


Swiss Banking's New Liquidity Landscape: The Future of SNB Support and Emerging Tools for Swiss Banks

Banking and Finance Event 2025 - Resilience of
Financial Institutions

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November 27, 2025





David Taylor

@DaveTaylorNews


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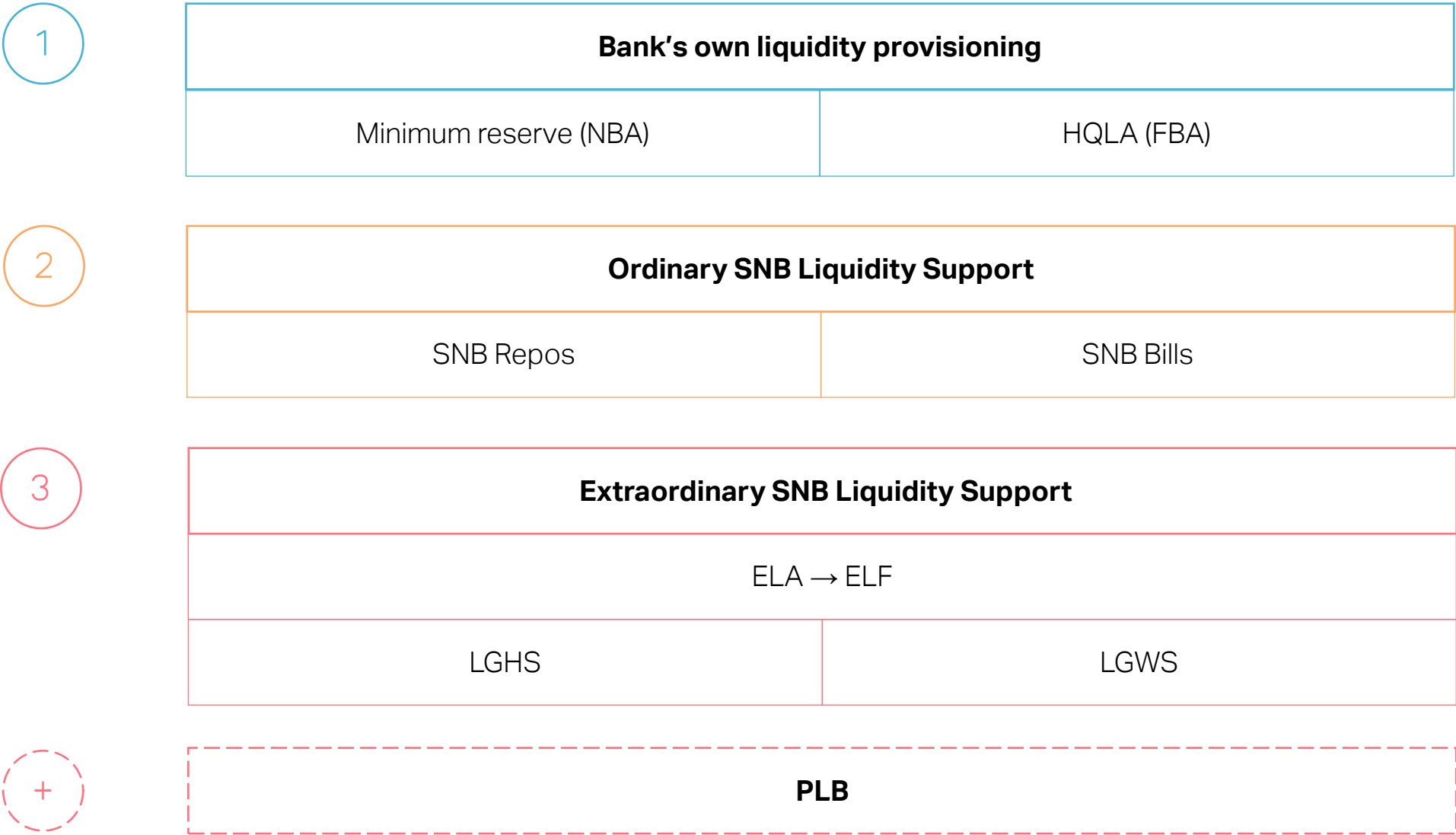
1. Introduction

Example of a (Simplified) Bank Balance Sheet

ASSETS	31.12.2025 CHFm
Cash and balances at central banks	6,000
Due from banks	5,000
Lombard loans	30,000
Mortgages	15,000
Financial assets	14,000
Other assets	30,000
Total assets	100,000

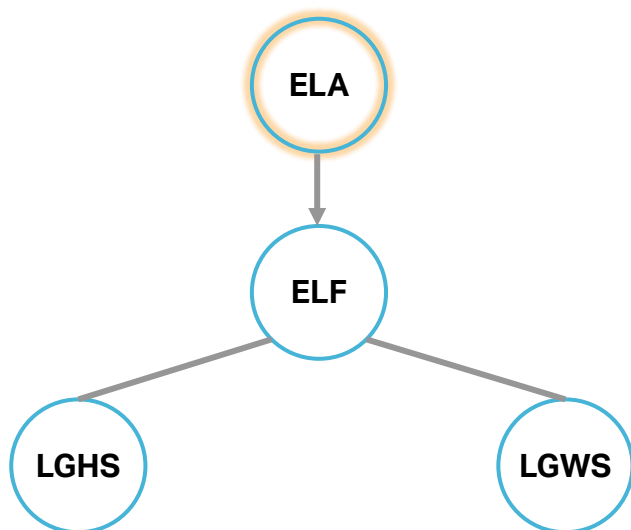
LIABILITIES & EQUITY	31.12.2025 CHFm
Due to banks	7,000
Due to customers	65,000
Debt issued	3,000
Other liabilities	17,000
Total liabilities	92,000
Total equity	8,000

Three Lines of Defense



2. Genesis of a New Emergency Liquidity Regime

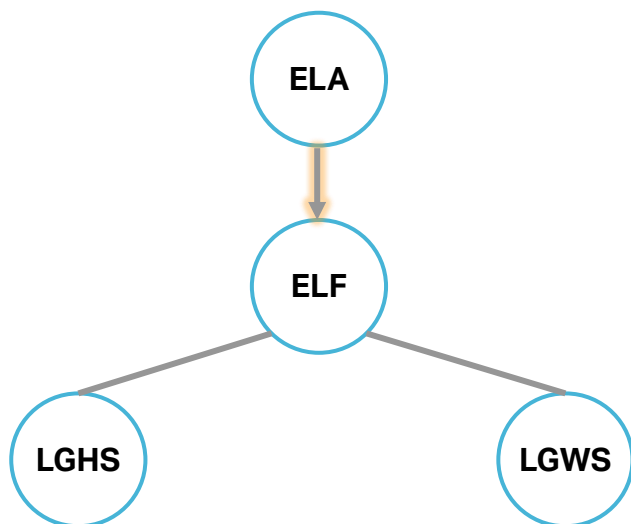
Evolving framework for extraordinary liquidity support



ELA Framework Conceived

- Role of the **SNB as lender of last resort** (LOLR) enshrined in the National Bank Act (NBA) since the 2003 revision
- Based on the 2003 revision, the SNB introduced the Emergency Liquidity Assistance (ELA) framework with **three main conditions** for liquidity assistance:
 - i. only against sufficient collateral (i.e. high quality Swiss mortgages);
 - ii. only for solvent banks; and
 - iii. only for systemically relevant banks or banking groups
- + formal approval by the SNB Governing Board
- ELA **operative** for UBS and CS **from 2004**

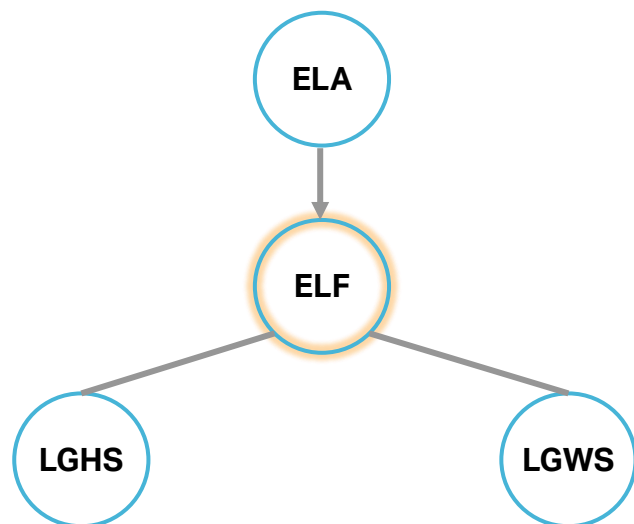
Evolving framework for extraordinary liquidity support



ELA Framework Extended

- 2015: Range of eligible collateral extended to bonds and equities in various currencies
- 2015 to 2019: Inclusion of PostFinance, Raiffeisen Group and ZKB
- 2019: Works started to extend liquidity support to all banks in Switzerland
- March 2023: CS receives a total of CHF 168 billion in liquidity support, including ELA and additional support under emergency law
- New: Extended Liquidity Facility (ELF)

Evolving framework for extraordinary liquidity support

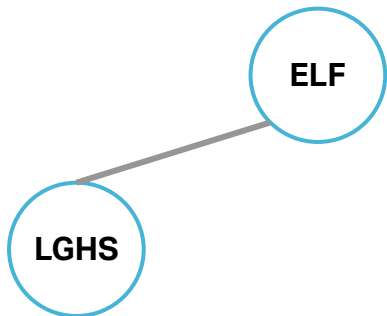


ELF Framework Conceived

- The Extended Liquidity Facility (ELF) Framework is succeeding ELA and is intended to **bring liquidity support closer to standard operations**
- **Simplified access** to liquidity support **on a limited scale** (predefined upper limit)
 - no prior FINMA solvency confirmation needed and without further requirements (e.g., prior full utilization of financing options on the market)
- If liquidity needs exceed the predefined upper limit
 - **additional requirements** including FINMA solvency confirmation & formal decision by the SNB Governing Board
- **Twofold Goal**
 1. **Increased flexibility**
 - Quick and easy access to SNB-funded liquidity buffer
 2. **Reduction of the stigma** that may be associated with SNB liquidity support
 - Banks invited to request liquidity support at an early stage and without hesitation
- ELF **designed as a backstop facility**: ELF priced so that normally interest rates are above market rates

3. The New Tools

LGHS in detail



Eligible banks

- All banks connected to the SIC system domiciled in Switzerland, i.e. (a) banks with headquarters in Switzerland and (b) Swiss subsidiaries of foreign banks (prudential FINMA supervision, Art. 3 Banking Act)
- Not authorized: Swiss branches of banks with headquarters abroad

Procedure

1. Application for liquidity assistance and confirmation of solvency (if necessary)
2. Review of collateral by SIX
3. SNB decision on granting the loan
4. Signing of agreements with SNB
5. Assignment of mortgage claim to SNB, transfer/reclassification of collateral

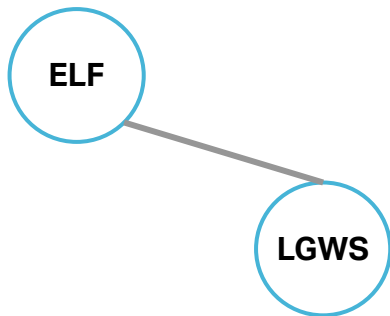
Accepted collateral

- Mortgage claims on Swiss residential and commercial properties
- Must be secured by registered mortgage certificates managed in trust by SIX SIS AG
- Further eligibility criteria set by SNB (e.g. no second ranking mortgages)

Loan terms

- Loan granted in CHF, no prior legal claim
- Rolling extension at the end of the term
- (Partial) amortization possible at the end of the term
- Shortfall in the mortgage pool → (partial) repayment if no increase is possible

LGWS in detail



Eligible banks

- As in LGHS
- Also banks not active in the Swiss mortgage market

Accepted collateral

Wide range of securities to be defined by SNB, including (to a degree):

- Illiquid bonds
- Bonds with lower credit ratings securitizations
- Equities in CHF and foreign currencies

Procedure

Similar to LGHS

Loan terms

Similar to LGHS

Preparatory Work

Arrangements with SNB

- Agreements (Declaration of Participation, Loan Agreement, Security Agreement)
- Establishing Limits
- Ensure compliance with overall funding framework (negative pledge etc.)

