



Questions and answers

Implementation of too-big-to-fail measures – 22 April 2026

What has the Federal Council decided with regard to capital requirements?

The aim of the proposed Banking Act amendment submitted to Parliament by the Federal Council is the targeted strengthening of the capitalisation, and in turn the financial resilience, of systemically important banks' Swiss parent bank. Under the amendment, the Swiss parent bank's participations in foreign subsidiaries must in future be fully backed with Common Equity Tier 1 (CET1) capital. In addition, the Federal Council has decided to tighten some requirements on the quality and recoverability of CET1 capital at ordinance level, particularly as regards the regulatory treatment of software and the prudent valuation of hard-to-value fair value items.

What does the Banking Act propose for foreign participations?

In future, valuation losses on participations in foreign subsidiaries should no longer impact negatively on the regulatory capitalisation of a systemically important bank's Swiss parent bank. At the same time, a systemically important bank should be able to dispose of foreign subsidiaries during a stabilisation phase, in which a bank can still act autonomously, without this negatively impacting the capitalisation of the parent bank. To achieve this, the Federal Council is proposing that systemically important banks must fully back the carrying value of their participations in foreign subsidiaries with CET1 capital. Parliament should anchor this measure at legislative level.

How does the ordinance strengthen the quality and recoverability of CET1 capital?

The quality of eligible CET1 capital will be strengthened for systemically important banks in particular in a targeted way. The regulatory treatment of software on the balance sheet and of hard-to-value fair value items (those without a current market price or observable valuation parameters) will be tightened.

How and why was the ordinance amended compared to the version issued for consultation?

Based on the results of the public consultation and the consultation of the National Council's Economic Affairs and Taxation Committee (EATC), the new regulatory treatment of software has been limited to systemically important banks and is less strictly formulated, such that regulatory writedowns are now required for a maximum period of three years, in line with the rules in the EU. The Federal Council is also dispensing temporarily with the measure relating to deferred tax assets which was submitted for consultation, as well as measures to strengthen the risk-absorbing function of AT1 instruments in the going concern – i.e. prior to the point of non-viability. For deferred tax assets, it has been decided to await the parliamentary debate on the Banking Act, as regards to AT1 instruments, to monitor international developments. The Federal Council reserves the right to re-evaluate these measures depending on developments.

Why is it necessary for the foreign participations of a systemically important bank's parent bank to be fully backed with CET1 capital?

If a systemically important bank gets into difficulty, it should be sufficiently well capitalised to recover on its own through appropriate measures such as the sale of foreign subsidiaries as part of a restructuring. In the case of Credit Suisse, this was not possible, because the

foreign participations were only partly backed with capital. With a full capital backing, such a stabilisation measure would be possible without negative repercussions on the parent bank's capitalisation.

In general, valuation losses on participations lead to an equivalent loss of CET1 capital in the parent bank. Under the existing regulations, in the case of UBS, around 45% of foreign participations are backed with CET1 capital.

So, for example, a valuation loss of USD 10 billion on foreign participations leads to a regulatory shortfall in the UBS parent bank's CET1 capital of USD 5.5 billion. This is then not available to cover the capital requirements from the parent's operational business.

Only with full deduction of the carrying value of the participation from CET1 capital will a regulatory capital shortfall due to valuation losses on participations be avoided. Full capital backing is therefore important for preventing procyclical effects, even in the case of partial valuation losses on foreign participations. The proposed measure will strengthen financial stability in Switzerland, and protect taxpayers and the economy, as well as investors and clients, from risk.

Does full capital backing mean that foreign participations have no value?

No. The Federal Council's proposal is about the financing, not the valuation, of foreign participations. It therefore does not imply that foreign participations have no value. However, they can lose value, and this loss should not impinge on the parent bank's capital ratios. Currently, this is the case from the first US dollar loss of value. For this reason, the Federal Council is demanding that the parent bank must fully finance these participations with CET1 capital. Without 100% capital backing, a parent bank can partly finance capital through debt (*double leverage*).

Is the Federal Council working on the extreme assumption that all foreign participations lose their value simultaneously?

