The Parliamentary Investigation Committee and the political climate

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In June 2023 the Federal Assembly set up a Parliamentary Investigation Committee, an instrument used only a handful of times in the history of the federal state, to examine the conduct of the authorities in the Credit Suisse crisis.[1] Chaired by Isabelle Chassot, a member of the Council of States for The Centre from the canton of Fribourg, the committee held 79 hearings in 45 sessions and reviewed more than 30,000 pages of documents over some eighteen months. Its report, published on 20 December 2024, attributed the crisis primarily to years of mismanagement by the board of directors and the executive board of Credit Suisse. It acknowledged that the authorities had prevented a global financial crisis in March 2023. At the same time it identified gaps in their conduct and in the regime they applied.[2]

Two findings of the committee had a direct bearing on the reform. The first concerned the regulatory filter that FINMA had granted Credit Suisse in 2017, which eased the capital requirements for the parent bank. According to the committee, Credit Suisse would have breached its capital requirements in 2021 and 2022 without this filter. The committee therefore recommended restricting any future easing of capital and liquidity requirements for systemically important banks. The second finding concerned the design of the regime itself. The committee concluded that the too-big-to-fail rules had not been designed for a crisis of confidence and had focused too much on Swiss scenarios, neglecting the international interdependencies of a globally active bank. The committee addressed 20 recommendations to the Federal Council and tabled six postulates, four motions and one parliamentary initiative.[3]

The finding on the regulatory filter shaped the capital debate more than any other. It showed that the weakness of Credit Suisse had not been the level of capital at group level alone. The capitalisation of the Swiss parent

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bank, which held the foreign subsidiaries, had also been weak, a weakness that the supervisor had tolerated through a technical accounting treatment. When the Federal Council later proposed that the parent bank should back its foreign participations fully with common equity, it was addressing precisely this vulnerability. FINMA itself acknowledged, in its response to the report, that the filter had been "unlimited in terms of time and amount".[4]

The Federal Council issued its opinion on the same day. Welcoming the committee's positive view of the authorities' actions and of the solution chosen, it noted that the committee's work largely confirmed the expediency of the measures proposed in the report of April 2024.[5] In political terms the two reports now pointed in the same direction. The government had a programme and a parliamentary mandate to carry it out, while the supervisor and the central bank were asking for more powers. The remaining question was how far the package would go and how the only bank affected in a significant way would respond.

The political climate in which that question was answered deserves a word. The Credit Suisse crisis came after the rescue of UBS in 2008, after the end of banking secrecy for foreign clients and after two decades of disputes about bonuses and management pay. Public confidence in the large banks was low. Across the political spectrum, the image of taxpayers standing behind a private bank had become toxic. Parties on the left called for strict limits on the risks borne by the Confederation. Voices on the national-conservative right were hardly less critical of the large banks. The liberal and centrist parties, closer to the business community, shared the objective of safety while fearing that excessive requirements would damage the competitiveness of the financial centre. The debate that followed was shaped by this tension between a broad demand for safety and a narrower concern for the conditions under which a global bank can remain Swiss.

1 Notes

1. Parlamentarische Untersuchungskommission (PUK), "Geschäftsführung der Behörden im Kontext der Notfusion der Credit Suisse", report of 17 December 2024, summary (extract), https://www.parlament.ch/centers/documents/de/Auszug%20Bericht%20PUK%2019.12.2024%20Zusammenfassung%20D.pdf, recording that the two chambers set up the committee on 8 June 2023. An earlier committee was set up in 1989 after the Kopp affair and uncovered the "Fichen" affair: Blick, "Die Affäre Kopp löste Ende 1989 den Fichenskandal aus", https://www.blick.ch/politik/ein-telefonat-mit-

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folgen-von-der-affaere-kopp-zum-fichenskandal-id18488380.html. ↩

2. Swiss Parliament, press release "Lessons from the Credit Suisse crisis – PInC identifies need for action", 20 December 2024, https://www.parlament.ch/press-releases/Pages/mm-puk-2024-20-12.aspx?lang=1033. ↩
3. Swiss Parliament, press release "Lessons from the Credit Suisse crisis – PInC identifies need for action", 20 December 2024, https://www.parlament.ch/press-releases/Pages/mm-puk-2024-20-12.aspx?lang=1033. The release summarises the committee's criticism of the 2017 regulatory filter and lists the number of recommendations and parliamentary instruments. ↩
4. FINMA, "FINMA welcomes PInC report on the CS crisis", 20 December 2024, https://www.finma.ch/en/news/2024/12/20241220-mm-finma-begruesst-puk-bericht/. ↩
5. Federal Council, press release "Federal Council issues opinion on report of Parliamentary Investigation Committee concerning Credit Suisse", 20 December 2024, https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-103689.html. ↩

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