

International comparisons

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Every participant in the Swiss debate has invoked international standards, each drawing different conclusions from them. UBS argues that the proposals are not internationally aligned and would make it an outlier among global systemically important banks. Supporters of the reform reply that the Basel standards are minimum standards, that Switzerland has long applied a “Swiss finish” to its large banks, and that the size of UBS relative to Swiss gross domestic product has no equivalent in any other major economy. The report of April 2024 made the same point when it placed the balance sheet of the combined bank at around 180 per cent of Swiss gross domestic product.¹

The International Monetary Fund supported the Swiss authorities. In its consultation of June 2026, its mission chief James Walsh stated that the Fund “strongly” supported the proposal, since CET1 was the highest-quality form of capital and the best way to improve confidence in the market. The Fund also recommended additional staff and powers for FINMA, stronger oversight of external audits and the implementation of the SNB’s liquidity facility.² The endorsement mattered, because it contradicted the claim that the Swiss proposals were out of line with international thinking on bank safety.

The comparison with other jurisdictions shows that the Swiss problem of the parent bank is not unique, although its scale is. In the United States, foreign banks with large operations must hold their US subsidiaries under an intermediate holding company subject to American capital and liquidity requirements. In the United Kingdom, the ring-fencing regime introduced after the Vickers report separates retail banking from investment banking within large banking groups. Both regimes express the same concern that motivates the Swiss proposal: host authorities want capital and liquidity to be located where the risks arise, so that they can retain them within their borders in a crisis.³ The Federal Council’s report of April 2024 referred

explicitly to foreign ring-fencing as a reason for stronger capital at the Swiss parent. The Swiss proposal can therefore be read as the home-country counterpart of the ring-fencing measures that host countries already apply. If foreign subsidiaries must be capitalised locally and their capital may be trapped in a crisis, the parent must hold enough equity of its own to absorb the loss of their value.

On accountability, Switzerland is a latecomer. The United Kingdom has had its senior managers regime since 2016, Hong Kong its Manager-in-Charge regime since 2017, Singapore its guidelines on individual accountability since 2021 and Ireland its Senior Executive Accountability Regime since 2024, as described above. The Swiss draft draws on all of them while remaining lighter in scope. On supervisory fines the gap is even greater, since most major supervisors, including the British Financial Conduct Authority and the Prudential Regulation Authority, have long had the power to fine firms.⁴ The introduction of fines up to ten per cent of operating income would bring FINMA close to its peers.

The liquidity measures also follow international developments. After the failures of Silicon Valley Bank and Credit Suisse in 2023, several central banks and international bodies examined how banks could be made ready to use central bank facilities quickly. The Swiss approach, which obliges banks to prepare collateral in advance and allows mortgages to be pledged through standardised processes, corresponds to this trend. The public liquidity backstop has models in other jurisdictions, where central banks can lend to banks in resolution with some form of government indemnity.⁵ What makes the Swiss case distinctive is the difficulty of agreeing on how the banks should pay for the guarantee, a difficulty that reflects the concentration of the risk on a single institution.

1 Notes

1. Federal Council, Report on banking stability, 10 April 2024, <https://www.efd.admin.ch/dam/en/sd-web/LuYox2INDaQy/bericht-br-tbtf-en.pdf>. ↩
2. SWI swissinfo.ch (Bloomberg), “Switzerland’s capital plan for UBS wins wholehearted IMF backing”, 25 June 2026, <https://www.swissinfo.ch/eng/switzerlands-capital-plan-for-ubs-wins-wholehearted-imf-backing/91649572>. ↩
3. Board of Governors of the Federal Reserve System, press release of 18 February 2014 on the final rule implementing enhanced prudential standards under section 165 of the Dodd-Frank Act, <https://www.federalreserve.gov/newsevents/pressreleases/bcreg2014>

0218a.htm, requiring foreign banking organisations with US non-branch assets of 50 billion dollars or more to establish a US intermediate holding company over their US subsidiaries; Bank of England, “Ring-fencing”, <https://www.bankofengland.co.uk/prudential-regulation/key-initiatives/ring-fencing> (“Ring-fencing came into force on 1 January 2019”); Financial Services (Banking Reform) Act 2013, Part 1 (“Ring-fencing”), <https://www.legislation.gov.uk/ukpga/2013/33/contents>. ↩

4. Financial Services and Markets Act 2000, section 206(1), <https://www.legislation.gov.uk/ukpga/2000/8/section/206>: “If the appropriate regulator considers that an authorised person has contravened a relevant requirement imposed on the person, it may impose on him a penalty, in respect of the contravention, of such amount as it considers appropriate.” Since the Financial Services Act 2012, the appropriate regulator is the FCA or the PRA. ↩
5. For example, in the United Kingdom: HM Treasury and Bank of England, “Memorandum of Understanding on Resolution Planning and Financial Crisis Management”, October 2017, <https://www.bankofengland.co.uk/-/media/boe/files/memoranda-of-understanding/moufincrisisoct2017.pdf>, which provides for liquidity support, when authorised by the Treasury, through the Resolution Liquidity Framework to a firm under the Special Resolution Regime, and for Treasury indemnities to the Bank for operations carried out under its direction. ↩

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