Collateral Pool

- Identify sufficient stock of eligible collateral
- Establish transferability
- Collateral pool generation and maintenance in line with SNB-set eligibility criteria

Operational Requirements

- SIX SIS connectivity
- IT (including tracking and flagging)
- Internal procedures (Guidelines, Manual)
- Reporting + Testing

LGHS additionally

- Terravis hook-up
- Amendment of customer agreements
- Conversion of physical mortgage certificates

Conclusions

1. Significant amount of preparatory work needed
2. Increased demands on the allocation of relevant assets
 - Securities: LCR ↔ ESI ↔ LGWS ↔ Central/commercial counterparties
 - Mortgages: Mortgage bonds ↔ Covered Bonds ↔ ESI ↔ LGHS
3. Stigma only mitigated

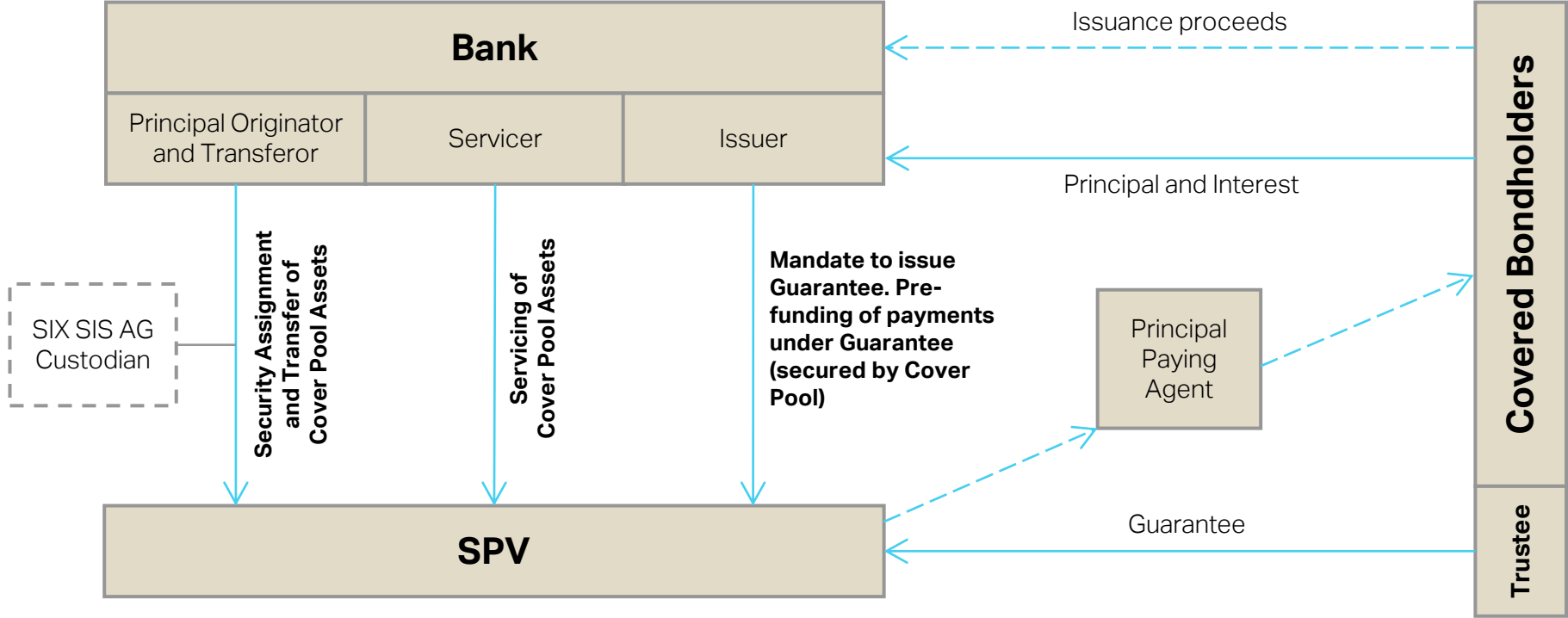


4. Covered Bonds – An Old Tool Revived

Importance of Covered Bonds

Swiss Covered Bonds

-
- Historically
 - UBS AG
 - Credit Suisse AG
 - Extension 1: Auto Covered Bonds (AMAG Leasing)
 - Extension 2: Lombard Covered Bonds (Credit Suisse AG)
-
- Currently various Swiss banks
 - UBS Switzerland AG
 - Valiant
 - Crédit Agricole next bank (Suisse) SA
 - Cornèr Banca SA
 - Placed with Swiss (and European) institutional investors
-
- Several billions CHF equivalent of mortgage covered bonds issued in 2024
 - Spread (under senior bond): 25-75 bp



Swiss Mortgage Covered Bonds

Transfer Clause (Extract)

«The bank may sell its rights and claims arising from the credit relationship, including any collateral securing them, such as mortgage notes and/or other collateral, in whole or in part to third parties in Switzerland and abroad, or transfer them to third parties in Switzerland and abroad.

Each purchaser is entitled to transfer the acquired claims and other rights further if the next purchaser in turn undertakes to maintain confidentiality. »

Key Drafting Considerations

- Transaction types to be covered
 - ⇒ Eligible transferees
 - ⇒ Only in Switzerland?
 - ⇒ Scope of permitted disclosure of CID
- Set-off waiver?
- «Mortgage debtor not worse off»
- Client information

Key Structuring Elements

— Rating

- AAA rating key element for covered bonds
- Transaction Documents and any changes to it need to be signed off by rating agency

— Stapling of mortgage assets

- All mortgage tranches secured by the same mortgage certificate(s) need to be transferred together «as a package»
- Related 2nd/3rd pillar collateral to be handled

— Silent assignment / Servicing

- Assignment of mortgages is silent
- Mortgage certificates often held through SIX nominee system, showing only SIX SIS as creditor
- Assignment is only notified upon occurrence of a notification event
- Servicing events typically lead to mortgage being removed from cover pool

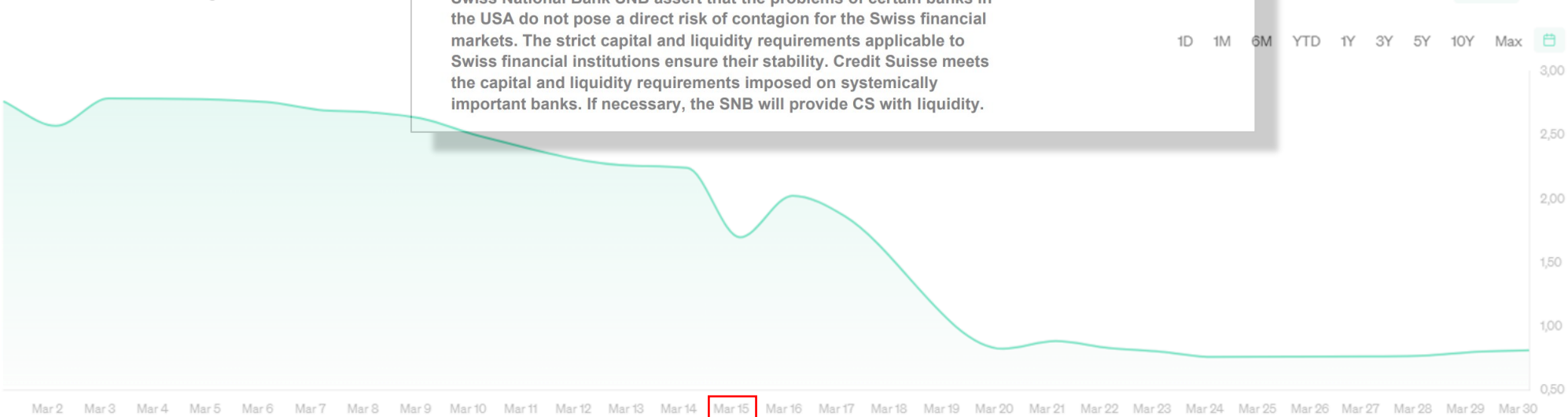
— Retained issuance capability

- Issuance completed, but bonds «on shelf»
- Mainly for use in repo market

5. Final Remarks

Final Remarks

Credit Suisse Group Aktienkurs



FINMA and the SNB issue statement on market uncertainty

The Swiss Financial Market Supervisory Authority FINMA and the Swiss National Bank SNB assert that the problems of certain banks in the USA do not pose a direct risk of contagion for the Swiss financial markets. The strict capital and liquidity requirements applicable to Swiss financial institutions ensure their stability. Credit Suisse meets the capital and liquidity requirements imposed on systemically important banks. If necessary, the SNB will provide CS with liquidity.



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Embargo:
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Unlocking Capital Efficiency with Loss Absorbing Instruments

Banking and Finance Event 2025 - Resilience of Financial
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November 27, 2025

Reasons for regulatory capital instruments in *debt* format

- Regulatory frameworks like **Basel III** and the Total Loss-Absorbing Capacity (**TLAC**) rules require banks to hold certain levels of qualifying regulatory capital, which can (or must) include debt instruments
- Debt capital tends to be **less expensive than equity** due to its payment structure and priority in liquidation
- Issuing regulatory capital in debt form allows companies to **raise funds without diluting ownership**, a core concern for existing shareholders/owners

- Interest payments on debt are usually **tax-deductible**, whereas dividends on equity are not, providing further cost advantages
- Regulatory **exemptions regarding Swiss withholding tax** facilitate international placements
- Structuring of debt instruments is **more flexible** and allow more tailored solutions

Reasons for regulatory capital instruments in *debt* format

How do the instruments work?

