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Autorité fédérale de surveillance des marchés financiers FINMA
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FINMA supports the Federal Council's liquidity package and rolls out further measures

The Swiss Financial Market Supervisory Authority FINMA expressly welcomes the Federal Government's package of measures, which was adopted today by the Federal Council. This provides for a rapid and unbureaucratic supply of liquidity to the real economy via the banks. In order to help maintain the current robustness of the Swiss financial institutions, FINMA calls on them to adopt a prudent distribution policy. Finally, FINMA is introducing the temporary exclusion of central bank reserves from the calculation of the leverage ratio.

FINMA supports the liquidity package adopted today by the Federal Council for the benefit of the Swiss economy (see Federal Council press release). This provides for a rapid and unbureaucratic supply of liquidity to the real economy via the banks. Thanks to the guarantee provided by the Federal Government, the banks can grant these credits with little risk. At the same time, the newly established facility of the Swiss National Bank (SNB) will ensure that the banks refinance these credits there and are thus able to maintain their liquidity position. FINMA expects the banks to make full use of this possibility. This will allow the existing or newly acquired surplus liquidity in the banking system to be used to supply further credit to the real economy or by the banks as a buffer.

FINMA also shares the SNB's assessment that in light of the current market situation, the countercyclical capital buffer intended for the mortgage market should be lifted. The mortgage market will not heat up further at the moment. FINMA therefore supports the request made by the SNB to the Federal Council.

Swiss financial institutions are well prepared, operationally and financially

The coronavirus pandemic is having a significant impact on the real economy around the world. As a result, the global financial economy is experiencing considerable market turbulence. The financial markets are currently highly volatile and under pressure. This brings challenges for the trading institutions. In addition, credit and liquidity needs are increasing among bank clients worldwide.

As explained in the press release of 19 March 2020, the financial institutions and financial market infrastructure in Switzerland are continuing to work very well at an operational level. Even in the current exceptional situation, the financial institutions' services have remained available unbroken thanks to remote working methods. The Swiss financial institutions were also well prepared financially to deal with the current market turbulence. Moreover, banks and insurers are equipped to deal with extreme stress scenarios. The stability of the banks and the significant build-up of solid capital and liquidity buffers were a key concern of the Swiss authorities in recent years; these can be used to offset turbulence. On average, insurers' capital buffers are also well above the minimum requirements.

Leverage ratio: exclusion of central bank reserves

In the current environment, for a number of reasons various banks are holding large cash reserves with central banks. This is not unexpected in light of the market developments and does not lead to an increased risk for these banks. The regulatory framework of the leverage ratio provides that all balance sheet items should be backed by capital, regardless of the risk. The leverage ratio thus serves as a complement to the risk-weighted approach. Unusually high cash deposits held at central banks as in the current situation can therefore lead to a reduction of the leverage ratio without increasing the banks' risk. FINMA considers this pro-cyclical effect to be counterproductive in the present environment and will therefore temporarily allow the banks to calculate the leverage ratio without central bank reserves. This measure affects around CHF 20 billion of Tier 1 capital, which will now be unrestricted and available, for example, to supply liquidity to the real economy. This measure initially applies until 1 July 2020 and can be extended if necessary.

Prudent distribution policy, suspension of share buyback programmes

In the current environment for the financial markets and the world economy, both banks and insurers will begin to experience pressure on their credit books and investments, which in turn will over time reduce the buffers they have built up. This is to be expected in such stressed conditions. The duration and magnitude of such impacts are extremely uncertain and depend on multiple factors outside the control of financial institutions themselves. In this environment a prudent distribution policy is a preventive measure to ensure that the current robustness remains, even in the event of an extended economic downturn. For both banks and insurers alike, capital and liquidity buffers are there to be used and FINMA will deliver the appropriate forbearance to ensure that that will be the case. Today's announcements concerning the leverage ratio and the countercyclical capital buffer should also be seen in this context. However, such forbearance is designed to allow institutions to support their clients in difficult times, e.g. by providing credit, and not for imprudent distributions, given the market conditions. FINMA explicitly welcomes the decision – according to our investigations – of all Swiss financial institutions to suspend their share buyback programmes. FINMA additionally recommends that boards consider carefully the level of upcoming dividend distributions in the light of the above. Strong institutions who act voluntarily now to restrict distributions will remain stronger for longer, in the interests of all their clients. Acting to preserve strength is not a sign of weakness.