

Press Release

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FINMA to oversee sector-specific countercyclical capital buffer

The Swiss Financial Market Supervisory Authority FINMA acknowledges the Federal Council's decision to activate a sector-specific countercyclical capital buffer for lending secured by residential properties. It will oversee the banks' efforts to implement the measures this decision necessitates.

The Federal Council decided on 13 February 2013 to activate the countercyclical capital buffer in the amount of 1% on loans secured against residential properties in Switzerland. FINMA is responsible for overseeing the implementation of the countercyclical capital buffer. It will therefore review, as part of its supervisory activity, how Swiss banks are taking account of the increased capital requirements in their capital planning.

FINMA shares the view that the real estate market is showing signs of overheating in certain segments and regions. Accordingly, FINMA has intensified its supervision in this area considerably in the past few years, for example through increased review activities and by subjecting banks to stress tests. The regulatory framework has also been made more stringent in terms of both self-regulation and the Capital Adequacy Ordinance (CAO). FINMA has also imposed higher capital requirements on certain individual institutions.

FINMA recommended in its comments to the SNB that the countercyclical capital buffer should not yet be activated. FINMA would have preferred to wait and see whether the self-regulatory measures introduced in July 2012 and the new regulations that took effect in January 2013 with the revised CAO would bring about a sustained reduction in mortgage growth. The early activation of the countercyclical capital buffer can however be seen as a strong signal complementing the measures already taken.

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