

Liquidity: the lender of last resort, the Extended Liquidity Facility and the public liquidity backstop

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Credit Suisse did not fail because its reported capital fell below the minimum. It failed because depositors and counterparties withdrew their money faster than the bank could turn its assets into cash. The Federal Council's report of April 2024 recorded that Credit Suisse lost customer deposits of CHF 138 billion in the fourth quarter of 2022 alone, before the accelerated outflows of March 2023 brought it to the point of being unable to meet its payment obligations.¹ The liquidity measures of the reform respond to that experience on three levels: the liquidity that banks hold themselves, the liquidity that the SNB can provide against collateral, and a public guarantee for liquidity in resolution.

The first level was addressed quickly and without legislation. Since 1 January 2024 systemically important banks have been subject to additional liquidity requirements, with institution-specific surcharges set by FINMA and a period until the end of 2024 to build up the required buffers.² The second level concerns the SNB as lender of last resort. The SNB had formalised its emergency liquidity assistance in 2003, under conditions that became familiar during the crisis: support only against sufficient collateral, only to solvent banks, and only to banks or groups of banks deemed relevant for the stability of the financial system. In a lecture in Geneva on 29 April 2025, the SNB's Vice Chairman Antoine Martin announced the next step, an Extended Liquidity Facility open to all Swiss banks, designed to improve access to liquidity while reducing the stigma associated with such support.³

On 19 February 2026 the SNB published the legal basis of the new facility. Participating banks can pledge mortgage claims or securities, under two arrangements known as liquidity against mortgage collateral and liquidity against securities collateral, each with defined haircuts. Pilot tests with selected banks and SIX entities were to run until the middle of 2026, with

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full operation planned for early 2027.⁴ The inclusion of mortgages is significant for Switzerland, where mortgage loans form the largest asset class on the balance sheets of domestic banks. During the Credit Suisse crisis, the practical difficulty of mobilising such claims quickly, since they must be identified, documented and legally transferred, limited the amount of liquidity that the SNB could provide against them.

The statutory reform complements the SNB's facility. The consultation draft of August 2026 requires banks to prepare assets for central bank liquidity support and simplifies the transfer of collateral to the SNB. Systemically important banks must meet quantitative minimum requirements. Banks of supervisory category 3 determine the volume of assets to prepare on the basis of risk indicators, while the small banks of categories 4 and 5 are exempt.⁵ In its Financial Stability Report 2026, the SNB described the liquidity side of the reform as consisting of three components: minimum collateral volumes for systemically important banks, operational preparation of other banks for the Extended Liquidity Facility, and a public liquidity backstop.⁶

The third level, the public liquidity backstop, has the longest and most tangled history. The Federal Council announced on 11 March 2022, a year before the collapse of Credit Suisse, that it intended to introduce such an instrument as a complement to the existing framework. In March 2023 it introduced the backstop by emergency ordinance, without parliamentary deliberation, to support the takeover. On 6 September 2023 it submitted the corresponding amendment of the Banking Act to Parliament as business 23.062. The consultation had shown mixed support. Large cantons, the banks, the SNB, the Liberals and the Green Liberals approved, while the Greens, the Swiss People's Party and others rejected the draft, mainly because it provided no compensation for the risk borne by the Confederation.⁷

The instrument itself is simple in concept. In a resolution, a systemically important bank may need more liquidity than its own collateral can secure. The backstop allows the SNB to lend to such a bank against a default guarantee of the Confederation, so that the bank can continue to meet its obligations while it is being restructured. In the Credit Suisse rescue the backstop amounted to up to CHF 100 billion. The unresolved question from the start was who should pay for the guarantee. Economists argued that systemically important banks enjoy an implicit state guarantee and should pay a premium for it. The banks disputed both the principle of an upfront premium and its amount.⁸