- Loss absorbing instruments create equity either through conversion into equity instruments (e.g., shares) or through write-down/-off
- Indirect liquidity impact (no redemption of the instrument; no more interest payments; possibly creation of trust/confidence)
- Going Concern Instruments:
 - AT1: Capital Trigger (5.125% or 7% CET1/RWA)
 - AT1 & Tier 2: non-viability (bail-out or FINMA decision)
- Gone Concern Instruments: Bail-in in formal restructuring proceeding

Common features (AT1 and Tier 2):

- Issued after FINMA approval
- Fully paid-in (or generated internally)
- At the time of issuance not (i) directly or indirectly financed by loans granted by the bank to third parties (ii) offset against the bank's receivables or (iii) secured by bank assets
- Subordinated to other liabilities in case of a liquidation, bankruptcy or restructuring proceeding
- Full conversion or write-off at the point of non-viability
- Interest payment not linked to issuer risk after issuance,
- NC5, early redemption only with prior FINMA approval (which will not be given unless capital requirements met or replacement issuance)
- No investor put
- No incentive to redeem (no step-up)

Core minimum requirements for
Going Concern Instruments

Core minimum requirements for *Going Concern* Instruments

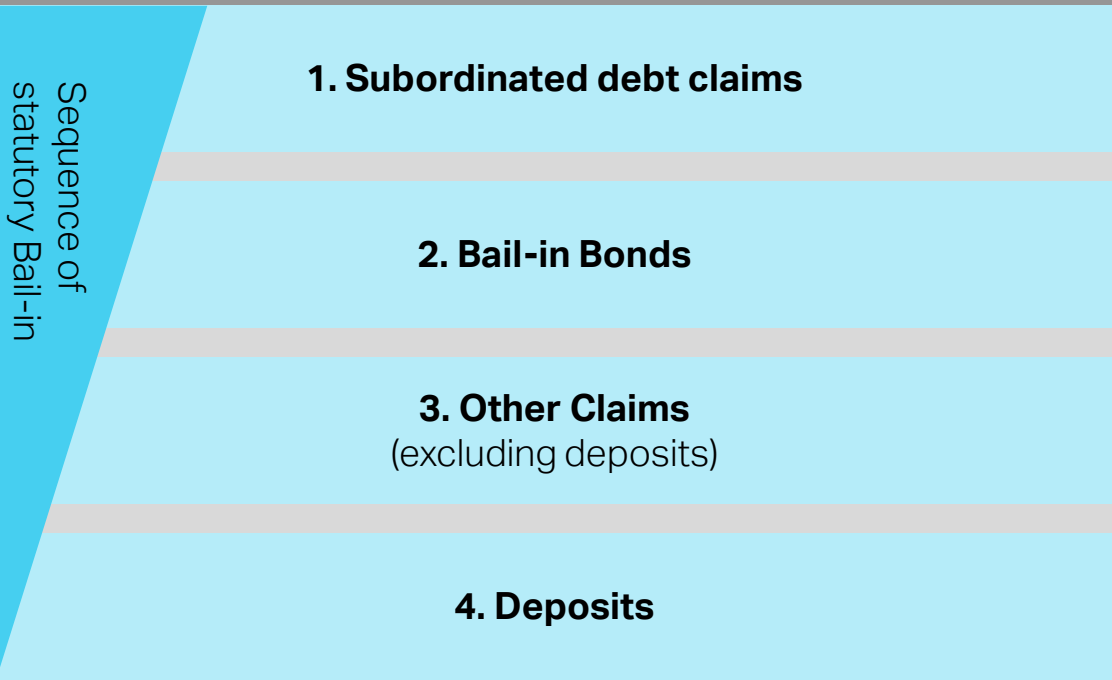
AT1:

- Perpetual
- Interest payments voluntary and require sufficient distributable items
- Capital trigger (5.125% or 7% CET1/RWA)
- Senior only to equity instruments, junior to Tier 2
- No characteristics that make it difficult in any way to increase the bank's share/equity capital

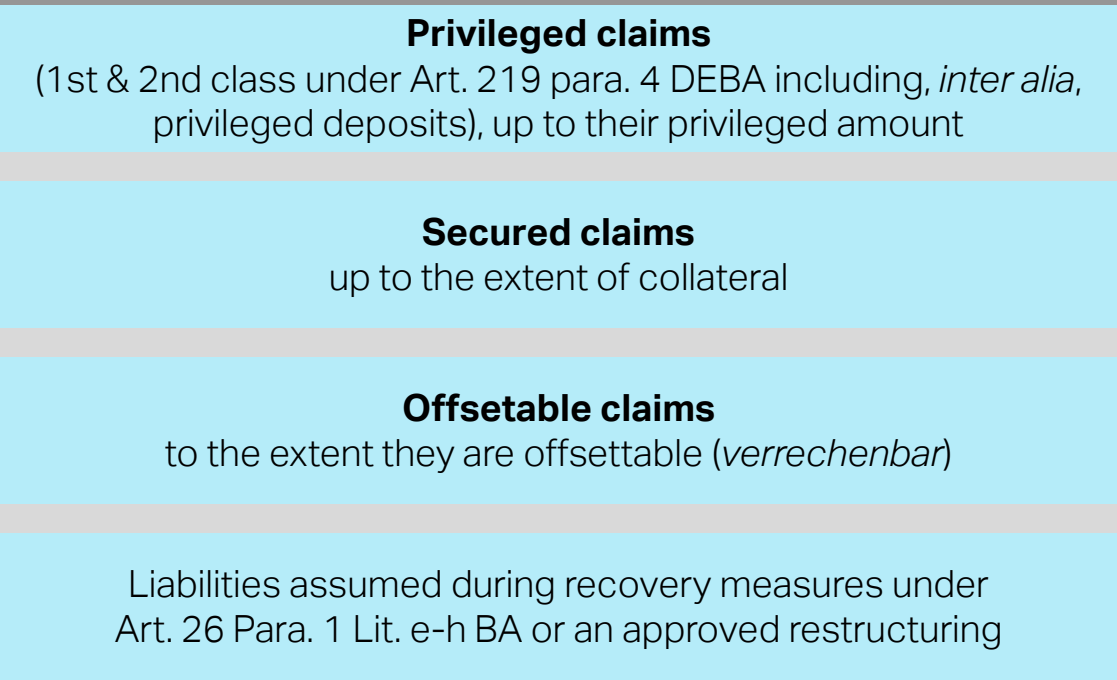
Preconditions for statutory Bail-in

- Fully convert conversion capital per Art. 11 Para. 1 Lit. b BA into equity and fully write down bonds as per Art. 11 Para. 2 BA
- Fully reduce the company's share capital

Claims subject to statutory Bail-in

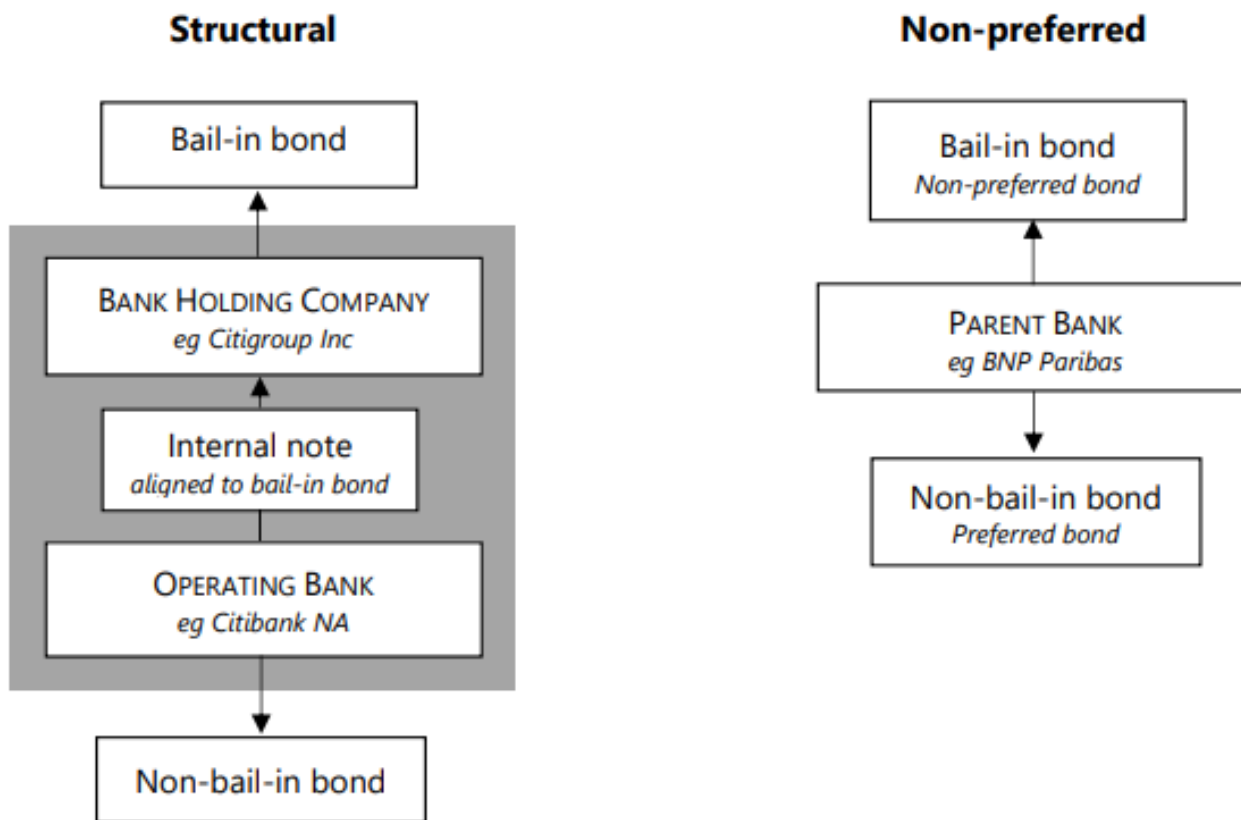


Claims excluded from statutory Bail-in



- Fully paid-in
- Neither directly nor indirectly acquired through financing from the issuing bank or one of its group companies
- Issued by Swiss entity (top entity or specific SPV if loss absorbency is ensured)
- Swiss law / jurisdiction (principle)
- No investor put
- Not off-settable or secured or guaranteed in a way that limits loss absorbency
- Subordinated to relevant operating liabilities (by law, contract or structurally)

Core minimum requirements for *Gone Concern* Instruments



Notes: The figure illustrates the two main approaches to issuing bail-in debt. The structural approach comprises the issuance of a bail-in bond by the bank holding company. The proceeds are down-streamed to the operating bank, a fully owned subsidiary, in return for an internal note. Bonds issued by the operating bank are not subject to bail-in under resolution. The non-preferred approach, in turn, is based on the parent bank issuing bail-in bonds that rank below the non-bail-in bonds issued by the same entity.

<https://www.bis.org/publ/work831.pdf>

Core minimum requirements for *Gone Concern* Instruments

- Bail-in acknowledgement
- No derivative features
- Issued after FINMA approval
- Can only be repaid before maturity with FINMA approval if the quantitative requirements for additional loss-absorbing funds would no longer be met

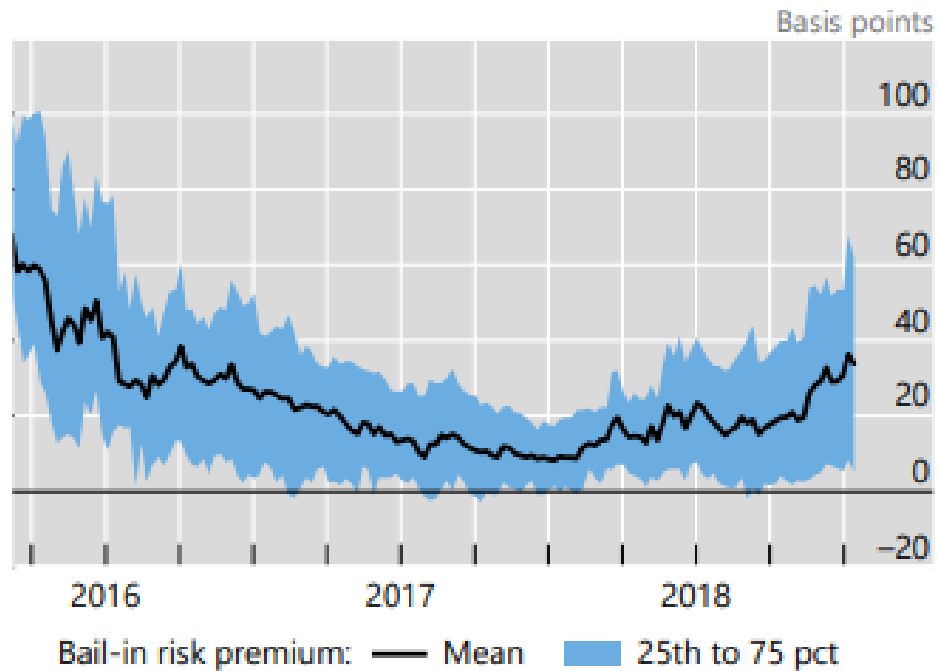
- Capital Adequacy Ordinance contains *minimum requirements*
- Financial institutions can
 - Issue loss absorbing instruments even if not *required* to do so (e.g., bail-in bonds even if not systemically relevant) and/or
 - Tailor the loss absorbing instruments to also work in specific stress scenarios relevant for the entity/group
- Financial institutions could evaluate specific and/or additional triggers to
 - Benefit from economic benefits vs. high equity
 - Design loss-absorbency to specific stress scenarios (e.g., reduction of AuM, fines, cyber security breaches, etc.) in line with own business continuity and stabilization plans
- Triggers should be (i) clearly defined to limit uncertainty for investors and in litigation but, (ii) contain discretionary fallback triggers in the case of distress

