

## Press release

**Date:**  
26 April 2023

**Embargo:**  
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# FINMA assesses the recovery and resolution plans of systemically important institutions again

**The Swiss Financial Market Supervisory Authority FINMA today publishes its annual assessment of recovery and resolution planning by systemically important Swiss financial institutions for the 2022 reporting period. The Resolution report does not take account of subsequent events, in particular the merger of UBS and Credit Suisse.**

Every year FINMA assesses the progress made in recovery and resolution planning-by the systemically important banks Credit Suisse, UBS, PostFinance, Raiffeisen and Zürcher Kantonalbank and the systemically important financial market infrastructures SIX x-clear and SIX SIS. [It has published its reporting on this since 2020](#), and is doing so again in 2023, as provided for in the Banking Ordinance. In their recovery planning, the institutions mentioned show how they would stabilise themselves in a crisis. The resolution planning is intended to show how systemically important institutions can be restructured or liquidated on the basis of the existing statutory TBTF rules (see info box below), while maintaining their Swiss systemically important functions.

The institutions submitted their emergency planning documents by mid-2022. The resolvability work by the large banks was assessed as it stood at the end of 2022. The events surrounding Credit Suisse in the first quarter of 2023 are therefore not taken into account in the Resolution report. (In this regard, FINMA refers to the separate [press releases](#) and to the [FINMA media event](#) on 5 April 2023). However, these events will be taken into account in the future as the institutions continue to develop their recovery and resolution planning.

**Urban Angehrn**, FINMA CEO: “The rules for systemically important institutions provide for crisis preparations in addition to increased capital and liquidity requirements. The events surrounding Credit Suisse show how important it is to make concrete preparations for crises. This meant that the authorities had options on the table with the restructuring plan and with the emergency plan that simply did not exist ten years ago. At the same time, it is clear that there are important lessons to be learned from the Credit Suisse crisis for future crisis preparations. FINMA will contribute to this objective.”

### **Operational progress by the large banks improves resolvability**

Thanks to further operational progress, the two large Swiss banks continued to improve their global resolvability in 2022. Resolvability means creating the conditions for successfully restructuring a systemically important bank in a crisis, or allowing it to exit the market by way of bankruptcy. The large banks have finalised their planning and operational capabilities in the areas of “valuation” and “restructuring”, tested them and also coordinated them with foreign authorities. Further improvements in implementation were made in the areas of “liquidity” and “completion of a bail-in”. They were essentially able to meet the requirements in the area of “operational continuity”. FINMA continued to view the Swiss emergency plans of Credit Suisse and UBS as ready to implement.

### **Raiffeisen’s emergency plan ready to implement for the first time – PostFinance lacking recapitalisation guarantee**

For the first time, Raiffeisen’s emergency plan meets the requirements for the uninterrupted continuation of systemically important functions if the bank were to be at risk of insolvency. Raiffeisen can provide sufficient capital to be recapitalised and continued in the event of a crisis. The emergency plan for Zürcher Kantonalbank (ZKB) is still not yet ready to implement, as ZKB has not reserved sufficient capital for recapitalisation in a crisis. However, it has begun to build up the corresponding funds by issuing bail-in instruments. PostFinance must realign its emergency recapitalisation strategy following the decision not to approve the revision proposal for the Post Organisation Act.

### **Recovery plans of financial market infrastructures approved without conditions**

FINMA approved the recovery plans of the central counterparty SIX x-clear and the central securities depository SIX SIS for the first time without conditions.

### **Liquidity Ordinance in force**

As part of the provisions on systemically important institutions, the amendments to the Liquidity Ordinance came into force on 1 July 2022, with a transitional period until the beginning of 2024. These amendments further develop the liquidity requirements for systemically important institutions.

## Progress of the institutions' work as at the end of 2022

Institution	Recovery plan	Swiss emergency plan	Institution resolvability	Rebates
Credit Suisse	Approved	Effective	Preparatory measures adequate	Maximum potential rebate (62.5%) utilised <sup>4</sup>
UBS	Approved	Effective	Preparatory measures adequate	Maximum potential rebate (62.5%) utilised <sup>4</sup>
PostFinance	Approved	No plausible plan for reaching effectiveness <sup>1</sup>	As emergency plan	Not applicable
Raiffeisen	Approved	Effective	As emergency plan	Not applicable
Zürcher Kantonalbank	Approved	Plausible plan for reaching effectiveness	As emergency plan	Not applicable
SIX x-clear	Approved	Not applicable	Preferred resolution strategy defined <sup>2</sup>	Not applicable
SIX SIS	Approved	Not applicable	Resolution strategy under preparation <sup>3</sup>	Not applicable

<sup>1</sup> The strategy (recapitalisation guarantee by the federal government) has become obsolete due to the decision not to approve the revision proposal for the Post Organisation Act.

