

The package of 6 June 2025

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

On 6 June 2025 the Federal Council announced how it intended to translate the report of April 2024 and the findings of the Parliamentary Investigation Committee into law. Its press release opened with a plain statement of purpose: the review of the Credit Suisse crisis had shown that the too-big-to-fail regime needed to be improved in order to reduce the risks for the state, taxpayers and the economy.¹ The package was organised on two levels. At the level of statute, the Federal Council set out the parameters for amendments to the Banking Act: a senior managers regime, easier access to SNB liquidity through simplified provisions on collateral, broader supervisory powers for FINMA including early intervention and pecuniary sanctions, stricter requirements for recovery and resolution plans, and the full deduction of the carrying value of foreign subsidiaries from the common equity tier 1 capital of the parent bank. At the level of ordinance, it opened a consultation on amendments to the Capital Adequacy Ordinance and the Liquidity Ordinance, which were to tighten the valuation of assets that could not be realised in a crisis and to extend liquidity reporting and scenario analyses.

The Federal Council supported its proposals with two external opinions. Heinz Zimmermann, professor of finance at the University of Basel, analysed the effect of higher capital requirements on the cost of capital. The consultancy Alvarez & Marsal assessed the impact of the measures on the basis of public data.² The choice of an economist known for his work on capital costs reflected the expectation that the debate would turn on a single question: how much the additional capital would cost UBS, and whether that cost would be passed on to clients, shareholders or the Swiss economy.

FINMA welcomed the package on the same day. It emphasised the responsibility regime, which would allow targeted sanctions, for example clawbacks of variable remuneration already paid out or bonus cuts, and it described the full deduction of foreign participations as a means of

preventing “double leverage”, in which the parent bank finances its equity stakes in subsidiaries partly with debt.³ The SNB, which had long argued for stronger capital at UBS, also supported the measures.

UBS responded within hours. The bank declared that it supported most of the proposals but strongly disagreed with what it called the extreme increase in capital requirements. It objected to three elements in particular: the full deduction of investments in foreign subsidiaries, the full deduction of deferred tax assets and capitalised software, and the increase in prudential valuation adjustments. By its own calculation, the proposals would require about USD 24 billion of additional CET1 capital at the level of UBS AG, the parent bank. Together with the capital needed as a consequence of the Credit Suisse acquisition, which UBS put at USD 18 billion, the total would reach about USD 42 billion. UBS described the measures as neither proportionate nor internationally aligned. It nevertheless maintained its capital return plans for 2025 and its financial targets for 2026 and announced that it would engage actively in the consultation.⁴ From that day onwards the reform was, in public perception, a dispute between the Confederation and UBS about a figure in billions of dollars.

1 Capital for foreign subsidiaries

The measure that dominated the debate concerns a question that sounds technical and has large consequences. A Swiss parent bank such as UBS AG holds participations in its foreign subsidiaries, for example in its banking and broker-dealer entities in the United States or the United Kingdom. Under the rules in force until the reform, these participations were deducted from the parent bank’s CET1 capital only in part, with a risk weight applied to the remainder. In practice this meant that a substantial part of the participations could be financed with debt. According to the Federal Council, approximately half of such participations were financed in this way.⁵ Press reports on the parliamentary debate later described the current requirement as a backing of about 45 per cent with CET1 and a further 17 per cent with AT1 instruments.⁶

The Credit Suisse crisis revealed why this matters. When the value of a foreign subsidiary falls, the parent bank must write down its participation, which reduces its own capital. If the participation was financed with debt, the loss falls on a thin layer of equity at the parent and can push its capital ratio below the regulatory minimum even while the group as a whole still appears adequately capitalised. The parent then has fewer options in a crisis. It cannot easily sell or wind down a foreign subsidiary, because the

sale would crystallise a loss that its capital cannot absorb. The Federal Council summarised the purpose of the reform in these terms: a full backing would enable banks to dispose of foreign subsidiaries in a crisis without destabilising the parent bank's capital ratios.⁷ The measure thus aims at the resolvability and recovery capacity of the parent bank, which is the entity that Swiss law and Swiss authorities control directly.

On 26 September 2025 the Federal Council opened the consultation on the statutory amendment. Systemically important banks were to back their participations in foreign subsidiaries fully with CET1 capital. The transition was to be spread over seven years, starting with a deduction of 65 per cent and rising by five percentage points each year until it reached 100 per cent. The consultation ran until 9 January 2026. The Federal Council noted that only UBS would be significantly affected.⁸ The phase-in was to be regulated at ordinance level, with its start depending on the progress of the bill in Parliament.

