# Too-big-to-fail regulations (TBTF)

Since 1 March 2012, the TBTF regulations in Switzerland have been governed by the Banking Act in accordance with the recommendations of the Financial Stability Board.

The requirements for systemically important banks include higher capital requirements, increased liquidity requirements and higher requirements in terms of resolvability.

The TBTF regulations have been reviewed regularly since 2015, and adapted where necessary. The most recent example concerns the revision of the Liquidity Ordinance, which came into force on 1 July 2022.

## What have these achieved?

- The TBTF regulations have led to a significant increase in the scope and quality of capital, thereby strengthening resilience.
- Swiss banks' resilience paid off during the COVID-19 pandemic and also in the case of Credit Suisse. Without the TBTF buffers, Credit Suisse would have experienced liquidity problems sooner.
- Moreover, in the worst-case scenario of bankruptcy, the TBTF measures should allow for the continuity of systemically important functions in Switzerland.

## Why was the Swiss business arm not spun off as envisaged in the TBTF regulations?

- The Federal Council and the supervisory authorities deemed this scenario to be riskier than other options in the given situation, where global financial markets were in turmoil.
- First, in the extremely fragile environment, it could have triggered an international financial crisis with massive repercussions for Switzerland as a business location and financial centre.
- Second, client confidence had been eroded to such an extent that a spin-off would have carried considerable risks for the Swiss business arm as well.
- Third, an alternative with significantly lower economic and financial risks existed, i.e. the takeover of Credit Suisse by UBS.

## How does the public liquidity backstop (PLB) fit into the system?

- The PLB, recommended by the Financial Stability Board and already implemented in several countries, is a component that is still missing from the Swiss TBTF regulatory framework. Its introduction was already planned at the time of the Credit Suisse crisis, but it had not yet been implemented.
- It supplements existing emergency liquidity assistance (ELA) where this does not sufficiently ensure the liquidity of a solvent bank.
- The Federal Council introduced the PLB on 16 March 2023 by means of an emergency ordinance. Within this framework, Credit Suisse was able to obtain a CHF 100 billion liquidity assistance loan from the SNB with a federal default guarantee.

## What are the next steps?

- In September 2023, the Federal Council adopted the dispatch to Parliament on the introduction of the public liquidity backstop (PLB) into ordinary law.
- In addition, the FDF will thoroughly analyse the circumstances that made this package of measures necessary, and will comprehensively review the TBTF regulatory framework. This work also includes the various audit mandates that the Federal Council has received from Parliament.
- The results are expected to be submitted to Parliament in spring 2024 as part of the Federal Council's next report on systemically important banks.