Fiscal Policy, Regulation

Switzerland Goes It Alone on UBS Capital Requirements ***Affects the Entire Economy***

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At a glance

- The WAK-N wants UBS to back 90 percent of its foreign holdings with common equity tier 1 capital in the future. This is a unilateral move on the international stage.
- Higher financing costs will affect the export sector, SMEs, and customers.
- The National Council is now urgently called upon to find an economically viable solution.

The National Council's Committee on Economic Affairs and Taxation decided today that UBS must back 90 percent of its holdings in foreign subsidiaries with common equity tier 1 (CET1) capital going forward. It is thus following the lead of the Council of States. What is being discussed as the "Lex UBS" affects the entire economy.

Higher Capital Requirements: The Real Economy Foots the Bill

Export-oriented companies—from large corporations to small and medium-sized enterprises—are particularly affected. When it comes to trade finance, hedging, and access to international capital markets, domestically focused banks cannot easily replace UBS. This leads to higher costs, less competition, and the loss of business segments. This affects a sector that directly accounts for 8.8 percent of gross value added and 9.2 percent of direct taxes.

Capital Requirements: Going It Alone in an International Comparison

Switzerland is already one of the financial centers with the strictest capital requirements. No other major jurisdiction imposes capital requirements of this magnitude on foreign investments, while the EU, the U.S., and the United Kingdom are reviewing their regulations to ensure competitiveness. Furthermore, Credit Suisse has consistently exceeded capital requirements; its downfall was primarily the result of deficiencies in management and oversight. Further deviations from international standards are therefore justified only where their additional contribution to stability is clearly demonstrated.

A Comprehensive Overview Instead of a Piecemeal Approach

economiesuisse is calling for a safety net that actually works during a crisis. This requires a holistic approach: capital, deposit insurance, liquidity, supervision, and resolution together form a comprehensive safety architecture. The Federal Council is presenting the measures one after another in separate bills. This makes it difficult to assess their interactions and cumulative impacts. Today's regrettable decision is a consequence of this approach. The National Council is now urgently called upon to find an economically viable solution.

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