Tailoring the Loss Absorbing Instruments

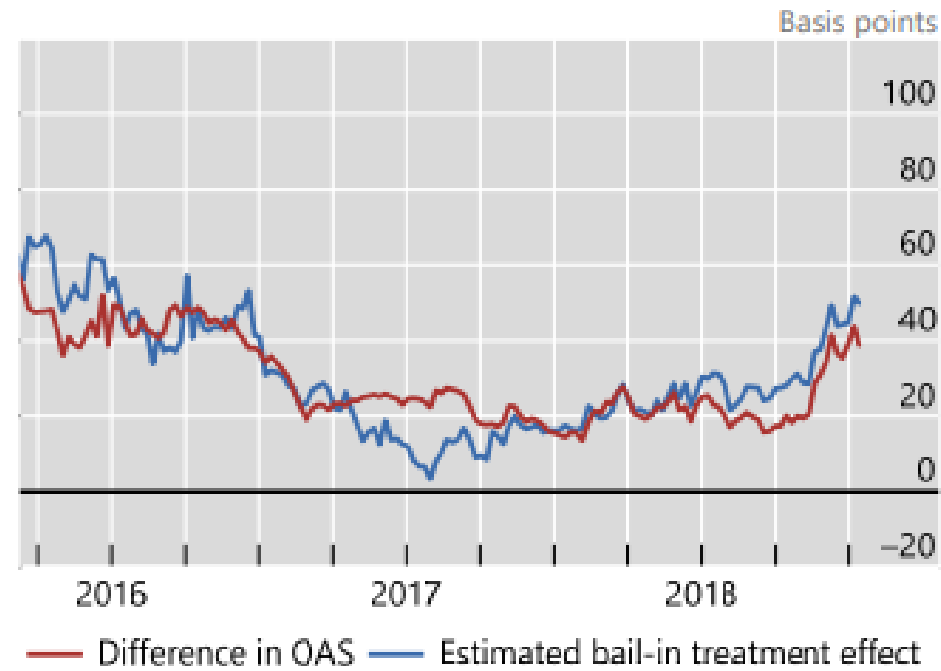
Bail-in risk premium (BIRP) and alternative estimation approaches

Figure 3

BIRP estimates based on matched bonds



Alternative estimates of bail-in risk premia



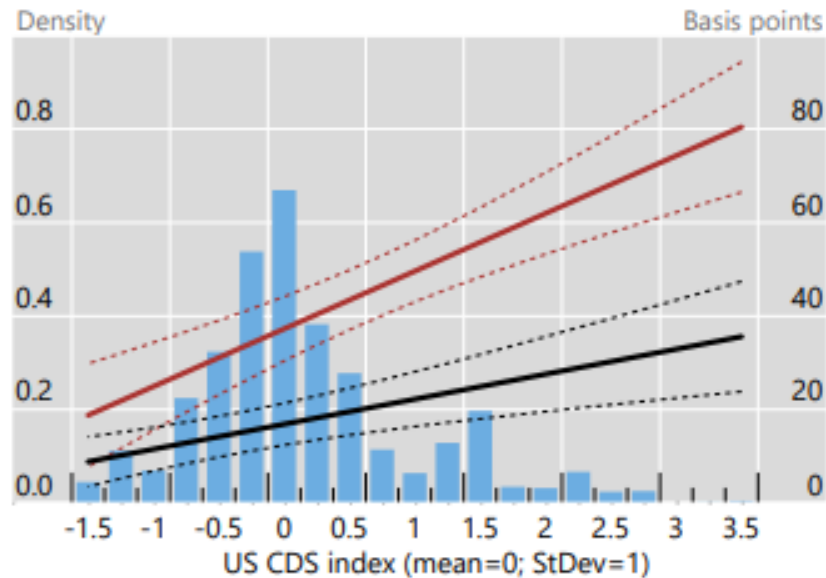
Notes: The left-hand panel depicts the average bail-in risk premium (BIRP) that results from the matching of bail-in and non-bail-in bonds (black line) and the corresponding 25th to 75th percentile range (blue shaded area). The right-hand panel plots the difference in the average OAS of bail-in bonds and the average OAS of non-bail-in bonds (red line); and the estimated (treatment) effect on bail-in bonds (blue line) based on nearest-neighbour matching using the following bond-specific covariates: age, nominal value, remaining maturity, remaining maturity squared, currency of denomination, and issuing banking group (required to match exactly).

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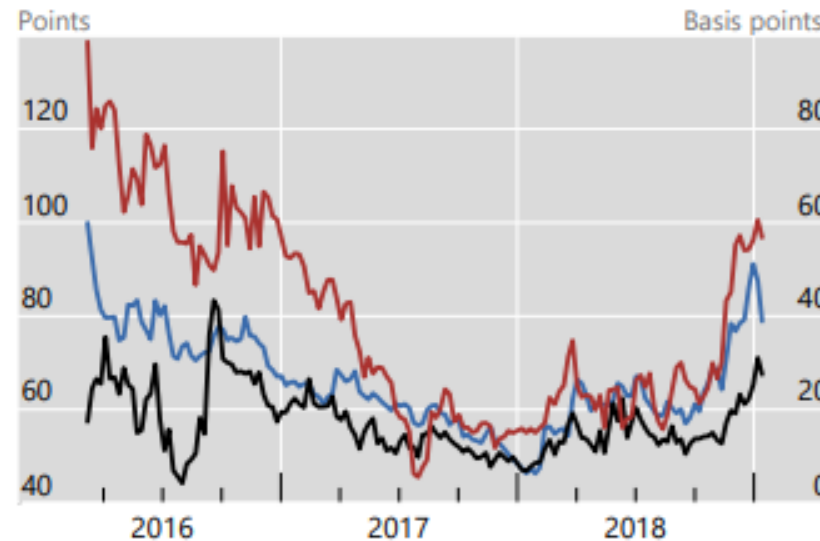
The impact of risk factors on the bail-in risk premium (BIRP)

Figure 4

Predicted BIRP: low CDS index compresses spread of lower-rated issuers over higher-rated ones



Actual BIRP: favourable market conditions squeeze spread on lower-rated issuers; tighter conditions widen it



LHS: CDS density
RHS: Lower-rated Higher-rated

LHS: US CDS index
RHS: Bail-in risk premium Lower-rated Higher-rated

Notes: The left-hand panel plots the predicted BIRP (right-hand scale) at different values of the standardised US CDS index (horizontal axis) for higher-rated bail-in bonds (A- rating, black solid line) and lower-rated bonds (BBB rating, red solid line). The dashed lines depict the corresponding 95% confidence interval. All other explanatory variables are evaluated at their sample means. The blue bars show the density of the US CDS index (left-hand scale). The estimates are based on the regression shown in Table 8, column 3. The right-hand panel presents the observed average BIRP for higher-rated (black line) and lower-rated (red line) bail-in bonds as well as the evolution of the US CDS index.

"The pro-cyclicality of the BIRP provides strong incentives for banks to time their bail-in bond issuance in order to take advantage of favourable market conditions."

<https://www.bis.org/publ/work831.pdf>

Tailoring the Loss Absorbing Instruments

- All *banks* and *securities houses* are subject to FINMA measures in the case of the risk of insolvency and bankruptcy
- Protection of depositors and defined operating creditors by (i) subordinated loss-absorbing instruments or (ii) debt instruments for loss absorption in restructuring proceedings (bail-in bonds) may work as a selling argument to attract new/more clients/counterparties
- Analysis of internal funding to (i) allocate capital effect where needed and/or (i) protect certain liabilities from loss absorption
- For financial institutions that are not subject to FINMA measures under the Banking Act, specific contractual triggers could serve as a replacement of the statutory bail-in regime; certain tax exemptions will likely not be available
- Conversion vs. write-down/off tailored to specific circumstances

Preparatory Aspects

- Loss absorbing instruments and features should be pre-discussed with FINMA, regulatory auditors, auditors, tax experts and ideally with further relevant stakeholders (including owners or major shareholders)
- Convertible instruments require capital source in articles of association (conversion capital, conditional capital, capital range) – not all sources are eligible for all instruments

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Beyond TBTF: Recovery and Resolution Strategies for non-Systemically Important Banks

Banking and Finance Event 2025 - Resilience of Financial
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November 27, 2025
Confidential



1. Banking Insolvency Framework - Overview
2. Recovery and Resolution Planning – Statutory Requirements
3. Recovery and Resolution Strategies for non-SIBs

1. Banking Insolvency Framework - Overview

Regulatory Intervention Threshold – Risk of Insolvency

Article 25 of the FBA defines the insolvency related intervention threshold at which FINMA may implement statutory insolvency measures as: **the risk of insolvency (*Insolvenzgefahr*)**. When assessing whether a bank is at risk of becoming insolvent FINMA has a broad degree of discretion both with regard to (i) the assessment of the insolvency risk and (ii) facts which may be taken into account under such assessment.

Justified Concern of Overindebtedness

- Reasonable grounds to conclude that a bank may become over-indebted in the foreseeable future
- Potential indicators may be substantial trading losses, balance sheet impairments or measures taken by foreign regulators

Justified Concern of Serious Liquidity Problems

- Reasonable grounds to conclude that the bank will not be able to service its liabilities when they become due in the near future
- Indicators may be breach of applicable liquidity requirements, substantial deposit outflows and/or substantial margin calls

Non-Compliance with Capital Requirements

- For SIBs Art. 63 FBO defines that insolvency risk exists if minimum capital requirements are not met:
 - Shortfall below 5% CET1; or
 - 8% RWA ratio or 3% (or 4.5%) leverage ratio
- Assessment may be complicated by the availability of current figures

Basis of FINMA's assessment

- Pursuant to article 29 FINMASA, FINMA can request a broad range of information and documentation from the bank to support its assessment; such as:
 - Interim-balance sheet; and
 - Overview of liquidity outflows

Measures in Case of Insolvency Risk

Upon concluding that a bank is at risk of becoming insolvent, FINMA has a wide range of statutory measures that it may implement in relation to the respective bank. In selecting measures, FINMA has a **considerable degree of discretion** but remains bound by art. 36 of the Federal Constitution, meaning that measures must in particular be **suitable** and **proportionate**:

Protective Measures under art. 26 FBA, in particular (non exhaustive):

- Issuing instructions
- Prohibiting the execution of payments
- Deferring due claims
- Postponing maturity dates

Resolution Proceedings under art. 28 et seq. FBA

- In formal restructuring proceedings FINMA may order:
 - Write-down and/or conversion of liabilities;
 - Transfer of business; and/or
 - Stay on early-termination rights

Liquidation under art. 33 et seq. FBA

- As an ultima ratio, FINMA may order bankruptcy liquidation.
- Material effects pursuant to art. 197 et seq. DEBA.

New Early Intervention Regime?

In April 2024, the Federal Council published its evaluation report on banking stability under which it, defined various **legislative measures to strengthen the Swiss TBTF regime**. In particular, the Federal Council intends to introduce a new early intervention regime, permitting FINMA to take action prior to a bank being at risk of becoming insolvent.

