

Press release

UBS resolution reporting: recovery and emergency plans to be revised

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Contact:
Patrizia Bickel,
Media Spokesperson
Tel. +41 (0)31 327 93 19
patrizia.bickel@finma.ch

UBS's recovery and emergency plans will be revised due to the takeover of Credit Suisse. The Swiss Financial Market Supervisory Authority FINMA has suspended the annual approval of the recovery and emergency plans and determined that the integration of CS requires adjustments by UBS to ensure continued resolvability. FINMA expects UBS to further develop its resolution planning. In line with the TBTF Report of the Swiss Federal Council, amendments to legislation are necessary to provide authorities with more options to increase flexibility in case of a crisis.

In its assessment of UBS's resolvability as at 31 December 2023, FINMA determined that the integration of Credit Suisse had created obstacles. FINMA is of the opinion that if the preferred restructuring strategy were to be applied, UBS could be resolved today by means of "single point of entry" recapitalisation. UBS continues to fulfil the requirement for loss absorption capacity. However, due to the integration, it must harmonise the group structures, processes and IT platforms. The identified obstacles are currently being overcome by means of manual data aggregation until all processes function as automatically as possible again and the data is transferred to the strategic systems.

At the same time, the current resolution strategy for UBS only provides for the continuation of business activities as part of a restructuring of the business model. Based on the experience of the Credit Suisse crisis, additional options for action are required to further strengthen crisis preparations and resolution planning for systemically important banks. Accordingly, FINMA also expects UBS to review its recovery and emergency plans. It has therefore suspended the annual assessment of these plans for 2024.

More options for FINMA

UBS's resolution planning must be further developed in order to increase the options for action available if there is a risk of insolvency. In addition to the going concern strategy, it must be possible to exit the market by selling or winding down individual business segments as well as selling the bank without jeopardising the stability of the financial system and without using

taxpayers' money. These options must be prepared by the bank in the coming years and are consistent with the proposals in the TBTF report. At the same time, it is essential that the necessary foundations are created at the statutory level so that these options can be implemented with legal certainty. A further prerequisite is that they can be combined with a bail-in and the public liquidity backstop (PLB) to ensure that there is sufficient liquidity support during the resolution in addition to sufficient capital.

Resolvability

As a global systemically important bank, UBS must be capable of being resolved at any time. FINMA assesses the resolvability of UBS annually and shares the results with the Financial Stability Board (FSB), which conducts a survey ("Resolvability Assessment Process") for all global systemically important banks. In line with its statutory remit, FINMA regularly reports to the public on the status of work on the resolution, recovery and emergency planning of systemically important banks and systemically important financial market infrastructures.

As a global systemically important bank, UBS has to fulfil special crisis prevention requirements. It draws up recovery and emergency plans, both of which are assessed annually by FINMA. The recovery plan describes how a destabilisation or risk of insolvency is to be averted through the company's own efforts. The emergency plan shows how the systemically important functions can be maintained if stabilisation attempts are unsuccessful.

Recovery plans: focus on liquidity-generating measures

The events surrounding the Credit Suisse crisis have revealed the extent to which recovery plans need to be improved. The measures must be capable of being implemented more quickly and independently of each other and communicated in a targeted manner with as few negative effects as possible. There also needs to be a stronger focus on liquidity-generating measures in order to keep pace with the dynamics that have arisen through digitalisation. FINMA is currently revising the relevant requirements.

FINMA expects UBS to take into account the experience gained from the recent crisis, in particular the speed and extent of deposit withdrawals, in its assumptions. Liquidity-generating measures must be calculated even more conservatively and prepared even more comprehensively. In future, FINMA will give even greater weight to the operational and scenario-dependent feasibility of measures in its assessment. Foreseeable negative effects or obstacles must be analysed in more detail and mitigated during the planning phase. FINMA has therefore suspended the annual approval of UBS's recovery plan for 2024.

Emergency plan: revision necessary due to the merger

UBS's emergency plan must ensure that the Swiss entity can continue to operate its systemically important functions without interruption even if there is a risk of insolvency. The decision to integrate Credit Suisse (Schweiz) AG into UBS Switzerland AG will have a significant impact on UBS's emergency plan, which will also have to be thoroughly revised. FINMA has therefore suspended the assessment of UBS's emergency plan for 2024.

In its emergency plan, UBS must in particular revise the liquidity planning and the refinancing of the Swiss entity when the emergency plan is activated. Adjustments to the accounting model in connection with business activities that go beyond the systemically important functions must be specifically taken into account in emergency planning.

Further strengthening of the TBTF legislation

The Federal Council's report on the TBTF rules and FINMA's report on the CS crisis emphasise that resolution was prepared and was a viable option. The resolution planning in accordance with the TBTF rules gave the authorities a choice of solutions. However, the merger was associated with fewer risks. The reports also highlight opportunities to further strengthen crisis preparations and resolution planning for systemically important banks. Resolution planning and the development of further options are dependent on the highest possible level of legal certainty. FINMA is committed to ensuring that the legal framework is also adapted to the new resolution options to be developed in order to guarantee the greatest possible legal certainty in the implementation of all options.

UBS's crisis planning will have to adapt to the new requirements in the coming years. At the same time, it is important that the measures identified in the Federal Council's TBTF report are implemented at the statutory level, in particular the public liquidity backstop. These further developments will make a significant contribution to ensuring that crisis prevention remains credible and effective for UBS.