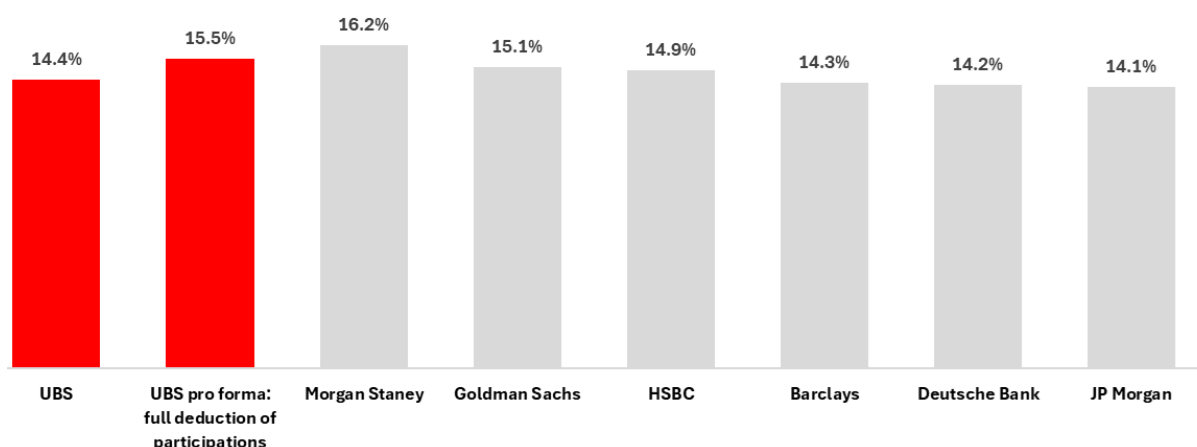
No. The Federal Council is not assuming a total loss on all foreign participations. However, without 100% capital backing, each valuation loss reduces the parent bank's capital ratios (see figure 7 of the dispatch). It is not the case that the current regulations, which stipulate 45% backing with CET1 capital for foreign participations, protect against valuation losses of up to 45%.

In an international comparison, Swiss banks, and UBS in particular, already have good capital ratios. Wouldn't a further increase bring disadvantages as regards international competitiveness?

No, strong financial resilience gives banks a competitive advantage when it comes to winning and retaining customer trust. Increasing capital therefore strengthens competitiveness in the long term. In the short term, it is possible to achieve a higher return on equity with less capital. In the long term, however, having more capital ensures the bank's stability.

UBS's indicative CET1 capital ratio is now in a comparable range to that of its international competitors (see chart). In a pro forma calculation as at end-2025, UBS Group's CET1 capital ratio after implementation of all measures is 15.5% at both legislative and ordinance level. The CET1 capital ratio rises compared to today, but is still within the range of the current CET1 capital ratios of the bank's international peers. The actual level of the CET1 capital ratio at group level depends on future developments and strategic decisions by the bank, such as various buffers and limits set by the management, the size and structure of UBS, the business model, the future size of foreign operations, the capital needs of foreign subsidiaries, and potential capital repatriations (see section 6.1.4 of the dispatch).

International comparison of CET1 ratios



Source: SIF; bank disclosures as at Q4 2025

In general, what does the Federal Council's package of measures mean for the international competitiveness of systemically important banks in Switzerland?

The proposed measures strengthen the resilience of Swiss banks and, in turn, the international reputation and competitiveness of the Swiss financial centre. For banks, high financial resilience represents a competitive advantage when it comes to gaining or keeping the trust of clients. An international comparison reveals that a high capitalisation is compatible with successful business activity and high market valuation (see SNB, Financial Stability Report 2025, p. 26).

Overall, the measures are less far-reaching than those presented during the consultation process. They are in line with international regulations whilst also taking account of the specific circumstances in Switzerland as a major financial centre with a globally systemically important bank and a comparatively small domestic market.

The UBS is a well-positioned and well-managed bank. Why do the capital requirements need to be strengthened?

With these measures, the Federal Council is making provision for the future and is thus not evaluating either the business model or the management of the affected systemically important banks. The planned capital measures are a targeted way to close gaps in the existing capital regulations which became evident during the Credit Suisse crisis.

One criticism of the measure is that imposing stricter requirements on the parent bank would lead to "overcompliance" with the requirement at group level.

Higher capital requirements abroad and financial interlinkages within the group can result in capital needs that exceed the consolidated group's capital requirements overall. The capital requirements for systemically important Swiss entities within the group are in principle the same as those for the consolidated group. Thus, the fact that the capital needs overall are higher than the requirement for the consolidated group is not due to excessively high requirements for the parent bank. Rather, the reasons lie in the group structure, the resulting financial interlinkages (e.g. from loans) within the group which disappear in the consolidated view, and potentially higher capital requirements abroad. The Swiss regulations only set the requirements for the Swiss entities. The requirements for the foreign subsidiaries are set by foreign regulators. If these requirements are higher than those applicable in Switzerland, this

will result in an additional need for capital. The extent of the financial interlinkages within the group is managed by UBS through its booking model.

