

The periodic reports of the Federal Council

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The biennial reports under Article 52 of the Banking Act provide a running commentary on the regime by its author. Read in sequence, they show a pattern. Each report affirmed that the Swiss model was fundamentally sound and did not require a change of direction, while identifying specific gaps that required adjustment. The report of February 2015 led to the recalibration of 2016. The report of June 2017 led to the gone-concern requirements for the domestic banks. The third report, of 3 July 2019, and the fourth report addressed the parent bank capitalisation, the rebate system and the liquidity requirements. The fourth report concluded that the Swiss approach was in line with international developments and that no fundamental adjustment was necessary. It found that Switzerland met the international TLAC minimum standard and that FINMA had assessed the resolvability of the systemically important banks at regular intervals and reported on it publicly since 2020.¹

In retrospect, the confidence of these reports is striking. They measured the regime against international standards and found it more demanding than most, which was true. What they measured less was whether the regime would work under the specific conditions of a crisis at a bank whose problems were concentrated in its strategy, its governance and its parent entity. The Parliamentary Investigation Committee later concluded that after 2015 the authorities had given excessive weight to the banking industry's concerns about the stringency of regulation.² Whether that judgement is fair to the officials who drafted the reports is open to debate. It is clear, however, that the reports were written in a period when the main risk seemed to be over-regulation. The regime's designers had assumed that the next crisis would resemble the last one, a crisis of asset quality in which capital would be the binding constraint. The crisis of 2023 was above all one of confidence and liquidity, as the official reviews discussed in the next section make clear.

1 Notes

1. Federal Council, Bericht zu den systemrelevanten Banken (as above), p. 2, which refers to the third report of 3 July 2019, and pp. 7, 11 and 13–15 for the fourth report’s conclusions. ↩
2. Blick, “Die zehn wichtigsten Erkenntnisse der PUK zum Ende der Credit Suisse” (as above). ↩

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