

CH-3003 Bern

To

- All banks and securities dealers
- All auditors governed by the Banking Act and the Stock Exchange Act

Ref: stj

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Depositor protection – update of FAQ list

Dear Sir/Madam,

Art. 37b para. 5 BA requires banks and securities dealers to constantly hold 125 % collateral for privileged deposits, whereby the collateral comprises receivables secured in Switzerland or assets held in Switzerland. FINMA is authorised to permit exceptions to this rule when it has good reason to do so.

FINMA has developed a code of practice based on applications for exemption from this requirement that it has received. The code of practice is based on some general rules, some of which apply to all banks and securities dealers while others only apply to institutions seeking an exemption from Art. 37b para. 5 BA. The FAQ list has been updated to include these changes (<http://www.finma.ch/e/faq/beaufsichtigte/pages/faq-einlagensicherung.aspx>).

Universal condition for eligibility

- Receivables due from banks, securities dealers or insurers supervised by FINMA are eligible as collateral for privileged deposits regardless of how, or whether, they are secured, provided said receivables are in the form of credit balances or investments. This does not apply to

receivables due from group companies and affiliated entities according to FINMA Circular 08/2 Accounting banks.

Provisions for eligibility on request for exemption

The following exceptions may be granted **on request** provided certain conditions are met:

- Privileged deposits need to be only 100 % secured if the collateral consists of cash or cash equivalents held in Switzerland, receivables due within three months at domestic banks, securities dealers, insurers, the SNB or Swiss Post, or eligible money market securities with a time to maturity of no more than three months.
- Receivables due from domestic parent companies with the status of a bank can be recognised as collateral provided the parent company confirms in writing that it is providing 125 % coverage in the form of domestic assets for the privileged deposits of its subsidiary that cannot be covered by the subsidiary itself.
- Leasing receivables due from clients domiciled or resident in Switzerland can be approved as collateral, provided the privileged deposits are at least 250 % secured with these receivables. The percentage depends on the type of leasing receivable.
- Receivables due from foreign banks that are not part of the same group can be approved as collateral provided they are sufficiently diversified and the time to maturity does not exceed three months. Privileged deposits must be at least 250 % secured with these receivables. The percentage depends on the level of diversification.
- Privileged deposits held at foreign branches may be exempted from the coverage requirement provided they are already covered by an equivalent local depositor protection scheme in the other country and/or have to be covered by the law of that country. The applying institution must provide evidence of the equivalence of the collateral.

FINMA reserves the right to amend its interpretation of Art. 37b para. 5 BA should the operating environment change.

Sincerely

Swiss Financial Market Supervisory Authority FINMA
Banks/Financial Intermediaries

Kurt Bucher

Jacqueline Stalder