The measure proposed by the Federal Council ensures that higher requirements abroad and the additional need for capital to cover risks arising out of financial interlinkages within the group are not offset by a lower capitalisation of the Swiss parent bank.

By how much will the CET1 capital requirement for the UBS parent bank increase if the Federal Council's proposed measure is introduced?

The increase in the CET1 capital requirement for the UBS parent bank depends on the size of the foreign participations. Based on data at end-2025, the full backing of foreign participations with CET1 capital, together with the measures at ordinance level, raises the CET1 capital requirement by around USD 20 billion. The measures at ordinance level contribute some USD 2 billion to this increase (see section 6.1.2 of the dispatch).

Why is the CET1 capital requirement now rising by only USD 20 billion, rather than USD 26 billion as still stated in the 2025 consultation draft?

There are two reasons for this reduction: first, the size of foreign participations in the UBS parent bank fell last year; second, the Federal Council has adjusted the measures at ordinance level.

How strict is the measure proposed by the Federal Council compared to the Birrer Heimo motion, which was passed by the National Council in May 2023?

Motion 21.3910, which is currently pending before the Council of States, calls for significantly higher capital than the Federal Council's proposal. For global systemically important banks such as UBS, the motion demands a leverage ratio of at least 15% and a tightening of the progressive component. If both houses of Parliament approve the motion, the leverage ratio requirement for UBS would rise by at least 10% of total exposure. However, with the Federal Council's proposal the capital requirement would rise by less than 1% of total exposure, because it eliminates an existing vulnerability in a targeted way.

How large will the effective CET1 capital shortfall at UBS be if the Federal Council's proposed measure is introduced?

The effective CET1 capital shortfall is much lower than the increase in the capital requirement. In a pro forma calculation as at end-2025 (see section 6.1.2 of the dispatch), UBS would have to accumulate around USD 9 billion in CET1 capital to meet the proposed requirements. This calculation includes both the impact of the measures in the CAO and the capital target announced by the bank for the parent bank (CET1 capital ratio of 12.5%), which envisages a so-called "management buffer" over and above the regulatory requirement. UBS has various options at its disposal to further reduce the effective CET1 capital shortfall, for example by a reversal of existing capital reserves at the parent bank (see section 6.1.2 of the dispatch).

Why is the effective capital shortfall smaller than the increase in the requirements?

The effective capital shortfall is smaller than the increase in the requirements because both the parent bank and UBS Group clearly exceed capital requirements applicable as at end-2025. Part of this capital buffer can be used to finance the additional capital requirements.

Why is the Federal Council now publishing a pro forma calculation for the effective capital shortfall and the Group's capital ratio after the measures?

Already at the start of the consultation, the Federal Council stated that the effective capital shortfall would be significantly smaller than the increase in requirements. However, it did not quantify the effective capital shortfall any further at the time. It estimated that the Group's CET1 capital ratio would be between 15% and 17% after implementation of the measures.

The pro forma calculation that has now been published substantiates these statements. It is based on data as at end-2025 and takes account of the amendments to the Capital Adequacy Ordinance adopted by the Federal Council. Of course, the actual impact of the measures when they come into force is still subject to a certain degree of uncertainty and depends in particular on management decisions.

How will the TBTF capital requirements change the total cost of capital for UBS?

The additional equity will reduce the need for debt. UBS will be able to save on interest costs for this debt, which consists largely of AT1 bonds. Dividends are part of profit appropriation and are not costs in the accounting sense. This means that, from an accounting perspective, the costs will decrease overall with additional capital.

By contrast, the total cost of debt and equity in economic terms may increase, as investors expect a higher return on equity than on the debt that will be replaced by equity. However, it is difficult to provide a precise estimate of this increase in economic costs, as it will be at least partially offset by adjustment effects. Thanks to the improved capitalisation, the default risks for the remaining debt will be lower and the returns on equity will be more stable. Both factors are likely to lower investors' return expectations.