Current Regulatory Framework

- General supervisory intervention under article 31 FINMASA in case of (i) breach of supervisory laws or (ii) other irregularities (Missstände) .
- Insolvency related intervention in case of a risk of insolvency under article 25 et seqq. FBA
- In the Federal Council's (and FINMA's assessment) existing regulatory regime is insufficient for FINMA to take action on a timely basis.

Enhanced Early Intervention Powers for FINMA

- Under the proposed regime, FINMA would be permitted implement early intervention measures at an earlier stage
- Triggers that are currently being discussed include mere governance breaches and/or the endangering of creditor interests
- Potential measures include:
 - issuing directives to management bodies
 - Replacing management bodies
 - Appointing investigating agents

2. Recovery and Resolution Planning – Statutory Requirements

Legal Basis	Relevant for whom?	Content	Details	Responsibilities
(Swiss) Emergency Plan Art. 8 et seq. FBA Art. 60 et seq. FBO	Systemically important Swiss bank	The systemically important bank outlines how it can continue to perform the functions that are systemically relevant for Switzerland – in particular access to deposits and payment transactions – without interruption, even in the event of insolvency risk.	Functions of great importance to the Swiss economy, primarily domestic deposit-taking, lending, and payment transactions (systemically relevant functions).	Systemically important banks prepare emergency plans and submit these to FINMA annually in updated form. FINMA reviews the measures in the plans with regard to their effectiveness.
Recovery Plan Art. 9 und 25 et seq. FBA Art. 64 para. 1 FBO	Systemically important bank	Measures with which the bank intends to achieve sustainable stabilization in the event of a crisis to be able to continue its systemically important business processes: <ul style="list-style-type: none"> – Description of applicable measures – Description of required resources 	Systemically important banks must show in the recovery plan a variety of significant stress scenarios, including how losses as well as temporarily strongly increased liquidity requirements could be covered. The planning aims to prevent the occurrence of a resolution scenario through proactive measures.	The preparation of the recovery plan lies within the responsibility of the systemically important bank and must be submitted annually to FINMA for assessment. FINMA reviews compliance with legal requirements and overall suitability, deciding after consultation with the SNB and based on their opinion. Implementation is not tested in practice (plausibility check only).
Resolution Plan Art. 9 und 25 et seq. FBA Art. 64 para. 2 FBO	Internationally active large banks; domestically focused systemically important banks	For the event of failure of the recovery plan, the bank must show how an ordered restructuring or liquidation could be carried out. Basis for restructuring order under art. 28 FBA.	The systemically important, internationally active large banks and domestically focused systemically important banks must provide FINMA with the information necessary to prepare the resolution plan. This includes scenarios in which systemically important functions can be maintained or wound down. Where continuation of systemically important business processes is not possible, FINMA prepares the measures necessary for an orderly wind-down and for implementation.	FINMA prepares the resolution plans and consults with the SNB. FINMA also reviews whether preparatory measures for implementation are in place.

Phases of a Potential Crisis

Basis for the definition of an effective recovery and resolution strategy (and potential measures) must be a clear understanding of different **phases of a crisis** (noting that in crisis delineation may be difficult depending on acceleration of crisis event):

Contingency Management in BAU

- **Aim:** Maintain going-concern status and prevent escalation of crisis
- Address early signs of stress through predefined measures under BAU-operations
- Bank remains in full operational control
- Close coordination with FINMA; possible reporting duty under art. 29 para. 2 FINMASA
- FINMA may place the bank under intensified supervision

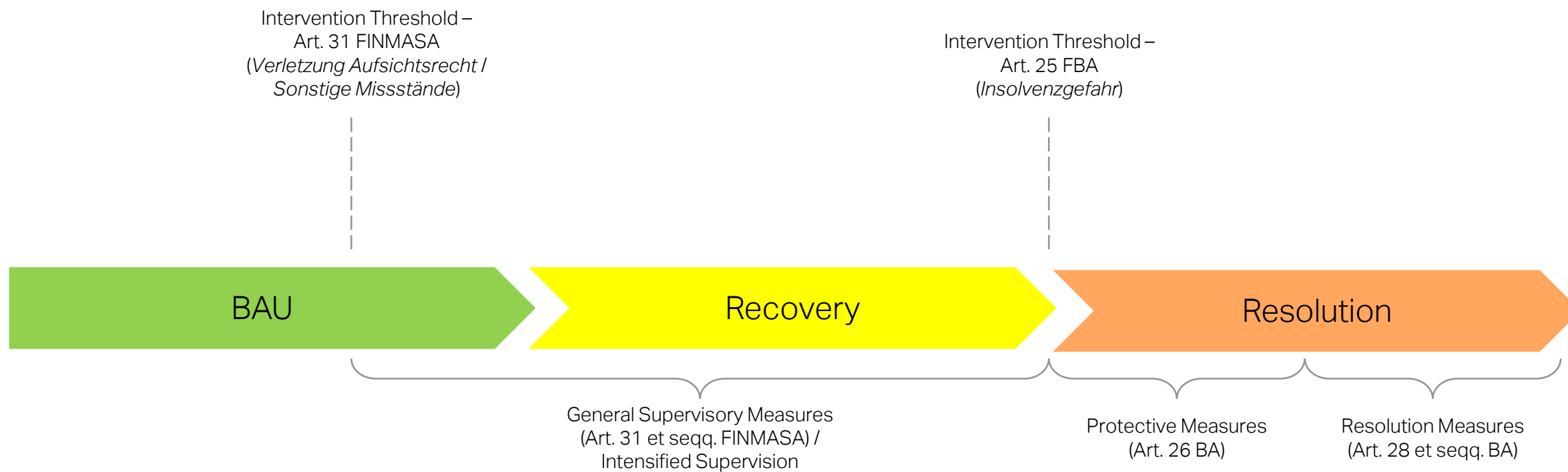
Recovery Phase

- **Aim:** Avoidance of formal resolution by implementing pre-defined recovery measures
- Internal trigger in recovery framework signaling crisis escalation
- Bank remains in operational control, subject to enhanced supervisory oversight
- Likely intensified supervisory engagement with frequent reporting to FINMA

Resolution Phase

- **Aim:** FINMA-led resolution to prevent disorderly liquidation.
- FINMA concludes that recovery measures are insufficient and/or not viable to stabilize bank and initiates formal resolution proceedings under art. 28 et seqq. FBA
- Management powers transferred to FINMA or appointed resolution agent

Recovery and Resolution Planning – Statutory Requirements



3. Recovery and Resolution Strategies for non-SIBs

Regulatory Framework

Non-SIBs are formally **not subject to a statutory requirement** to prepare and submit a resolution and/or recovery plan to FINMA for approval. However, in more recent cases, we have seen FINMA request non-SIBs to prepare and establish a **recovery and resolution strategy** to address potential crisis scenario

General Risk Management Requirements

- Basis for request has been general organizational, risk management and business continuity requirements
- From a general perspective, FINMA expects all banks (and other financial institutions) to maintain adequate resilience and contingency frameworks to address potential crises

Formal FINMA Requests

- FINMA has in more recent times requested non-SIBs to submit a document outlining potential recovery and resolution strategies
- Request typically in the context of intensified supervision by FINMA
- Requests were not limited to supervised banks but also related to other financial institutions

General Supervisory Principles

As statutory recovery and resolution planning requirements are not formally applicable to non-SIBs **general supervisory principles** will have to be taken into account when defining recovery and resolution strategy; in particular:

Risk-based Approach

- FINMA applies the principle of “same risks, same requirements – different risks, different requirements.
- Request by FINMA to define a resolution and recovery strategy must take into account the specific risk profile of the non-SIB (in particular when requesting the implementation of preparatory measures)
- Measures should be tailored so as not to impose disproportionate burdens where systemic risk is low

Proportionality and Suitability and Subsidiarity

- The recovery and resolution strategy should be based on the principle of suitability (Eignung) and proportionality (Verhältnismässigkeit)
- The recovery and resolution strategy (as defined measures) should, therefore, be tailored to:
 - the bank’s specific business operations private banking / retail banking / investment banking);
 - balance sheet structure (asset/liability profile (i.e. concentration in mortgages vs. short term deposits) and capital and liquidity base);
 - General risk profile; and
 - group structure (including listing and domestic vs. foreign subsidiaries).

Recovery and Resolution - Strategy Paper

Formalized recovery and resolution strategy will typically include the submission of a **strategy paper** to FINMA (upon request by FINMA) outlining the following topics. In contrast, based on current regulatory framework, FINMA cannot request fully fledged recovery and resolution planning as required for SIBs.

Description of Business and Group Structure

- Individual business model, balance sheet structure and group structure will be the basis of the defined recovery and resolution strategy

Activation Triggers

- For each of the defined phases of a crisis (BAU, recovery and/or resolution), the trigger events activating the respective internal processes will need to be defined
- Trigger events should take into account:
 - Capital and liquidity ratios;
 - Rating downgrades
 - Deposit outflows; or
 - Events with negative reputational implications
- Definition of an internal process to assess whether a trigger event has occurred

Suitable Recovery and Resolution Measures

- For each of the respective phases a primary recovery and/or resolution strategy should be defined, taking into account the group and balance sheet structure of non-SIB

Preparatory Measures

- Based on defined recovery and measures bank definition of (potential) preparatory measures to be implemented in BAU to facilitate implementation of recovery and/or resolution
- Preparatory measures will vary depending on defined recovery and resolution strategy
- FINMA request in relation to the implementation of preparatory measures should be proportionate in consideration of the reduced systemic risks resulting from a crisis of a non-SIB

Recovery Strategy – Potential Measures

The **primary resolution strategy** of a non-SIB will ultimately be driven by the **statutory powers of FINMA** in formal resolution proceedings and will, therefore, consist of (i) bail-in, (ii) transfer of assets and/or liabilities or (iii) an orderly wind-down. In contrast, the **primary recovery strategy** must be tailored to the non-SIBs business model and group structure. Primary strategy will heavily depend on balance sheet structure of the respective non-SIB. Potential **recovery measures** may be:

Governance Measures

- Instatement of crisis management committee
- Dismissal and/or appointment of board members to increase market confidence
- Aligned communication strategies

Measures to improve Liquidity

- Sale of balance sheet assets
- Interbank financing arrangements
- Additional liquidity under arrangements with Pfandbriefbank
- SNB Facilities (increase of Repo-Facilities or ELA)

Capital Measures

- Reduction of expenses
- Balance Sheet measures, such as sale of RWA with high-risk-weighting
- Third party investment via private placement of equity instruments
- Issuance of mandatory convertible instruments
- Write-down of AT1-instruments (if available)

Restructuring Measures

- Transfer of distressed assets to a third party
- Orderly wind-down of parts of business
- Sale of parts of business
- Merger with and/or acquisition by third party

Resolution Strategy –
Potential Measures

The **primary resolution strategy** for a non-SIB will be driven by FINMA resolution powers. However, a statutory bail-in will only be a viable option for non-SIBs which have a **sufficient bail-in capacity**. In contrast for all other non-SIBs, for example banks that predominately hold deposits, the primary strategy will either be a **transfer of assets and/or liabilities** (good bank / bad bank) and/or an **orderly wind-down**:

Claims <u>subject</u> to statutory Bail-in		Claims <u>excluded</u> from statutory Bail-in	
Sequence of statutory Bail-in	1. Subordinated debt claims	Privileged claims (1st & 2nd class under Art. 219 para. 4 DEBA including, <i>inter alia</i> , privileged deposits), up to their privileged amount	
	2. Bail-in Bonds	Secured claims up to the extent of collateral	
	3. Other Claims (excluding deposits)	Offsetable claims to the extent they are offsettable (<i>verrechenbar</i>)	
	4. Deposits	Liabilities assumed during recovery measures under Art. 26 Para. 1 Lit. e-h BA or an approved restructuring	

Conclusions – Recovery and Resolution Strategy for non-SIBs

Whilst not formally required to implement a resolution and recovery planning, under the the definition of a primary recovery and resolution strategy (and implementation of certain preparatory measures) can be an **effective approach to ensure resilience** in a crisis scenario. However, any request by FINMA in relation to a non-SIB to prepare a recovery and resolution strategy should:

- Take into account **the principle of proportionality** and **suitability**;
- Be based on a **risk based supervisory approach** and must take into account the (limited) systemic risks of non-SIBs, in particular, when requesting the implementation of preparatory measures; and
- Be tailored to the **business model and balance sheet structure** of the non-SIB

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Reimagining Payments – Infrastructure in Transition

Banking and Finance Event 2025 – Resilience of Financial Institutions

Dr. Stefan Kramer



1. Instant Payments

SNB Initiative...