In February 2025 the Economic Affairs and Taxation Committee of the Council of States decided that the backstop could not be designed in isolation from the broader too-big-to-fail reform, given its close links to the new resolution rules and capital requirements. The Council of States unanimously approved the suspension of the bill in the spring of 2025. The National Council tacitly agreed in the summer.⁹

An unexpected attempt to accelerate matters came from the National Council's Finance Committee in February 2026. In its deliberations on the federal relief package for 2027, the programme of savings and additional revenues known as *Entlastungspaket 27*, the committee voted by 19 to 6 to authorise the Federal Council to introduce a public liquidity backstop for systemically important banks by ordinance from 2027. The banks were to pay a flat fee compensating the Confederation for its risk and limiting distortions of competition. The committee estimated the resulting relief for federal finances at CHF 140 million a year.¹⁰ Critics pointed out that linking the backstop to a savings package exposed it to the fate of that package in a possible referendum.¹¹ On 4 March 2026 the National Council rejected the proposal by 142 votes to 45, with 6 abstentions.¹²

At the end of September 2026 the public liquidity backstop therefore remains unfinished business. Business 23.062 continues to appear on the list of pending items of the Council of States.¹³ When the committee of the Council of States decided on the capital bill at the end of August 2026, it again postponed the discussion of the backstop.¹⁴ The International Monetary Fund, in its consultation with Switzerland in June 2026, urged the authorities to approve the funding of a public backstop and to implement the SNB's Extended Liquidity Facility in 2027.¹⁵ The emergency support of 2023 itself came to an end when UBS terminated the government support arrangements in August 2023. Should a new crisis arise before the bill is enacted, the Federal Council would again have to rely on emergency law, which is precisely the situation the April 2024 report sought to avoid.¹⁶

1 Notes

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2. Federal Department of Finance, "Liquidität", <https://www.efd.admin.ch/de/liquiditaet-tbtf>. ↩
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International Center for Monetary and Banking Studies, Geneva,
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4. Swiss National Bank, press release “Swiss National Bank establishes basis for Extended Liquidity Facility”, 19 February 2026, https://www.snb.ch/en/publications/communication/press-releases/2026/pre_20260219. ↩
5. Federal Council, press release of 12 August 2026, <https://www.admin.ch/en/newnsb/GGQLrZYSR3csZsqryI1F>. ↩
6. Swiss National Bank, Financial Stability Report 2026, landing page, <https://www.snb.ch/en/particular/landing-pages/fsb-2026>. ↩
7. Année politique Suisse / Politchronik, “Bankengesetz. Änderung («Public Liquidity Backstop») (BRG 23.062)”, <https://politchronik.swiss/de/prozesse/66321-bankengesetz-anderung-public-liquidity-backstop-brg-23-062>. ↩
8. Tippingpoint, “Der Public Liquidity Backstop wird erneut auf die lange Bank geschoben”, 25 February 2025, https://www.tippingpoint.ch/artikel/77916/der_public_liquidity_backstop_wird_erneut_auf_die_lange_bank_geschoben_.html. ↩
9. Année politique Suisse / Politchronik, “Bankengesetz. Änderung («Public Liquidity Backstop») (BRG 23.062)”, <https://politchronik.swiss/de/prozesse/66321-bankengesetz-anderung-public-liquidity-backstop-brg-23-062>. The suspension was to last until the Federal Council presented its dispatch on the too-big-to-fail revision, then expected towards the end of 2026. ↩
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11. Tippingpoint, “Wie das Parlament den Banken-Notfallfonds durchdrücken will”, February 2026, https://www.tippingpoint.ch/artikel/78617/wie_das_parlament_den_banken-notfallfonds_durchdruecken_will.html. ↩
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13. Swiss Parliament, Vorschau Ständerat Herbstsession 2026, entry 23.062,
<https://www.parlament.ch/centers/documents/de/Vorschau%20SR%20HS%202026.pdf>. ↩
14. Bote der Urschweiz, “Ständeratskommission legt UBS neue Eigenkapitalregeln vor”, 31 August 2026,
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