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

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FINMA opens consultation on full revision of 'Liquidity – banks' circular

Starting in 2015, a new internationally harmonised liquidity standard for banks shall apply. By revising the Liquidity Ordinance, the Swiss Federal Department of Finance is introducing the short-term liquidity coverage ratio based on the Basel III minimum standard. At the same time, the Swiss Financial Market Supervisory Authority FINMA is adapting Circular 2013/6 'Liquidity - banks'. Both consultations will run until 28 March 2014.

In line with the Basel III minimum standards, banks must meet not only stricter capital adequacy requirements, but also internationally harmonised quantitative liquidity requirements. Following the implementation of the capital adequacy requirements, the short-term liquidity coverage ratio (LCR) will be introduced in Switzerland in 2015. The Federal Council is therefore adapting the Liquidity Ordinance, while FINMA is adjusting Circular 2013/6 'Liquidity - banks'. Both consultations will run until 28 March 2014.

More liquid assets enhance safeness

The objective of the short-term liquidity coverage ratio is to reinforce the resilience of banks against liquidity shocks. Banks should have a minimum level of high quality assets as a liquidity reserve. In a time of stress, banks must be able to survive a significant stress scenario (cash outflow) lasting for one month. In future, management and supervisors can take appropriate short-term corrective measures to resolve liquidity problems. Overall, client confidence and resilience against crises in the entire banking sector will be enhanced by these changes.

Phased introduction of liquidity coverage ratio

Switzerland will implement the short-term liquidity coverage ratio in line with the Basel III regulations with only some minor exceptions and additional points. Starting in 2015, the LCR will be phased in gradually for all banks in Switzerland, apart from the systemically important banks. This allows the banks adequate time to change their business models and to build up the required stock of high quality liquid assets. Systemically important banks must meet the short-term liquidity coverage ratio requirements without being granted any transition period.

Liquidity coverage ratio: part of the Basel III minimum standards

Besides the rules on short-term liquidity coverage ratio, the Basel III framework also sets out other provisions on liquidity. To measure all dimensions of a bank’s liquidity profile and promote global consistency in liquidity risk supervision, the structural measure, net stable funding ratio (NSFR), is to be introduced by 2018 to supplement quantitative liquidity standards.

Contact
Tobias Lux, Media Spokesperson, tel. +41 (0)31 327 91 71, tobias.lux@finma.ch