

Basel III: Amendment to FINMA Circular 15/3 "Leverage ratio" and FINMA Circular 17/7 "Credit risks – banks"

Key points

22 December 2017

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1. On 22 November 2017, the Federal Council adopted the changes to the Banking Ordinance of 1 June 2012 on Capital Adequacy and Risk Diversification for Banks and Securities Dealers (CAO). As of 1 January 2018, all institutions will have to maintain a leverage ratio of at least 3%. When calculating the leverage ratio, current positions in derivatives must be calculated using the current exposure method. Since 1 January 2017, it has also been possible to calculate risk-weighted capital requirements for derivatives using the standardised approach (SA-CCR).
2. Consequently, FINMA is making some slight amendments to Circular 2015/3 "Leverage Ratio". This will allow institutions to use the SA-CCR instead of the current exposure method (which dates from the 1990s) to calculate their leverage ratio. Consistent use of the SA-CCR can enhance efficiency and reduce costs at some banks.
3. Part of the CAO changes included the Federal Council's decision on 22 November 2017 to authorise use of the current exposure method for a further two years. The same measure applies to the current capital adequacy requirement for investments in funds. These changes will become effective when the CAO enters into force. As part of the current consultation exercise, FINMA is seeking viewpoints on the technical considerations of what this extended timeline will mean for FINMA-RS 2017/7 "Credit risks – banks".
4. The related consultation period will end on 15 February 2018.