From August 2024, this will affect larger banks with over 500,000 transactions, and from November 2026, all banks that process customer payments will be affected

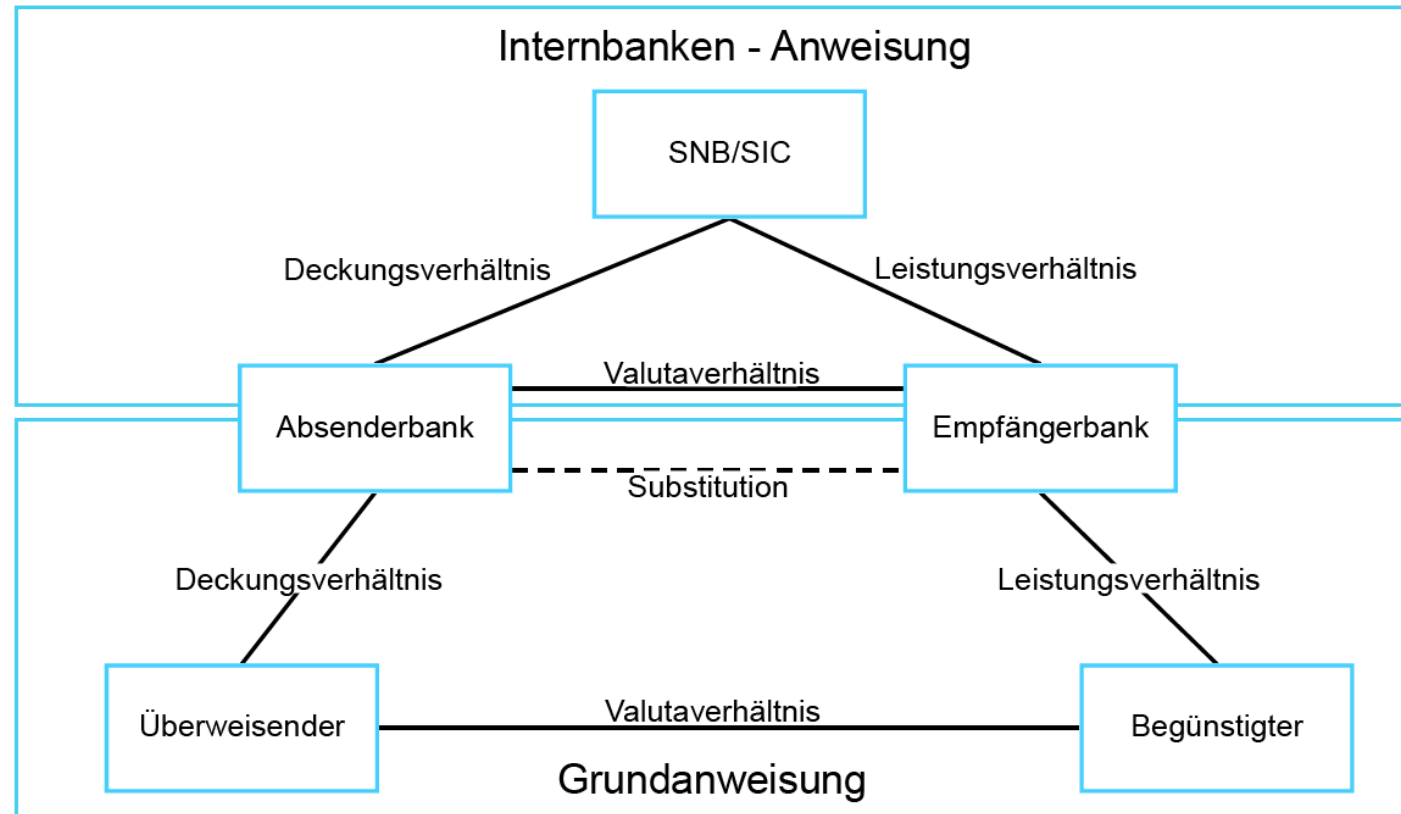
SCHWEIZERISCHE NATIONALBANK
BANQUE NATIONALE SUISSE
BANCA NAZIONALE SVIZZERA
BANCA NAZIUNALA SVIZRA
SWISS NATIONAL BANK 

III. Departement

Börsenstrasse 15
Postfach, CH-8022 Zürich
Telefon +41 58 631 00 00
Fax +41 58 631 50 00
www.snb.ch

Instant Payments im SIC-System

Verpflichtung zur Erreichbarkeit ab August 2024



1. Receiving bank receives notification of payment
2. Receiving bank must perform required checks
3. Receiving bank decides whether to accept or reject the payment
4. Settlement of the payment via SIC
5. Confirmation of settlement to receiving and sending bank

....creates challenges

- Availability (24/7)
- Fraud detection
- Sanction checks. Lack of possibility to suspend suspicious payments creates risk of
 - overly strict filtering (false positives): Blocking of legitimate payments
 - overly lax filtering: Regulatory requirements cannot be met
- AML checks / reporting
- Liquidity planning (*Fazilität zur Unterstützung des Zahlungsverkehrs* expected to be made available by SNB starting end of 2027)
- Verification of payee (*Begünstigtenabgleich*)

2. Verification of Payee

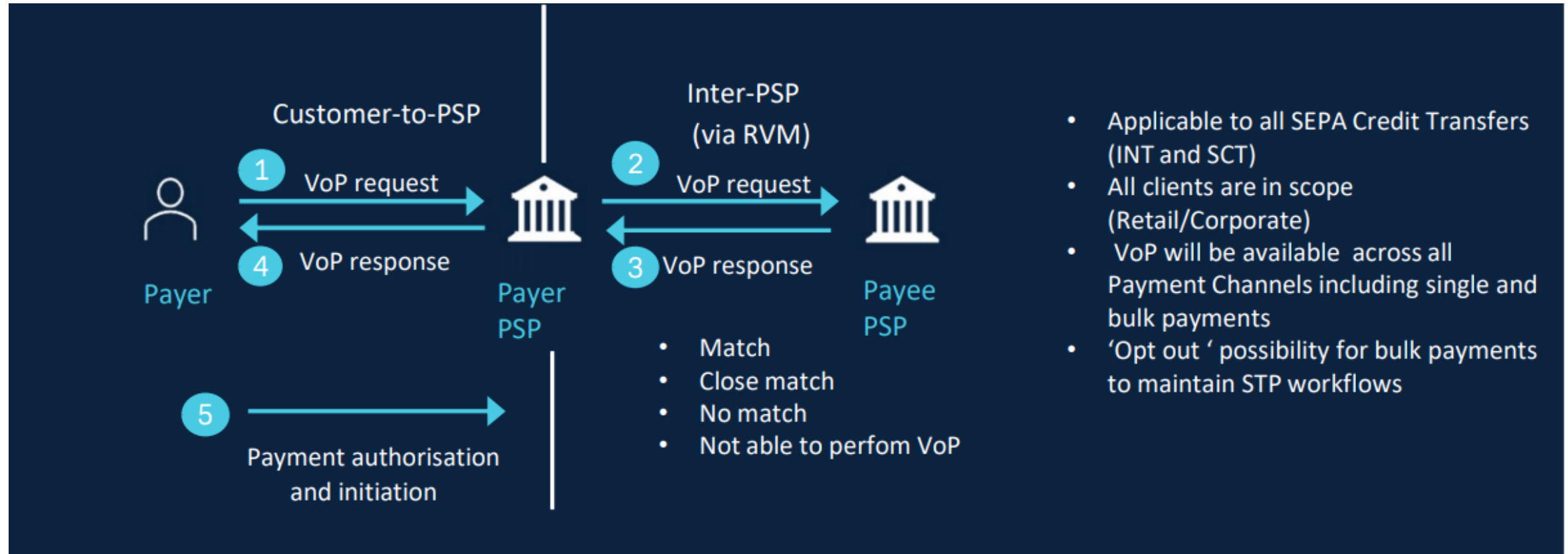
No explicit statutory basis in CH, but contractual duties exist

—In **Switzerland**:

Verification of payee is typically part of the fiduciary duty of the receiving bank (c.f., BGE 126 III 20, E.b)aa))

—In the **EU**:

EU Instant Payment Regulation 2024/886 (IPR) came into force in 2024, allowing real-time transfers. Since October 2025, clients are able to avail of verification of payee services – applicable to all real-time and SEPA credit transfers within EU/EEA countries in Euro currency



Potential results

- **Match:** Name matches the name on the beneficiary account
- **No-Match:** Given name does not match
- **Close-Match:** Name is (very) similar, as part of VoP status, the real name is also advised (*"Did you mean Stephan Cramer"?*)

3. Secrecy Obligations and Contractual Framework

Legal basis of bank customer secrecy

— Private law

- OR 398 II

In the case of banking contracts with elements of mandate law, the duty of loyalty requires the confidentiality of all information in which the customer has an interest in confidentiality.

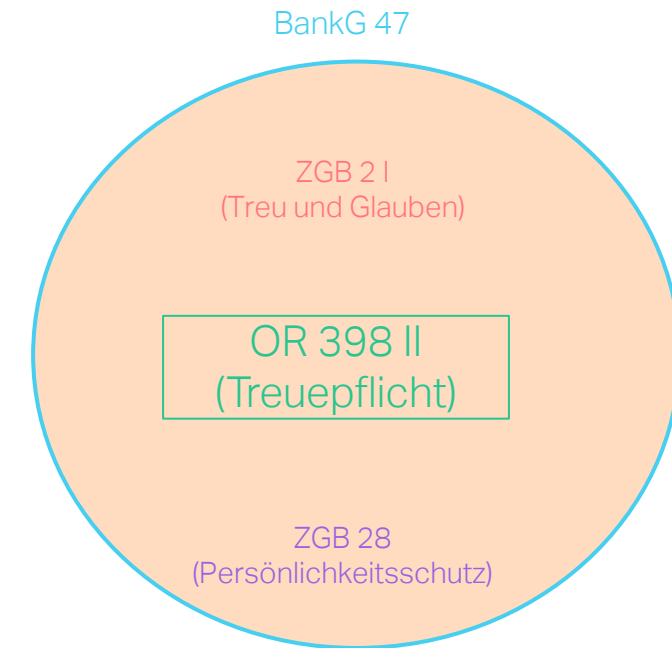
- ZGB 2 I

In specific cases, a duty of confidentiality (in the absence of a contractual obligation) is also derived from the principle of good faith.

- ZGB 28

Bank customer data is generally considered confidential information, which is protected under Section 28 of the Civil Code.

— BankG 47 imposes criminal penalties for breaches of banking secrecy under private law



Contents of bank customer secrecy

Contractual modelling of confidentiality obligations at the time of conclusion of the contract

- The scope of contractual confidentiality obligations can be defined (positively)
- Limitations: General waiver of confidentiality and pre-contractual relationships
- Controversial relationship to confidentiality obligations under Section 28 Civil Code

Disclosure of data in the context of an instruction

- Customer implicitly or explicitly agrees with the instruction to disclose data
- Prerequisite: Knowledge of possible data disclosure
- Generally based on individual cases

Waiver

- General admissibility undisputed
- Independent of the contractual relationship
- Possible in general or on a case-by-case basis (consent must be given on an informed basis)
- Right of withdrawal at any time with effect for the future

→ Restrictions on bank customer secrecy in general terms and conditions must comply with the requirements of the “unusualness rule” and UWG 8.

