

Legacy and outlook

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Three and a half years after the weekend of March 2023, the reforms after Credit Suisse have produced a substantial body of analysis and only a modest body of law in force. The balance is nevertheless more significant than the list of enacted provisions suggests. The diagnosis is settled. The expert group, the Federal Council, the Parliamentary Investigation Committee, FINMA, the SNB and the International Monetary Fund agree that the Credit Suisse crisis revealed weaknesses in the capitalisation of the parent bank, in the supervisory toolkit, in the accountability of managers and in the provision of liquidity. The disagreement concerns the calibration of the remedies, above all the level of capital required from UBS, and the price that the financial centre should pay for greater safety.

The second legacy concerns the relationship between the state and the large bank. For most of the twentieth century, the Swiss big banks and the federal authorities cooperated closely, often informally, in a relationship that earlier chapters of this book have described in the context of banking secrecy, the gold trade and the dormant accounts. The rescue of UBS in 2008 and the collapse of Credit Suisse in 2023 changed that relationship. The authorities now approach UBS with a mixture of dependence and distrust: dependence, because the bank is central to the Swiss economy and to the financial centre, and distrust, because a failure would expose the Confederation to risks it cannot bear. UBS, for its part, has adopted the language of a global company that weighs its home country against alternatives. Kelleher's own remark that communication with the authorities had deteriorated after the investigations into the Credit Suisse rescue captures the change of tone.¹

The third legacy is institutional. FINMA will emerge from the reform as a stronger supervisor with the power to fine, to intervene early and to publish, with a senior managers regime that makes it easier to hold individuals to account. The SNB will operate a standardised liquidity

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facility open to all banks, with collateral prepared in advance. If Parliament finally adopts it, the public liquidity backstop will give the authorities a legal instrument for the next crisis that does not depend on emergency law. For Zurich's legal and advisory profession, these changes will mean more work in governance, remuneration design, enforcement defence and crisis preparation. They will also bring Swiss practice closer to the regimes that practitioners know from London, Dublin, Hong Kong and Singapore.

Several questions remain open. The first is the final level of the capital requirement for foreign participations. The Council of States has decided on 90 per cent CET1. The National Council may confirm that figure, return to the Federal Council's 100 per cent or move towards the committee's AT1 model, and a referendum could follow. The second question is how UBS will respond once the law is fixed. The bank could raise capital through retained earnings, reduce its share buybacks, restructure its legal entities so that less capital sits in foreign subsidiaries, or reduce certain activities abroad. Each of these responses has consequences for shareholders, employees and the Swiss financial centre. The third question concerns the Federal Supreme Court, whose decisions on the AT1 write-down and on the bonuses of Credit Suisse managers will clarify the limits of the state's power to intervene in property rights in a crisis. Those decisions will affect how the new statutory powers are drafted and applied.

The fourth question is the most fundamental. It is whether any regime can make a bank of the size of UBS safe for a country of the size of Switzerland without making it uncompetitive. The Federal Council's answer is that the reforms are proportionate and that UBS can bear them, an answer supported by the SNB, FINMA and the International Monetary Fund. UBS's answer is that the reforms go too far and threaten its future in Switzerland. Parliament will have to decide between these positions, knowing that both carry risks. Too little capital leaves the Confederation exposed to a repetition of 2023 on a larger scale. Too much capital could weaken the bank or drive it abroad. The eventual decision will shape the Zurich financial centre for decades.

A comparison with Geneva, the subject of the companion volume, helps to place the debate. Geneva's financial centre rests on private banks, commodity trading houses and international organisations, and it has never depended on a single global institution in the way Zurich now does. The failure of a Geneva private bank, however prominent, would be a local event. The failure of UBS would be a national and international one. That difference explains why the reforms after Credit Suisse are, in substance,

a Zurich story, even though they are debated in Bern and decided by the whole country.

1 Notes

1. blue News, “UBS Chairman Kelleher reaffirms loyalty to Switzerland”, 2025, <https://www.bluewin.ch/en/news/ubs-moving-abroad-now-the-chairman-is-breaking-his-silence-li.2886365>. ↩

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