

## Press release

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# FINMA publishes 'Accounting — banks' circular

**The Swiss Financial Market Supervisory Authority FINMA has published today the definitive version of the new circular 'Accounting – banks'. The new circular is based on the Banking Ordinance that has been adopted and fully revised by the Federal Council. Both the Banking Ordinance and the circular will come into force on 1 January 2015.**

The new circular 2015/1 'Accounting - banks' is directed at all financial groups and conglomerates, banks and securities dealers. In conjunction with the fully revised Banking Ordinance, the circular contains all the accounting guidelines relevant for those institutions. The new rules are derived mainly from revised legislation on financial reporting in the Swiss Code of Obligations and developments at the international level.

### Consultation welcomed

From 29 October to 31 December 2013, the Federal Department of Finance (FDF) ran a consultation on the Banking Ordinance in parallel with FINMA's consultation on the new accounting rules for banks. From the comments received, most respondees clearly welcomed the revision of the rules. The results of the consultation have subsequently led to changes in the consultation drafts. For instance, minimum classification rules for annual financial statements have now been anchored in a separate appendix to the Banking Ordinance. All the rules have been repeated in the new circular and are only detailed where necessary. In order to implement the unrestricted individual valuation of participations, tangible fixed assets and intangible assets, the Banking Ordinance provides for a transitional period of five years. In addition, the scope of the simplified requirements on preparing consolidated financial statements (so-called consolidation discount) has been extended, while the requirements on internal transactions have been formulated more openly.

### Accounting guidelines adapted

Alongside the unrestricted individual valuation of participations, tangible fixed assets and intangible assets, another important innovation has been to extend the requirement on consolidation. From now

on, institutions must recognise all significant subsidiaries, including special-purpose entities, in their consolidated financial statements. Moreover, all institutions will have to prepare and publish half-yearly interim financial statements, including a full income statement. Under the Banking Act, private bankers who do not actively seek deposits from the public are exempted from publishing this statement. The simplified requirements for smaller banks will thus be discontinued. Cash flow statements, on the other hand, will only be required for true and fair view financial statements. The statement of changes in equity is now part of the annual financial statements and the classification rules on the balance sheet and income statement have been partially adjusted. Moreover, it is mandatory to deduct valuation adjustments from the relevant assets. Valuation adjustments and losses from interest operations must now be disclosed in a separate income statement line item and deducted from the gross profit made on interest operations.

### **New circular to come into force in 2015**

The changes to the accounting guidelines also require formal adjustments to the Capital Adequacy Ordinance, the Liquidity Ordinance and the Banking Insolvency Ordinance, as well as to other FINMA circulars (FINMA-Circ. 08/14 'Supervisory reporting — banks', FINMA-Circ. 'Operational risks — banks' 08/21, FINMA-Circ. 08/22 'Capital adequacy disclosure – banks' and FINMA-Circ. 13/1 'Eligible equity capital – banks'). Those changes have been made simultaneously and are not of material importance. The new circular 2015/01 'Accounting - banks' comes into force on 1 January 2015 and sets out the relevant transitional provisions. It supersedes the currently valid FINMA-Circ. 08/2 'Accounting – banks'.

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