Customer consent to respond to VoP enquiries

Possible approaches:

- Creation of an explicit contractual basis
- Written consent from the customer (or other form of consent that can be verified in writing)
- Implied consent through use of payment services
- Contractual amendment clauses

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Fortifying Trust: Data Security in the Financial Sector

Banking and Finance Event 2025 – Resilience of
Financial Institutions

Dr. Reto Ferrari-Visca

November 27, 2025
Privileged and Confidential

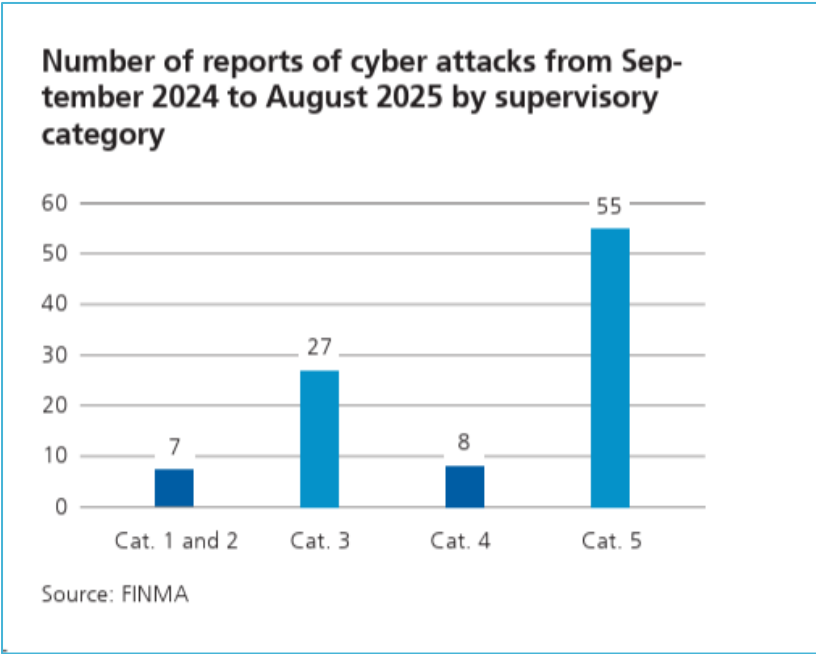
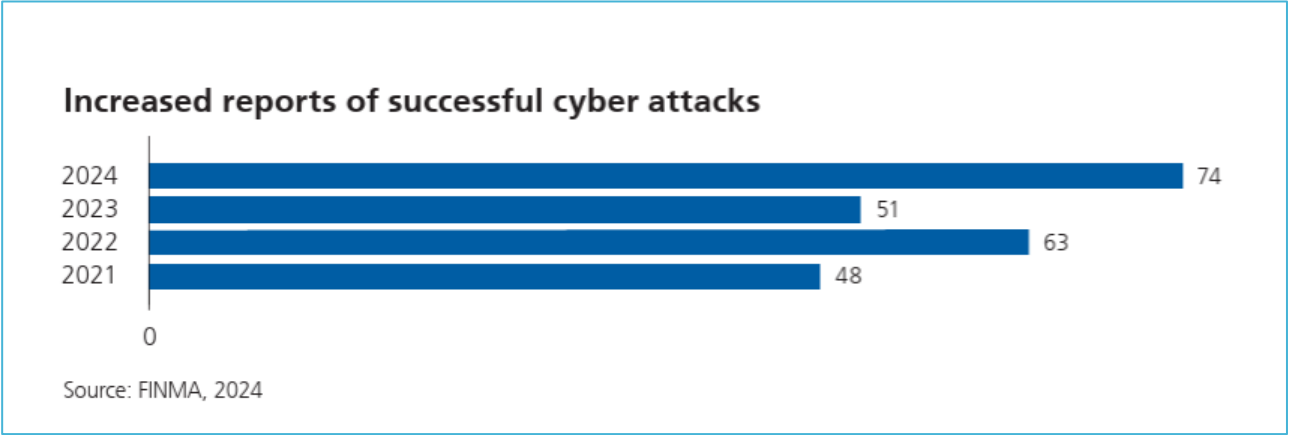


1. Introduction
2. Regulatory Aspects Regarding Management of Data and IT
3. Implementation in Service and Outsourcing Agreements
4. Incident Response
5. Questions / Discussion

1. Introduction

The number of reports to FINMA about cyber attacks has continued to rise during the last twelve months

The management of cyber risks by supervised institutions continues to be a key focus of FINMA's supervisory activities



Why operational resilience is becoming increasingly important

— Increasing regulatory requirements

- European and international regulators continue to tighten the framework for operational resilience. Key developments include the EU's Digital Operational Resilience Act (DORA) and the Basel Committee's Principles for Operational Resilience.
- Supervisory authorities intensify their scrutiny of how financial institutions identify, govern, and mitigate operational risks, with a particular focus on IT integrity, cybersecurity, and incident management.

— Digitalization and technological dependency

- The expanding reliance on IT service providers and increasingly complex supply chains heighten operational vulnerability.
- Disruptions in IT infrastructure may affect (critical) business processes, undermine client confidence, and threaten market stability.

— Rising cyber threats and IT risks

- Increase in ransomware, supply-chain attacks, and cloud-related security incidents.
- Their systemic importance and sensitive data make financial institutions particularly attractive targets.

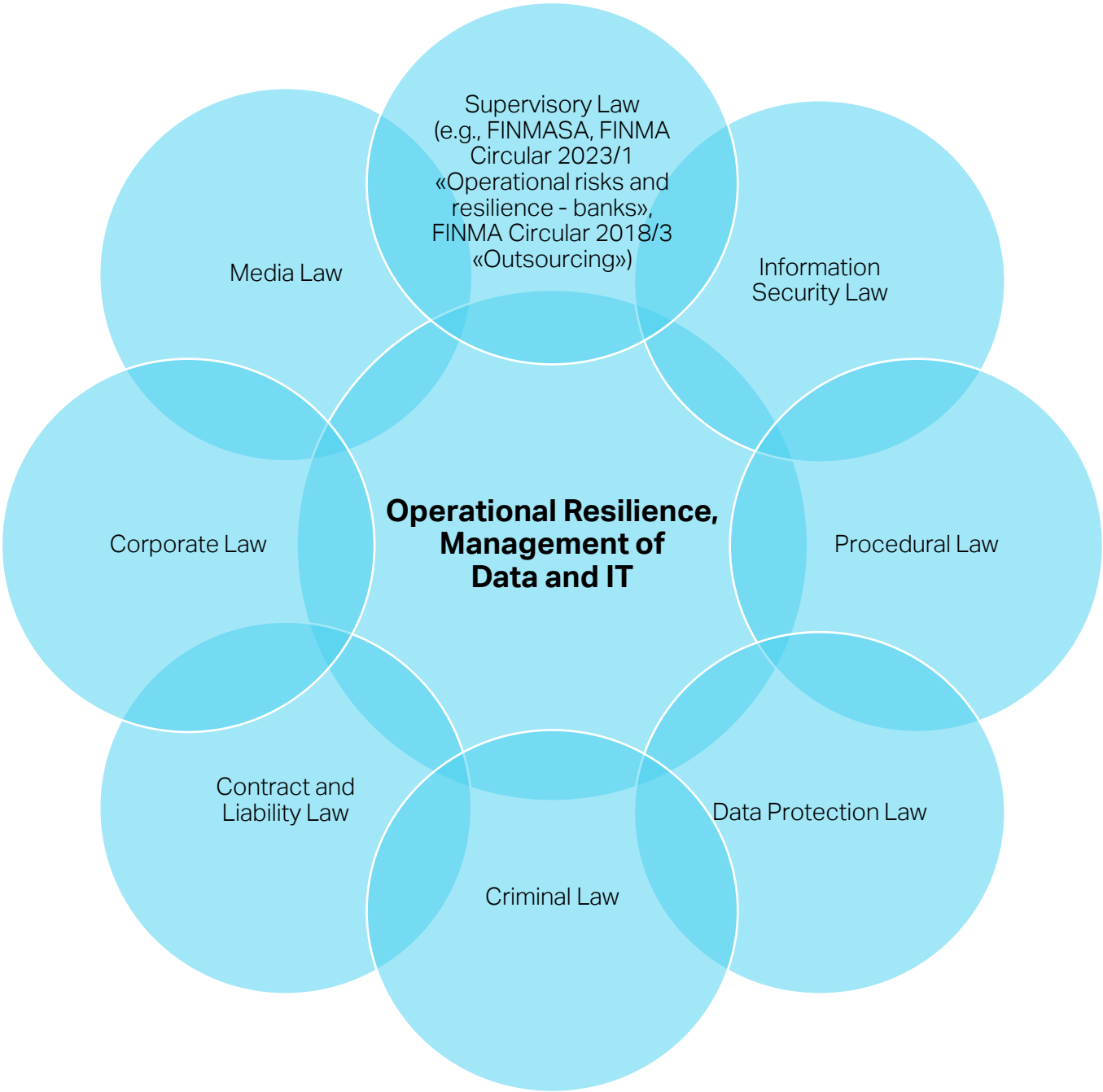
— Expectations of clients and investors

- Clients expect continuous system and data availability as well as robust data security standards.
- Investors and other stakeholders regard increasingly view operational resilience as a key driver of enterprise value, governance quality, and reputational strength.

— Systemic relevance of financial institutions

- Disruptions in the financial sector may generate significant spill-over effects, affecting market stability and the broader economy.
- Operational resilience protects both individual institutions and the financial system as a whole.

Operational resilience and the management of data and IT intersect with multiple legal domains, particularly when responding to and addressing incidents



