↩
2. On the takeover of Credit Suisse by UBS on 19 March 2023, the write-down of AT1 instruments with a nominal value of about CHF 16 billion and the litigation before the Federal Administrative Court, including the reported partial decision of October 2025 and the subsequent appeal to the Federal Supreme Court, see Part E, Chapter I, and Part F, Chapter III. Status to be verified. ↩

3. On criticism of the BIS regarding accountability and secrecy, see for example LeBor, *Tower of Basel: The Shadowy History of the Secret Bank that Runs the World*, 2013, and, for a scholarly account, Toniolo, *Central Bank Cooperation at the Bank for International Settlements, 1930–1973*, 2005. On the expansion of BIS membership, see Part F, Chapter I. To be verified. ↩
4. On the suspension of access by the Central Bank of the Russian Federation to BIS services after February 2022 and the withdrawal of the BIS from Project mBridge in 2024, see the statements published by the BIS and Part F, Chapter IV. Status to be verified. ↩
5. On disputes about the methodology of country risk indices such as the Basel AML Index and the reactions of rated countries, see the methodology notes of the Basel AML Index and the academic literature on governance indicators. To be verified. ↩

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