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

Press release

Date:
16. July 2018

Embargo:

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

FINMA publishes circulars on the further implementation of Basel III in Switzerland

The Swiss Financial Market Supervisory Authority FINMA has published revised circulars on interest rate risks, disclosure, capital requirements and capital held by banks. FINMA has adopted a consistently proportionate approach in these amended circulars: the further refined Basel standards have been implemented in a differentiated manner.

The evolution of the standards issued by the Basel Committee on Banking Supervision, changes to the Banking Ordinance and Capital Adequacy Ordinance issued by the Federal Council and amended international accounting standards have necessitated changes to a number of FINMA circulars, in particular FINMA Circulars 2019/2 “Interest rate risks – banks” and 2016/1 “Disclosure – banks”. This revision package is one of the last steps in the national implementation of the Basel III standards. The implementation of the net stable funding ratio (NSFR) and the revised standards published by the Basel Committee in December 2017 are still pending. These will be handled under the lead of the Federal Department of Finance via amendments to the relevant Federal Council ordinances and associated FINMA circulars.

FINMA held a consultation on the revised circulars, which supported the revision, although the respondents also expressed reservations mainly about interest rate risks. The circulars come into effect on 1 January 2019.

Interest rate risks: various discounting methods permitted

FINMA took a number of issues into account that arose during the consultation. For example, FINMA allows the application of several discounting methods in line with the Basel standards. Certain subordinated debt instruments can also be taken into consideration when measuring interest rate risk. Finally, FINMA has an explicit de minimis regulation for medium-sized institutions in Category 3 in keeping with the principle of proportionality: Category 3 institutions with minor interest income and low interest rate risks can apply all simplifications also applicable to institutions in Categories 4 and 5.

Disclosure: focus on key information

The revised circular adopts a more principle-based approach and the scope of disclosure varies according to the banking category. Institutions can now individually amend the scope of their disclosure without providing further justification for doing so: if a bank considers certain items of information subject to disclosure not to be important, it may refrain from disclosing such information. The banking sector welcomed this flexibility. The revised provisions apply to disclosure with effect from 31 December 2018.

Additional circulars

In 2016 and 2017, the Federal Council revised its Banking Ordinance and Capital Adequacy Ordinance regarding capital buffer and credit risks. FINMA observes these amendments in Circulars 2011/2 “Capital buffer and capital planning – banks” and 17/7 “Credit risks – banks”. Circular 13/1 “Eligible capital – banks” has also been updated and now includes necessary, new requirements for the treatment of the expected credit loss provisions established under international accounting standards when determining regulatory capital.