

Too big to fail and the Credit Suisse crisis of 2023

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The failure of a large bank is governed by the provisions on systemically important banks in the Banking Act, introduced after the financial crisis of 2008. They require such banks to hold additional capital, to maintain emergency plans for the continuation of systemically important functions and to prepare for resolution.¹ The crisis of Credit Suisse in March 2023 tested these provisions. On 19 March 2023 the Federal Council, acting on the basis of Articles 184 and 185 of the Federal Constitution, adopted emergency law to support the takeover of Credit Suisse by UBS. The Confederation granted UBS a guarantee of CHF 9 billion to cover potential losses on certain assets taken over and provided a default guarantee for liquidity assistance loans of the Swiss National Bank.² The public liquidity backstop amounted to CHF 100 billion. FINMA ordered the complete write-down of thirteen Additional Tier 1 bonds with a nominal value of about CHF 16 billion, relying on their contractual terms and on the emergency ordinance.³ The takeover was completed on 12 June 2023. The liquidity backstop was terminated in May 2023 and the loss guarantee on 11 August 2023. The Confederation incurred no losses and earned receipts of around CHF 200 million from the guarantees.⁴ A Parliamentary Investigation Committee published its report on 20 December 2024. On 6 June 2025 the Federal Council presented its package of measures. Its central element is that systemically important banks should fully deduct the carrying value of their foreign subsidiaries from the parent bank's Common Equity Tier 1 capital. The package also provides for a senior managers regime, stronger supervisory powers for FINMA and better access to liquidity from the Swiss National Bank. Consultation drafts for the legislative amendments were announced for the second half of 2025 and the first half of 2026, and ordinance-level measures are to enter into force in January 2027 at the earliest.⁵

1 An echo of 1914

The parallels between January 1914 and March 2023 are striking. In both cases a bank whose losses had accumulated over years lost the confidence of its depositors within days. In both cases the authorities met in emergency session over a weekend or a few days, in 1914 in the building of the Swiss National Bank in Bern, in 2023 in the Federal Council and with the National Bank and FINMA. Each crisis also exposed the gap between the formal rules and the reality of a failing bank. In 1914 there were no rules at all. In 2023 there were detailed rules on resolution that the authorities chose not to apply, preferring a takeover backed by emergency law.⁶

The differences are equally instructive. In 1914 depositors lost more than CHF 30 million and the canton had to build a new bank from scratch. In 2023 no depositor of Credit Suisse lost money, because the bank was absorbed by a larger one with public support. The price was paid by the holders of AT1 bonds and by the shareholders, while the Confederation bore a contingent risk of more than CHF 100 billion. For Ticino the merger meant the disappearance of a bank that had been present in Lugano since 1913. In many towns the branches of UBS and Credit Suisse stood within a few minutes' walk of each other, in Lugano only about ninety metres apart, which made the closure of offices and the loss of jobs likely in a cantonal banking sector whose employment had already fallen from about 7,500 in 2006 to about 5,000 in 2020.⁷

Essentials. Swiss law today protects depositors through a privilege in bankruptcy and a deposit insurance scheme for up to CHF 100,000 per client and bank (Arts. 37a–37k BankA, reformed with effect from 1 January 2023), through prudential supervision by FINMA and, for the cantonal banks that have one, through a State guarantee (Art. 3a BankA). None of these existed in 1914. The failure of Credit Suisse in 2023 showed that deposit insurance cannot cope with a large bank and that the rules on systemically important banks were not applied when the test came. The Federal Council's package of June 2025 seeks to close these gaps.

2 Notes

1. Banking Act, Arts. 7–10a, on systemically important banks, in particular Art. 7 (definition and purpose, including the avoidance of State aid), <https://www.droit-bilingue.ch/de-fr/9/95/952.0-7-32.html>, and Art. 9(2) (capital, liquidity, risk diversification and emergency plans), <https://www.droit-bilingue.ch/de-fr/9/95/952.0->

- 9-34.html. On the origin of these rules in the rescue of UBS in 2008 see Bruppacher (as above). ↩
2. Federal Department of Finance, "Safeguarding financial market stability: Federal Council welcomes and supports UBS takeover of Credit Suisse", 19 March 2023, https://www.efd.admin.ch/efd/en/home/the-fdf/nsb-news_list.msg-id-93793.html. ↩
 3. FINMA, press release of 23 March 2023 on the AT1 capital instruments of Credit Suisse, <https://finma.ch/en/news/2023/03/20230323-mm-at1-kapitalinstrumente>; Federal Department of Finance, "Credit Suisse", <https://efd.admin.ch/en/credit-suisse-en> (CHF 16 billion; public liquidity backstop of CHF 100 billion). ↩
 4. Federal Department of Finance, "Credit Suisse" (as above). ↩
 5. Federal Council, "Federal Council draws lessons from Credit Suisse crisis and defines measures for banking stability", 6 June 2025, <https://www.admin.ch/en/newnsb/ty6FlsBuspE-AXC9CILJt>; Federal Department of Finance, "Credit Suisse" (as above), for the report of 20 December 2024. ↩
 6. Bruppacher (as above) records that the "too big to fail" concept was not applied and that UBS acquired Credit Suisse under federal pressure. ↩
 7. RSI, "UBS e CS, pochi passi tra le filiali", 1 April 2023, <https://www.rsi.ch/info/svizzera/UBS-e-CS-pochi-passi-tra-le-filiali--1814046.html>; Lanzi, "UBS Lugano and Locarno: 100 years in full swing" (as above), for the employment figures. Associazione Bancaria Ticinese, "Cenni storici" (as above), for the arrival of the Schweizerische Kreditanstalt in Lugano in 1913. ↩

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