<sup>2</sup> Preparations for the implementation readiness are still being made.

<sup>3</sup> The basis for defining the strategy was created.

<sup>4</sup> The rebate system was replaced by the resolvability assessment on 1 January 2023 to continue to set incentives to maintain or improve resolvability. FINMA now has the ability to impose surcharges on the gone concern or liquidity requirements if shortcomings are identified in the resolvability assessment.

### What is the purpose of the Resolution report?

In its annual Resolution report, FINMA sets out the status of the recovery and resolution plans for all systemically important Swiss financial institutions. In this way, it fulfils its obligation laid down in the Banking Ordinance (cf. [Art. 66](#)) and ensures transparency.

Following the financial crisis of 2007/2008, the Swiss legislator promulgated special rules for the stabilisation, restructuring or liquidation of systemically important institutions. In particular, the rules require higher capital and liquidity buffers as well as plans for recovery and resolution. For this, the institutions must also fulfil organisational and operational requirements, known as "capabilities". FINMA reviews and assesses the extent to which the institutions' preparatory work and the respective planning comply with the statutory requirements for systemically important institutions.

An assessment of the preparatory work and the recovery and resolution plans as "green" means that they essentially meet the statutory requirements and appear to be a viable option. The extent to which the plans are implemented or other options are chosen in the event of a crisis depends on the specific crisis of the affected institution, the situation and also the respective market environment.

The Resolution report provides a review of the general status of preparatory work and planning by a certain cut-off date.

#### Further information:

- [On the status of resolution planning by the large global Swiss banks](#)
- [On the status of the emergency plans of the three domestic systemically important banks](#)
- [On the status of recovery and resolution planning by the systemically important financial market infrastructures](#)

#### Information on the rules for systemically important institutions

FINMA provides detailed information about the [regulation](#) of systemically important institutions in Switzerland, about its role as a [resolution authority](#) and the procedure for assessing resolvability, and about [depositor, investor and creditor protection](#) in the Swiss financial centre.

#### Terms/Glossary

**Recovery plan:** In the recovery plan, the systemically important institution sets out which measures it will use to ensure its stability on a sustainable basis in the event of a crisis and be able to continue its business activities without government intervention. FINMA approves the recovery plan. The recovery plan itself is the responsibility of the bank. FINMA checks whether the plan meets the requirements of the act and ordinance as a whole without confirming whether it is ready to implement.

**(Swiss) Emergency plan:** Systemically important banks must demonstrate in the emergency plan that their systemically important functions can be continued without interruption in a crisis. Only functions that are critical to the Swiss economy are deemed systemically important, which includes in particular the domestic deposit and lending businesses as well as payment services. Thus it is sometimes referred to as the Swiss emergency plan. For the G-SIBs, a triggering of the emergency plan with simultaneous bankruptcy of the group is envisaged as a last resort. FINMA reviews the measures in the emergency plan with regard to their likely effectiveness if the bank were to be at risk of insolvency.

**Resolvability:** Resolvability describes a company's ability to fail in an orderly manner. A systemically important bank is deemed resolvable if conditions are in place that would allow it to be successfully restructured or to exit the market by way of bankruptcy in the event of a crisis.

**Resolution plan:** The plan drawn up by FINMA to restructure or liquidate a systemically important institution in its entirety (in the case of an international systemically important bank the entire group, including foreign group entities, which is why this plan is also referred to as the “global resolution plan”). In this plan FINMA sets out how the restructuring or liquidation would be carried out.

**Rebates:** The Swiss “too big to fail” legislation contained an incentive system under which the two large Swiss banks were eligible for rebates on their gone concern capital requirements in return for improvements to their global resolvability. The banks have exhausted the maximum rebate potential (62.5% of 5.7% of risk-weighted assets and 2% of total exposure respectively) and thus have to hold correspondingly less loss-absorbing capital. From 1 January 2023, FINMA will conduct an annual resolvability assessment, taking into account the requirements of the Banking Ordinance (Art. 65a BO). If shortcomings are identified, it can now impose surcharges on the gone concern or liquidity requirements.