On 22 April 2026, after evaluating the consultation, the Federal Council adopted the dispatch to Parliament. It maintained the core of the proposal: full backing of foreign participations with CET1, over a transition period of seven years, provided that Parliament did not delay the bill. It estimated that UBS would need approximately USD 20 billion of additional CET1 capital, which would raise the group's CET1 ratio by about 1.1 percentage points to a pro forma 15.5 per cent. The Federal Council added a figure intended to put the burden into perspective. Had the rules applied on 1 January 2026, taking account of the capital that UBS already held and the transition period, the actual shortfall would have been only around USD 9 billion.⁹ The bill was registered in Parliament as business 26.027.¹⁰

The press read the dispatch as a government that had made concessions at the edges while holding firm at the centre.¹¹ In Swiss political language the bill soon acquired the name "Lex UBS", a label that underlined that the general rule was in practice addressed to one institution. That fact shaped the parliamentary debate. Every percentage point of backing could be translated directly into billions of dollars for a single identifiable bank, and every argument about proportionality became an argument about the future of that bank in Switzerland.

2 Software, deferred tax assets and prudential valuation

The second group of capital measures concerned assets whose value in a crisis is doubtful. Capitalised software, deferred tax assets and certain positions subject to prudential valuation adjustments appear on the balance sheet with a value that may largely disappear when a bank is in distress.

Software developed for a failing bank may be worth little to anyone else. Deferred tax assets can only be used if the bank returns to profit. The Credit Suisse experience suggested that capital consisting of such items had given a misleading impression of the bank's resilience. The consultation of June 2025 therefore proposed deducting them in full from CET1 capital.

UBS contested these proposals with particular vigour, arguing that they would destroy about USD 11 billion of capital without adequate justification.¹² The Federal Council partly accepted the objections. When it adopted the amended Capital Adequacy Ordinance on 22 April 2026, it abandoned the full deduction of software and adopted the practice of the European Union, under which software is amortised for regulatory purposes over a maximum of three years. This rule applies only to systemically important banks and comes with a transition period of two years. The full deduction of deferred tax assets was dropped because of the divergence from international practice. The Federal Council reserved the right to reassess the question if the requirements for foreign participations proved insufficient. The ordinance enters into force on 1 January 2027.¹³

According to UBS, the ordinance amendments will still eliminate about USD 4 billion of net CET1 capital at group level, equivalent to about 0.8 percentage points of the CET1 ratio. The revised prudential valuation adjustments apply from 1 January 2027, the software treatment from 1 January 2029.¹⁴ Law firms advising banks noted that the Federal Council had made further changes to the prudential valuation adjustments and estimated the effect at the level of UBS AG at about USD 2 billion.¹⁵ These measures are the only capital-related part of the reform that is already law at ordinance level in September 2026. They show that the Federal Council, where it could act alone, chose alignment with the European Union over a Swiss finish.

3 Additional Tier 1 instruments

The third capital question concerned the instruments that had caused the greatest international controversy in March 2023. When FINMA ordered the complete write-down of Credit Suisse's AT1 instruments, with a nominal value of some CHF 16 billion, while shareholders received UBS shares, it provoked lawsuits in Switzerland and abroad and a lasting debate about the hierarchy of creditors.¹⁶ On 1 October 2025 the Federal Administrative Court partially annulled FINMA's order, holding that it lacked a sufficient legal basis. FINMA announced an appeal to the Federal Supreme Court. It noted that about 360 related proceedings were

pending.¹⁷ As far as could be ascertained, the Federal Supreme Court had not decided the matter by the end of September 2026.

The report of April 2024 had proposed strengthening the loss-absorbing function of AT1 instruments while the bank is still a going concern. It envisaged clearer criteria for the suspension of coupon payments and rejected instruments that could only be converted into equity without a write-down option.¹⁸ The consultation of 2025 contained corresponding proposals. On 22 April 2026, however, the Federal Council decided not to pursue the AT1 changes for the time being, pending international developments.¹⁹ The caution is understandable. Because AT1 instruments are sold to an international investor base whose appetite depends on predictability, a Swiss-specific design could have raised their price for all Swiss banks.

Paradoxically, AT1 instruments returned to the centre of the debate through Parliament. As the following sections show, the committee of the Council of States proposed in August 2026 to allow UBS to back half of its foreign participations with AT1 instruments of a new design. The instruments would bite earlier than those of Credit Suisse, blocking dividends, share buybacks, coupons and bonuses once the parent bank's CET1 ratio fell below about 11 per cent.²⁰ What the Federal Council had postponed as a technical question of instrument design thus became a political alternative to common equity.

4 Notes

1. Federal Department of Finance, press release “Federal Council draws lessons from Credit Suisse crisis and defines measures for banking stability”, 6 June 2025, <https://www.efd.admin.ch/en/newnsb/ty6FlsBuspE-AXC9CILJt>. ↩
2. Federal Department of Finance, press release of 6 June 2025, <https://www.efd.admin.ch/en/newnsb/ty6FlsBuspE-AXC9CILJt>. The release also sets out the timetable: consultation drafts for the statutory amendments in the second half of 2025 and the first half of 2026, and a consultation on the ordinance amendments running until 29 September 2025 with entry into force planned for January 2027. ↩
3. FINMA, “FINMA welcomes the Federal Council’s proposed measures on banking stability”, 6 June 2025, <https://www.finma.ch/en/news/2025/06/20250606-mm-finma-tbtf/>. FINMA added that it would implement the regime pragmatically and proportionately, so that the burden on small banks with a simple structure would be minimal. ↩

