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Eidgenössische Bankenkommission
Commission fédérale des banques
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**Media Release**

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## Swiss Federal Banking Commission closes A&A Actienbank

**The Swiss Federal Banking Commission (SFBC) has revoked the banking licence of A&A Actienbank, Zurich, following gross breach of the latter's legal duties. A comprehensive analysis conducted by the SFBC of other banks and securities dealers with exposure to the equity markets shows that the effects of the share price losses are limited.**

August 14, 2002 – In order to protect creditors, the SFBC on the evening of August 13, 2002 withdrew the banking licence of A&A Actienbank, Zurich, on the grounds of gross breach of its legal duties and ordered the bank's immediate liquidation. The liquidation has been placed in the hands of KPMG Fides Peat.

The SFBC was forced to take this action as A&A Actienbank had failed to resolve its financial difficulties within the specified timeframe. The bank, which was taken over in January 2002 by the SMS Group AG, no longer had sufficient capital adequacy, was exposed to substantial risk concentrations exceeding the upper limit of 25% of eligible equity and was also experiencing an acute liquidity shortage. The SMS Group as a whole was, moreover, no longer in a position to fulfil the capital adequacy and risk diversification requirements applicable to a financial institution.

The capital adequacy requirements could no longer be met because A&A Actienbank, Zurich, had sustained substantial losses from equity trading in the previous year and was obliged to hedge the risk concentrations resulting from its share portfolios with equity.

As a precaution, the SFBC has appointed PriceWaterhouseCoopers as an observer to monitor SMS Securities Sigg Merkli Schrödel AG, Zurich, which holds a securities dealing licence and also belongs to the SMS Group, and has placed restrictions on business dealings with the SMS Group. The purpose of this action is to ascertain the extent of the repercussions of the serious problems being experienced by the SMS Group on the brokerage firm and to prevent business from being conducted with the Group to the detriment of SMS Securities Sigg Merkli Schrödel AG, Zurich, and its creditors.

**Bear market has limited impact on banks and securities dealers**

The continuing price losses on the stock markets led the SFBC to conduct a situation analysis of the banks and securities dealers with the largest exposure to the equity markets. The criterion for selection was the ratio of proprietary equity holdings or of collateralized (Lombard) credit exposure in relation to shareholders' equity.

The analysis reveals that, while the majority of the institutions examined have experienced earnings setbacks, only a few of them have sustained net losses. Overall, their equity base is sound. It can therefore be reasonably concluded that the risks associated with collateralized credit exposure are not significant and that the institutions concerned have taken steps to adequately limit or hedge their exposure to the equity markets.