Eidgenössische Finanzmarktaufsicht FINMA
Autorité fédérale de surveillance des marchés financiers FINMA
Autorità federale di vigilanza sui mercati finanziari FINMA
Swiss Financial Market Supervisory Authority FINMA

Press release

Date:
10 January 2017

Embargo:

Contact:
Vinzenz Mathys, Media Spokesman
Phone +41 (0)31 327 91 71
vinzenz.mathys@finma.ch

FINMA launches consultation on the partial revision of the “Liquidity risks – banks” circular

Starting in 2018, the Federal Department of Finance will introduce the Net Stable Funding Ratio for banks, as defined in the Basel III framework. At the same time, FINMA will simplify the way in which the Liquidity Coverage Ratio is applied to small banks. The Federal Council's Liquidity Ordinance and FINMA Circular “Liquidity risks – banks” will be amended accordingly and put out for a period of consultation ending 10 April 2017.

Under the Basel III minimum standards, banks must comply with more stringent liquidity ratios and meet internationally harmonised quantitative funding requirements. Swiss banks have had to meet Liquidity Coverage Ratio (LCR) requirements since 2015. Starting in 2018, Switzerland will introduce new requirements in the form of a net stable funding ratio (NSFR). In view of the introduction of the NSFR and the changes to the LCR rules, the Federal Council has revised the Liquidity Ordinance and FINMA has updated Circular 2015/2 “Liquidity risks – banks”. The changes to both documents will be put out for a period of consultation, which will end on 10 April 2017 (see press release issued by the Federal Department of Finance).

FINMA to simplify the LCR rules for small banks

The aim of the LCR requirements, which have been in place since 2015, is to ensure the short-term survival of a bank following a stress event. FINMA conducted a review of the introduction and compliance with the LCR in 2016 and also consulted the industry on the potential relaxation of some LCR requirements for small banks and banks with a domestic-market orientation. The principle of proportionality will now be applied more consistently based on feedback from the industry.

More stable funding thanks to the NSFR

The NSFR is a new funding ratio which has been introduced as part of the Basel III framework and complements the liquidity ratio (LCR). The new requirements apply from 2018 onwards and aim to ensure the stable and sustainable funding of lending business and off-balance-sheet activities for

Laupenstrasse 27
3003 Bern
Phone +41 (0)31 327 91 00
Fax +41 (0)31 327 91 01
www.finma.ch

banks. Specifically, they limit the risk of banks using short-term, potentially unstable deposits and borrowings (e.g. short-term wholesale funding on the money and capital markets) to fund their lending activities (e.g. mortgages and other loans). The new NSFR requirements are relevant for banks of all sizes, but also give proper consideration to the size of each institution.

LCR and NSFR are part of the Basel III minimum standards

The LCR and NSFR are cornerstones of the reform package drawn up by the Basel Committee on Banking Supervision in response to the 2008-2010 financial crisis (Basel III). The reform package contains five elements which address individual risks and are appropriately aligned. Specifically, it defines minimum requirements for weighted capital, the unweighted leverage ratio, the liquidity coverage ratio (LCR), the net stable funding ratio (NSFR) and risk diversification.