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4. UBS, “UBS statement on regulatory proposals made by the Swiss government”, 6 June 2025, <https://www.ubs.com/global/en/media/display-page-ndp/en-20250606-mrb.html>. ↩
5. Federal Department of Finance, press release “Too-big-to-fail regulations: Federal Council adopts dispatch and Capital Adequacy Ordinance”, 22 April 2026, https://www.efd.admin.ch/en/newsb/_9e8qd5sXEzLww7dK3H_9.
↩
6. finanzen.ch (AWP), “UBS-Aktie tiefer: Ständerat will 90 Prozent Eigenkapital für UBS-Auslandbeteiligungen”, 23 September 2026, <https://www.finanzen.ch/nachrichten/aktien/ubs-aktie-tiefer-standerat-will-90-prozent-eigenkapital-fuer-ubs-auslandbeteiligungen-1036564467>. ↩
7. Federal Department of Finance, press release of 22 April 2026, https://www.efd.admin.ch/en/newsb/_9e8qd5sXEzLww7dK3H_9.
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8. Federal Department of Finance, press release “Federal Council launches consultation on the capitalisation of foreign participations by parent companies of systemically important banks”, 26 September 2025, <https://www.efd.admin.ch/en/newsb/iWZ3p3LmGWCEvP46a00yt>.
↩
9. Federal Department of Finance, press release of 22 April 2026, https://www.efd.admin.ch/en/newsb/_9e8qd5sXEzLww7dK3H_9.
The release states that the SNB and FINMA consider the package “appropriate, necessary and targeted, as well as manageable for UBS”, and that more stringent options, including a general increase in capital requirements and a structural separation of the US business, were rejected as disproportionate. ↩
10. Swiss Parliament, Vorschau Ständerat Herbstsession 2026, entry 26.027 “Bankengesetz (Eigenmittelunterlegung ausländischer Beteiligungen im Stammhaus systemrelevanter Banken). Änderung”, <https://www.parlament.ch/centers/documents/de/Vorschau%20SR%20HS%202026.pdf>. ↩
11. finews.ch, “Lex UBS: Bundesrat macht Abstriche, bleibt im Kern aber hart”, 22 April 2026, <https://www.finews.ch/news/banken/71950-lex-ubs-too-big-to-fail-bundesrat-entscheid-22-april-2026-bankengesetz-eigenkapital-eigenmittelverordnung-erv-karin-keller-sutter>. ↩

12. SWI swissinfo.ch (Bloomberg), “UBS says capital reforms put future in Switzerland at risk”, January 2026, <https://www.swissinfo.ch/eng/ubs-says-capital-reforms-put-future-in-switzerland-at-risk/90089650>. The article reports the bank’s consultation response, submitted by the deadline of 9 January 2026. ↩
13. Federal Department of Finance, press release of 22 April 2026, https://www.efd.admin.ch/en/newnsb/_9e8qd5sXEzLww7dK3H_9. ↩
14. UBS, “UBS statement on regulatory capital announcements made by the Swiss government”, 22 April 2026, <https://www.ubs.com/global/en/media/display-page-ndp/en-20260422-regulatory-update.html>. ↩
15. AA Advestra, “Too-big-to-fail Reforms: Federal Council Adopts Dispatch And Amends The Capital Adequacy Ordinance”, Mondaq, April 2026, <https://www.mondaq.com/financial-services/1778798/too-big-to-fail-reforms-federal-council-adopts-dispatch-and-amends-the-capital-adequacy-ordinance>. ↩
16. Federal Department of Finance, “Credit Suisse”, <https://www.efd.admin.ch/en/credit-suisse-en>, and “FAQ on the takeover of Credit Suisse by UBS”, <https://www.efd.admin.ch/dam/en/sd-web/33TxQXz9VIJa/faq-cs-ubs-en.pdf>, both stating that private creditors shared in the losses through the write-down of AT1 instruments of CHF 16 billion. The history of the write-down is treated in the preceding chapter. ↩
17. FINMA, “FINMA to appeal partial decision of the Federal Administrative Court concerning AT1”, 15 October 2025, <https://www.finma.ch/en/news/2025/10/20251015-meldung-bvger-at1/>. The court itself stated that it did not yet comment on the consequences of the annulment. ↩
18. Federal Council, Report on banking stability, 10 April 2024, <https://www.efd.admin.ch/dam/en/sd-web/LuYox2INDaQy/bericht-br-tbtf-en.pdf>. ↩
19. Federal Department of Finance, press release of 22 April 2026, https://www.efd.admin.ch/en/newnsb/_9e8qd5sXEzLww7dK3H_9. ↩

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20. Bote der Urschweiz, “Ständeratskommission legt UBS neue Eigenkapitalregeln vor”, 31 August 2026, <https://www.bote.ch/nachrichten/schweizundwelt/staenderatskomm-ission-legt-ubs-neue-eigenkapitalregeln-vor-art-1719342>. ↩

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