2. Regulatory Aspects Regarding Management of Data and IT

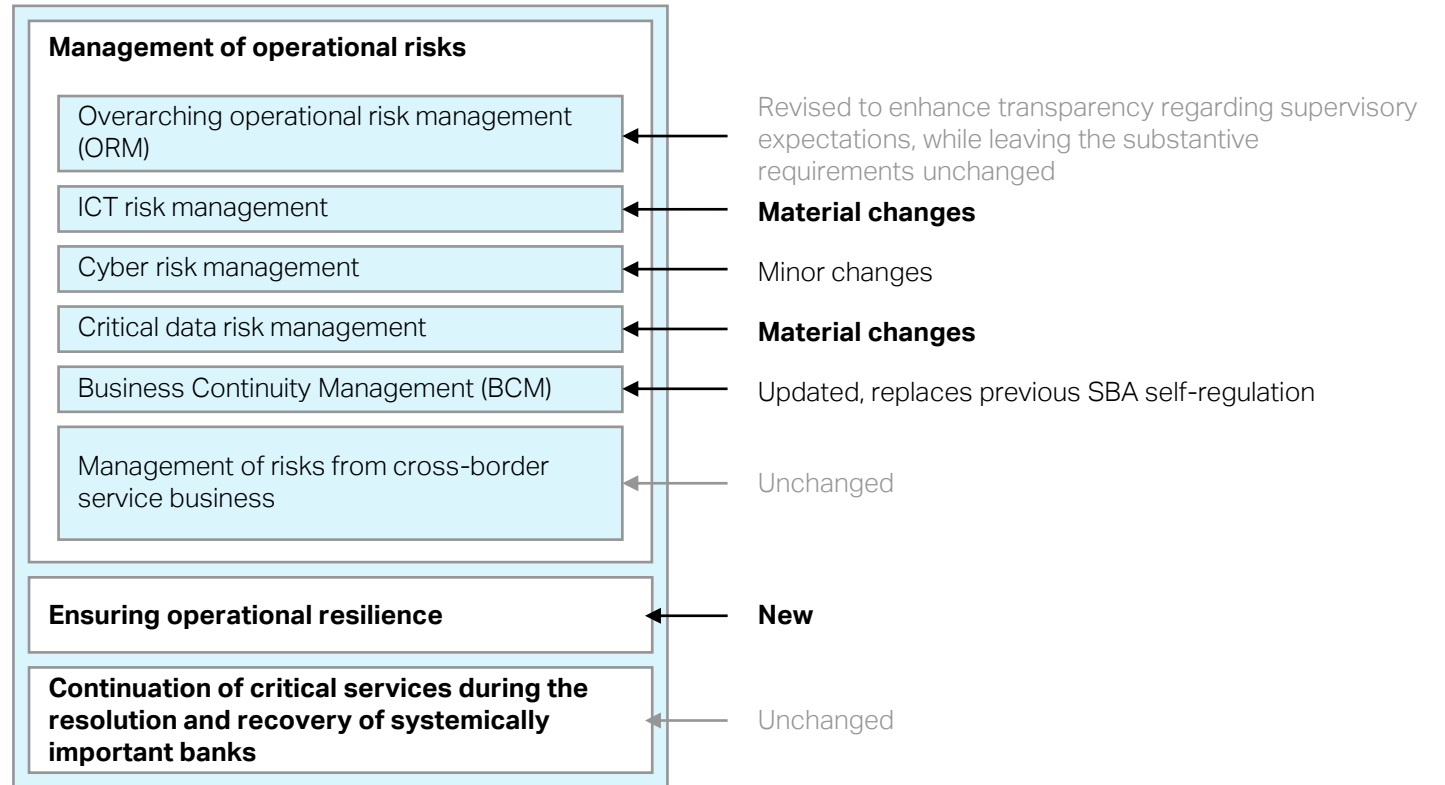
The statutory and regulatory framework for operational resilience and risk management in financial institutions derives from the Banking Act, the Banking Ordinance, relevant FINMA Circulars, and FINMA Supervisory Notices

- Requirements regarding Organization and Fit and Properness (Article 3 para. 2 lit. a BankA; Articles 12 and 14e BankO)
 - Institutions must establish an organizational framework that ensures functional segregation, clear responsibilities, and effective governance.
 - They must identify, assess, manage, and monitor operational and legal risks in a comprehensive and risk-adequate manner.
 - A robust system of internal controls ensures the effectiveness of processes, safeguards critical functions, and mitigates operational risk.
- Reporting Duties (Article 29 para. 2 FINMASA)
 - Institutions must promptly report incidents of substantial importance to FINMA.
- FINMA Circular 2023/01 «Operational risks and resilience - banks»
 - Applies to banks, securities firms, financial groups and conglomerates.
 - Sets principles for operational resilience, including governance, risk identification, continuity management, ICT controls, and incident handling.
- FINMA Circular 2018/3 «Outsourcing»
 - Regulates the outsourcing of essential functions by banks, insurers, and certain other financial institutions.
 - Requires clear contractual arrangements, transparency, oversight mechanisms, and adequate risk management throughout the outsourcing lifecycle.
- FINMA Supervisory Notices 05/2020 and 03/2024
 - Mandatory reporting of significant cyber incidents.
 - Initial notification within 24 hours of detecting a cyberattack of material relevance.
 - Complete report within 72 hours, detailing impact, mitigation measures, and lessons learned.

FINMA Circular 2023/01 «Operational risks and resilience – banks» entered into force on January 1, 2024 and replaced Circular 08/21 «Operational risk – banks»

Transitional provisions:

- Implementation of Identification of critical functions, definition of tolerance levels, first approvals and reporting upon the entry into force
- Implementation of threat assessments, inventories, key controls, *Business Continuity Plan* (BCP) and testing within the first year
- Full implementation of resilience, risk management and alignment with emergency planning within two years



Purpose of the data protection law is to protect the personality and fundamental rights of individuals whose data is processed

- Data protection requirements and obligations apply in parallel to FINMA Circular 2023/01 «Operational risks and resilience – banks» insofar as [personal data is processed](#)
 - Personal data means any information relating to an identified or identifiable individual (Article 5 lit. a FADP)
 - Processing means any handling of personal data, irrespective of the means and procedures used, in particular the collection, storage, keeping, use, modification, disclosure, archiving, deletion or destruction of data (Article 5 lit. d FADP).
- Central due diligence obligations
 - Ensuring adequate [data security](#) (Article 8 FADP)
 - Compliance with the requirements for the transfer of data [processing to a processor](#) (Article. 9 FADP)
 - Compliance with the requirements for the [cross-border disclosure](#) of personal data (Articles 16 et seq. FADP)
 - [Intentional violation](#) of these obligations may result in a [fine of up to CHF 250,000](#)
- Further requirements and obligations (non-exhaustive list)
 - General data processing principles (Article 6 FADP)
 - Data protection impact assessment (Article 22 FADP)
 - Notification of data security breaches (Article 24 FADP)

Around 90 percent of the reports to the BACS come from private individuals, the remaining 10 percent from companies. These reports are all voluntary. In order to gain a better overview of the cyber threat situation, an obligation to report cyber attacks was introduced for operators of critical infrastructures as of April 1, 2025.

A cyberincident reported every 8.5 minutes

07.11.2024 - Cyberthreats are increasing significantly: so far this year, the National Cyber Security Centre (NCSC) has received, on average, a cyberincident report every 8.5 minutes. With 34,789 cyberincidents reported to the NCSC in the first half of 2024, numbers have almost doubled compared to the same period last year. The increase is due in particular to a massive rise in fraud attempts, which at 23,104 cases account for two thirds of all reports. Most of these cases involve telephone fraud, as explained in a separate report.

Reporting obligation under Information Security Act (ISA) applies in parallel to other reporting obligations (e.g. under FINMASA and FADP)

- **Scope:** The reporting obligation applies in particular to companies that are subject to the Banking Act, the Insurance Supervision Act or the Financial Market Infrastructure Act (Article 74b para. 1 lit. e ISA)
- **Cyber attack is reportable** (Article 74d ISA) if the attack
 - jeopardises the functioning of the critical infrastructure concerned;
 - has led to manipulation or leakage of information;
 - has remained undetected for an extended period of time, especially if there are signs that it was carried out in preparation for further cyberattacks; or
 - is associated with blackmail, threats or coercion.
- **Deadline:** The report must be made within 24 hours of the discovery of the cyber attack (Article 74e para. 1 ISA)
- **Content:** The report must contain information on the company subject to the reporting obligation, the nature and execution of the cyberattack, its effects, the measures taken and, if known, the planned further course of action (Article 74e para. 2 ISA)
- **Transmission:** For the electronic reporting of cyber attacks, the BACS provides a secure system for transmitting the report (Article 74f para. 1 ISA)
- **Sanction:** Fines of up to CHF 100,000 provision for disregarding orders of the BACS (Article. 74g ISG and Article 74h ISA)

Overview of the Different Reporting Obligations

FINMA (Article 29 FINMASA)

- Supervised entities and individuals
- Incidents of substantial importance
- For significant cyber incidents:
 - Within 24 hours of detecting the incident.
 - Complete report within 72 hours.
- Impact, mitigation measures, and lessons learned

FDIC (Article 24 FADP)

- Data controllers
- Breach of data security that is likely to lead to a high risk to the data subject's personality or fundamental rights
- As quickly as possible
- Nature of the breach of data security, its consequences and the measures taken or planned

BACS (Article 74a et seq. ISA)

- Banks, insurers and financial market infrastructures
- Significant cyber attacks
- Within 24 hours of the discovery of the cyber attack
- Nature and execution of the cyberattack, its effects, the measures and further course of action

Ad-hoc Publicity Obligation

- Listed companies
- Events that could affect the price of a share beyond the usual fluctuations
- Immediately, outside of critical trading hours

Affected Parties

- Data controllers
- If this is required for their protection or if the FDPIC so requests
- Based on contractual obligations or statutory duties

Foreign Authorities

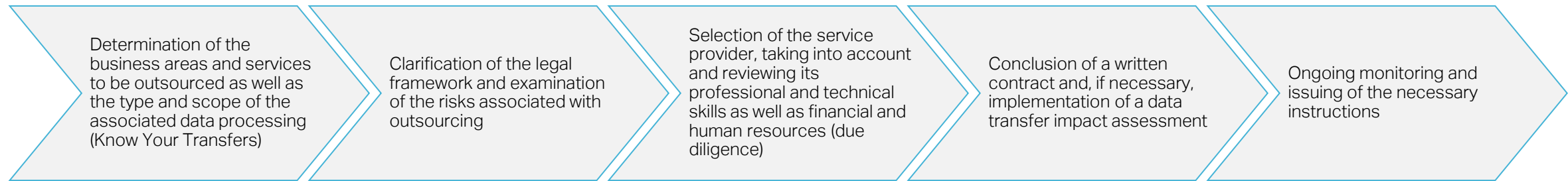
- GDPR: Notification within 72 hours
- Reporting obligations under foreign supervisory laws

3. Implementation in Service and Outsourcing Agreements

Process Requirements

The process must be clearly defined and documented in writing, including prerequisites, procedures, controls, and responsibilities

All applicable inventory and documentation obligations must be complied with



Data Security in the Financial Sector

Key Contractual Elements to Be Defined (Non-Exhaustive List)

Determination of the Contracting Parties	Subject matter and scope of data processing	Compliance with data protection requirements	Responsibilities	Data ownership and control	Locations of data processing and storage
Data Security	Compliance with Confidentiality Obligations	Subcontracting	Access and entry rights of service providers	Financial institution's rights of inspection, instruction and control	Control rights of the audit firm and FINMA
Liability	Procedure for government requests and access	Reporting obligations	Rights of data subjects	List of processing activities	Restructuring and resolution of the bank
		Contract duration and termination	Applicable law and jurisdiction		

4. Incident Response

Detection and Classification	Immediate Measures	Analysis and Assessment	Business Continuity & Recovery	Reporting and Communication	Restoration and Prevention
<ul style="list-style-type: none">– Early identification (monitoring, alerts, internal reports)– Classification by severity and affected data, processes, and functions	<ul style="list-style-type: none">– Containment of the incident and prevent further propagation (e.g., isolation of compromised systems)– Activate the institution’s incident response plan– Inform management and relevant internal stakeholders without delay– Establish a crisis management team when required– Engage external specialists as needed to support containment and remediation	<ul style="list-style-type: none">– Determine cause and damage– Check for data leakage, manipulation, deletion or extortion– Assess reporting criteria	<ul style="list-style-type: none">– Implement Business Continuity Plan (BCP)– Implement Disaster Recovery Plan (DRP) for severe incidents– Comply with defined Recovery Time Objectives (RTO) and Recovery Point Objective (RPO) for restoring critical systems and data– Prioritise critical data, processes and functions	<ul style="list-style-type: none">– Comply with all statutory and regulatory reporting obligations (including notifications to FINMA, BACS, the FDPIIC, and where required affected individuals)– Conduct internal and external communications in accordance with the institution’s defined communication strategy, ensuring accuracy, consistency, and timeliness	<ul style="list-style-type: none">– Full restoration of normal operation– Enhancement of technical and organizational safeguards to prevent recurrence and strengthen overall resilience– Systematic review and optimization of resources, processes, policies, and training, incorporating structured “lessons learned” to improve future preparedness

Banking and Finance Event 2025

Resilience of Financial Institutions

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