The FDF commissioned two external expert opinions on the issue of costs. These were published with the key parameters for the planned legislative amendment. The Zimmermann expert opinion reckons that additional CET1 capital of USD 10 billion will raise UBS's total cost of capital by around USD 320 million per year. It factors in the risk-reducing effect of more equity and the resulting potential cost savings on debt and equity. The Alvarez & Marsal expert opinion reckons that additional CET1 capital of USD 10 billion will raise UBS's total cost of capital by around USD 560 million per year.¹ The estimated costs in the Alvarez & Marsal report do not take account of the adjustment effects described above and assume constant expected returns on equity and debt. One assumption behind this is that lenders have already priced in the additional security that higher equity would give them due to the assumption of an implicit state guarantee (see section 6.1.3 of the dispatch).

Can UBS continue to grow abroad?

Yes. However, in the future, growth in foreign subsidiaries or the acquisition of further foreign subsidiaries must be financed entirely with equity and can no longer be partially financed with debt at the expense of the financial resilience of the parent bank.

Was a conservative valuation of foreign participations examined as a suitable alternative to full deduction?

Yes, such a variant was examined, but it was rejected. Although the maximum loss potential would be smaller with a lower valuation, the problem of the procyclical effects of valuation losses on regulatory capital would remain (see section 1.2.3 of the dispatch). A lower valuation merely reduces the maximum potential loss on the participation. It does not, however, eliminate the undesirable effects of a partial capital backing of participations. In general, it is virtually impossible to specify a valuation method that makes regulatory sense in every conceivable scenario.

Was a restriction on investment banking or different capital requirements for wealth management and investment banking activities examined as suitable alternatives to full deduction?

Yes, such variants were examined, but they were rejected. The importance of investment banking in a bank's business model is a business decision and a restriction by the legislator would hardly be proportionate. Apart from that, it is not straightforward from a regulatory

¹ Both expert opinions assumed a higher effective capital shortfall than USD 10 billion and thus also estimated higher costs. In both reports, the increase in costs is linear with respect to capital needs and it has therefore been scaled down here to the order of magnitude of the effective capital shortfall.

perspective to clearly separate wealth management – which involves lower risks – from investment banking – which involves higher risks. Furthermore, even in the case of wealth management, it is not clear to what extent a corresponding business area will retain its value in the event of a crisis or can be sold without substantial losses. This is particularly true in a crisis of confidence such as the one experienced by Credit Suisse, when wealth management clients also withdrew their money. In turn, it would be almost impossible to sell a wealth management business that is subject to legal proceedings such as US tax litigation, litigation relating to sanction violations or suspected money laundering cases (see section 1.2.2 of the dispatch).

Instead of the parent bank providing full capital backing for foreign subsidiaries (i.e. 100%), was an increase to 80% CET1 capital (up from the current 45%), for example, also examined?

Yes, such variants were examined, but they were rejected. In the event of a crisis, an increase to 80%, for example, would mean that more capital would be available than at present to absorb losses on participations in foreign subsidiaries. However, fluctuations in valuations would continue to be reflected in the regulatory capital of the parent bank. As a result, foreign subsidiaries' valuation losses would continue to affect the parent bank's capital, which would subsequently no longer be available for their other risks (third-party risks from other assets). The procyclical effect of such fluctuations on regulatory capital would continue to exist, albeit to a lesser extent (see section 1.2.2 of the dispatch).

Was the possibility of also partially deducting the full carrying value of foreign subsidiaries from AT1 bonds or bail-in bonds examined?

Yes, such variants were examined, but they were rejected. The aim of the measure is to ensure that foreign subsidiaries' valuation adjustments in the going concern do not affect the regulatory capitalisation of the parent bank. Valuation losses on assets (including participations) always reduce CET1 capital. Therefore, deducting these items from CET1 capital is the only way to consistently protect against such valuation losses.

As demonstrated by the Credit Suisse crisis, AT1 bonds are not loss-absorbing in the going concern and only to a limited extent during the recovery phase. They are not converted into CET1 capital or written down until a CET1 capital ratio of 7% is reached, the point of non-viability (PONV) is reached, or public sector assistance is provided.

Bail-in bonds are not available to absorb losses at all in the going concern, only in the case a resolution. However, backing with AT1 bonds and bail-in bonds would not enable an autonomous strategic repositioning in the recovery phase of a crisis without impacting the CET1 capital ratio of the parent bank (see section 1.2.1 of the dispatch).

Was separating the US business from the Swiss parent bank examined instead of providing full capital backing for foreign subsidiaries?

