

## Press release

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# FINMA to implement countercyclical capital buffer

**The Federal Council decided on 26 January 2022 to reactivate the countercyclical capital buffer on residential properties. The Swiss Financial Market Supervisory Authority FINMA had argued for this reactivation during the consultation. FINMA will closely monitor the implementation of this decision by the banks.**

The Federal Council decided on 26 January 2022 to reactivate the countercyclical capital buffer at a level of 2.5% on loans secured against residential properties in Switzerland (see [press release](#)). The banks will be given until 30 September 2022 to meet the increased capital requirements. FINMA is responsible for overseeing the implementation of the countercyclical capital buffer. It will therefore review in the course of its ongoing supervision how the Swiss banks integrate the higher capital requirements in particular into their capital planning.

In its statement to the Swiss National Bank ([SNB](#)), FINMA recommended that the countercyclical capital buffer be reactivated and that the maximum level of 2.5% be applied. This was also the SNB's view. The real estate and mortgage markets are showing clear signs of overheating for residential properties. Various factors point towards such properties being overvalued. For example, real estate prices have risen much more sharply in the last 20 years than consumer prices or GDP. This trend has accentuated even more since the outbreak of the coronavirus pandemic, thereby further increasing the vulnerabilities on the mortgage and real estate markets in the event of a correction. In addition, analyses carried out by FINMA show that some of the banks and also some of the insurance companies would fall far below the threshold of the capital requirements in force in the event of a severe real estate crisis and would have to be recapitalised as a result.

Jan Blöchliger, Head of the Banks division, says: "The volume of mortgages is continuing to grow. And it is even accelerating – despite the coronavirus pandemic. The institutions are taking increasingly higher risks in mortgage lending. FINMA sees risks in particular in the residential buy-to-let market. With a volume of over CHF 1,100 billion, the Swiss mortgage market is larger than the balance sheet of a systemically important large bank. It is therefore de facto "too big to fail". The reactivation of the countercyclical capital buffer at the level of 2.5% will increase the banks' resilience. It is a

step in the right direction for greater safety and stability of the financial system.”

**Countercyclical capital buffer suspended in the context of the coronavirus crisis**

The countercyclical capital buffer was deactivated in March 2020 in light of the unfolding coronavirus crisis (see [link](#)). This took place as part of the package of measures rolled out by the Federal Council, the National Bank and FINMA. The aim was to give banks more flexibility in granting credits to companies, thus preventing a possible credit crunch.