

Press release

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FINMA position paper on the resolution of systemically important banks

The Swiss Financial Market Supervisory Authority FINMA takes the view that the recovery and resolution capability of systemically important banks needs to be improved. To this end, it has published a position paper on the recovery and resolution of globally active banks.

If the threat of insolvency is removed, a market-based economic system loses its key disciplining element. Given the "too big to fail" issue with systemically important banks, an effective, internationally coordinated recovery and resolution strategy is vitally important.

A coordinated group-wide approach

As set out in its [position paper](#) on the recovery and resolution of systemically important banks published today, FINMA proposes an approach in which the home supervisory authority takes the lead in coordinating group-wide recovery and resolution plans. Where necessary, the home supervisory authority can order a bail-in in which the bank's creditors bear losses. This means in particular that the holders of senior bonds contribute towards recapitalising the institution affected. The bail-in process also creates time to reorganise the viable parts of a bank and transfer them to a sustainable business model.

A process of this kind has major advantages. Business operations can continue without significant interruption and the continuity of economically critical functions is assured. This increases the likelihood that the recovery or resolution of a global systemically important bank will not affect system stability in the home country of the bank or abroad.

Against national ring-fencing

FINMA prefers the concept, referred to internationally as the "single point of entry" (SPE) approach, in which the "haircut" begins with the top-level group company and is used to cover losses suffered by

other group companies. The SPE approach aims to avoid the preventive ring-fencing of individual parts of the business in the various markets and enable the orderly wind-down of foreign subsidiaries.

The FINMA position paper is consistent with the proposals of the Financial Stability Board. At the end of June 2013, the European Union also published draft guidelines on recovery and resolution which take a similar line.

Contact

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