Yes, but the proposal was deemed to be a disproportionate encroachment on economic freedom (see section 1.2.5 of the dispatch). See also the "Brief legal analysis by Prof. Corinne Zellweger-Gutknecht on the separation of the US business for systemically important banks", which was published on 22 April 2026.

What transition period is planned for the implementation of the revision of the Banking Act?

It should be possible for the required build-up of capital to be achieved without an external capital increase, without excessively restricting organic growth and without excessively reducing capital distributions. From today's perspective, the authorities believe that this objective can be achieved with an appropriate transition period. The Federal Council is envisaging seven years for this, assuming that there are no delays during the parliamentary deliberations (see section 4.2 of the dispatch).

What will the Federal Council do if Parliament significantly waters down the proposed measure in the Banking Act?

If the capital backing for participations in foreign subsidiaries is not sufficiently implemented, the Federal Council reserves the right to reassess the capital backing for deferred tax assets in the ordinance.

To what extent are these measures targeted?

The planned capital measures specifically address weaknesses in the existing capital regulations that became evident during the Credit Suisse crisis. In addition, with the measures, the Federal Council is clearly focusing on the foreign risk of systemically important banks. It is refraining from imposing a general increase in capital requirements for systemically important banks or a tightening of the progressive component and is instead opting for a full capital deduction for foreign participations. While a general increase in capital requirements would have affected all systemically important banks and the business activities of the entire group, the measure focuses on business activities and future growth in foreign subsidiaries, thereby strengthening the financial resilience of the parent bank in Switzerland.

Why is the Federal Council adopting the measures in stages rather than as an overall package, and when will the measures on resolution, the senior managers regime and bonuses follow?

The consultation on the remaining measures will be launched in summer 2026. The measures form an overall package, but they can be implemented in stages. In particular, the preventive capital measures should be able to take effect as soon as possible and thereby ensure the stability of the financial centre.

Will lending for domestic SMEs or mortgages become more expensive as a result of the new capital requirements?

In the case of capital backing for participations in foreign subsidiaries, the higher financing costs are caused by the business carried out by these foreign subsidiaries. Nothing will change with respect to the capital requirements for Swiss business activities. If the financing costs were passed on in line with the principle of causality – as is customary in the banking sector – the cost of borrowing would not increase for the domestic lending business (see section 6.4.1 of the dispatch). The measures at ordinance level concern assets that are hard to value and software capitalised in the balance sheet, and not the domestic lending business. The regulatory impact assessment shows that the costs of implementation and the additional capital requirements are low in relation to the total costs and the balance sheet total of the banks concerned.

How were the Swiss Financial Market Supervisory Authority (FINMA) and the Swiss National Bank (SNB) involved in drawing up the measures?

FINMA and the SNB were involved in the work at a technical level. However, the Federal Council alone had decision-making authority. As regards the legislative amendment, decision-making authority now lies with Parliament.

Can emergency state support be ruled out in the future?

In principle, emergency state support should be avoided wherever possible. The aim of the too-big-to-fail regime is to avoid the need for state aid. Nevertheless, the option for the Federal Council to use emergency law in specific crisis situations in the interests of the country and based on the Federal Constitution should not be categorically ruled out.

The United States and the United Kingdom recently reduced the capital requirements for banks. Why is the Federal Council persisting with tighter requirements in this situation?

International deregulation trends have been moderate so far and concern other aspects. Even with the latest adjustment proposals, the capital regulations in the United States remain relatively strict. In particular, the United States, unlike Switzerland, continues to have capital requirements based on regulatory stress tests. Recently, the United Kingdom slightly reduced the benchmark for capital adequacy in the banking sector. However, it is maintaining strict parent company regulation, having confirmed the participation deduction, similar to that which the Federal Council now intends to introduce.

Many comments made during the consultation were critical of the Federal Council's proposal concerning capital backing for foreign subsidiaries. Why is the Federal Council nevertheless maintaining its original proposal?

In the consultation, the objective of the proposal to further strengthen financial stability was welcomed by a clear majority. Many consultation respondents supported the proposal without reservation, or even called for more far-reaching measures. Others supported the proposal in principle, but suggested that certain adjustments be considered. Most parties fall into these two categories. The Federal Council reviewed adjustments and also made some in the draft ordinance. The Federal Council has not watered down the legislative proposal. It is confident that it has thus presented a balanced overall package that closes existing weaknesses in the regulation of equity capital in a very targeted manner.