Eidgenössische Finanzmarktaufsicht FINMA
Autorité fédérale de surveillance des marchés financiers FINMA
Autorità federale di vigilanza sui mercati finanziari FINMA
Swiss Financial Market Supervisory Authority FINMA

Press release

Date:	25 June 2013
Embargo:	---

Positive assessment of Swiss financial market regulation

An independent review by the Basel Committee on Banking Supervision has concluded that Swiss banking regulation is compliant with the international Basel III rules. While the Swiss standards deviate from the international ones in a few areas, these differences have no material impact. FINMA has already taken steps to adapt its circulars and will submit a request to the Federal Council for a small number of amendments to the Capital Adequacy Ordinance (CAO). These changes will suffice to clear up the discrepancies, which are on the whole uncontentious.

As part of its ongoing regulatory consistency assessment programme (RCAP), which seeks to ensure that the Basel III framework is implemented systematically at the international level, the Basel Committee on Banking Supervision has conducted an in-depth review in recent months to assess the extent to which Swiss regulation complies with the Basel III capital requirements. The aim of this assessment process, which has already been completed for Japan and Singapore, is to ensure full and timely compliance with the Basel III rules in order to increase both the resilience of the global banking system and confidence in capital ratios and to guarantee a level playing field internationally. Switzerland's implementation of the Basel III liquidity requirements will be assessed in a separate RCAP review at a later date.

Little deviation from international standards

Overall, the Basel Committee on Banking Supervision gives a very positive assessment of the current state of Swiss regulation. Of the 14 areas reviewed, it considers 11 to be fully compliant with Basel III. It identified some deviations from the Basel III standards in the remaining three, namely the definition of capital, the internal ratings-based (IRB) approach and disclosure. Most of these are purely formal in nature.

Einsteinstrasse 2, 3003 Bern
Phone +41 (0)31 327 91 00, Fax +41 (0)31 327 91 01
www.finma.ch

However, the Swiss standards need to be adapted in two areas. These concern individual rules on eligible capital and the internal ratings-based approach to underpinning credit risks. FINMA published details of the planned amendments to the Swiss legal texts, which pose few problems on the whole, on 10 May 2013 (link available in German, French and Italian).

Positive response from the Basel Committee

The Basel Committee praised its constructive working relationship with FINMA. It said that the changes that are planned or have already been carried out to address the few material deviations were decisive in assessing Swiss regulation as “compliant” with the Basel III rules overall, this being the highest grade.

FINMA CEO Patrick Raaflaub said, “The outcome of this extensive test is a seal of approval for the Swiss financial sector and its regulation. In particular, it shows that rigorous implementation of the Basel III rules as the minimum standard for Switzerland is the right way to go.”

The Basel Committee assessed the Swiss standardised approach, which is still in force, as “materially non-compliant” because it entails material deviations from the Basel III standards in some areas. However, since FINMA will be completely abolishing it by 2018, the Basel Committee merely mentioned this assessment as an aside to its otherwise positive overall view. This vindicates FINMA’s decision to discontinue the Swiss standardised approach.

A detailed self-assessment by FINMA served as the basis for reviewing the compliance of Swiss capital adequacy rules with the international Basel III framework. Deviations were quantified with the help of 13 representative large and medium-sized banks. The Basel Committee’s international review team collected further information through interviews with representatives of these banks, audit firms and FINMA in order to make an adequate assessment of Switzerland’s principles-based regulation. The findings of the review are documented in a report published by the Basel Committee on 25 June 2013.

Contact

Vinzenz Mathys, Media Spokesperson, tel. +41 (0)31 327 19 77, vinzenz.mathys@finma.ch