

Financing of the deposit insurance scheme

This information document is part of a series covering the 2020/21 revision of deposit insurance legislation (see overview at the end of this document).

Background

The intention is to make the following two changes to the financing of esisuisse in the planned revision of the legislation (dark blue):

	Current situation	New rules
Maximum amount of contribution obligations	Maximum amount of CHF 6 billion	1.6% of all secured deposits; minimum CHF 6 billion
	Increase in the amount possible in the event of application, by decision of the Federal Council	
Financing	No coverage	50% of contribution obligation secured by collateralized securities or loans
	Collection via direct debit	
	125% value preservation rule for refinancing of deposit insurance	

Total outstanding contribution obligations

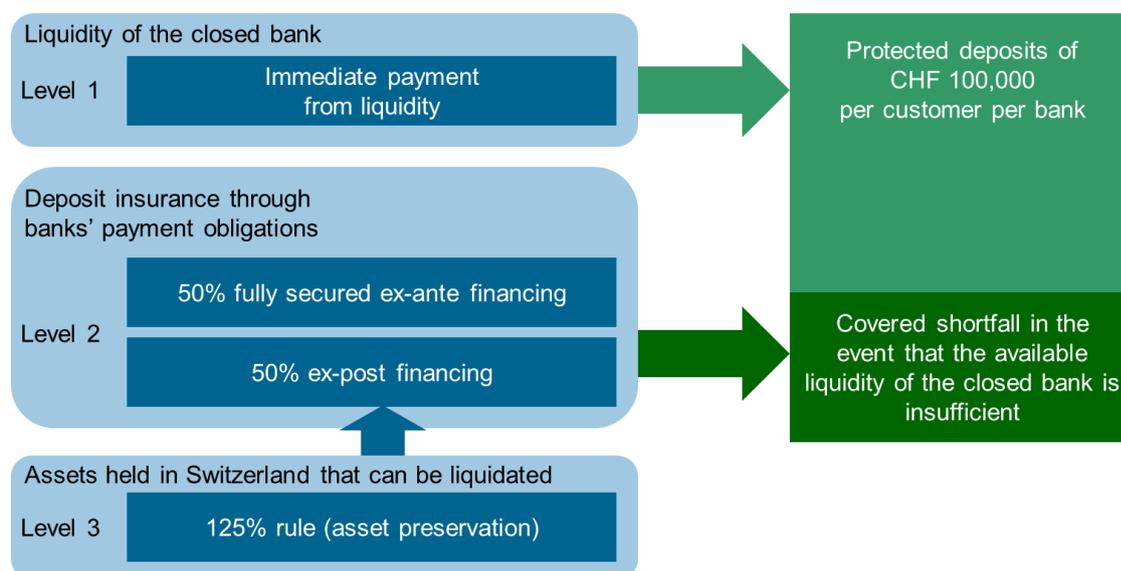
To date, banks' total outstanding contributions to esisuisse have been limited to CHF 6 billion. This amount will be replaced by a figure of 1.6% of *total protected deposits*, with a fixed minimum amount of CHF 6 billion. Total protected deposits currently stand at around CHF 462 billion (as at 31 December 2019), resulting in a contribution obligation on the part of the banks of CHF 7.4 billion. Should this amount plus the liquidity of one or more banks to be closed be insufficient to cover the protected deposits, the Federal Council may increase the amount.

Fully secured ex-ante financing

An ex ante financing obligation to secure 50% of the maximum contribution obligation is implemented by depositing securities or cash with SIX SIS Ltd (right of lien with power of realisation within the meaning of Art. 31 FISA in favour of esisuisse) or granting a loan to esisuisse (with right of set-off). This form of collateralisation is internationally recognised as ex-ante financing, makes deposit insurance more robust and also has the advantage over an ex-ante fund that the assets remain in the banks and are not withdrawn from the economy.

Optimising a proven system: triple protection for deposits

Protected deposits enjoy three levels of protection in the event that a bank is closed down:



Level 1: immediate payment from the bank's available liquidity

The protected deposits are initially paid out from the available cash of the bank concerned, which it is legally required to hold. This liquidity rule has been in force since 2011. Since then, five small banks have been closed, and esisuisse has not had to make payments in any of these cases.

Level 2: deposit insurance

esisuisse only needs to become involved if the bank's available cash is not sufficient to pay out the protected deposits. In this event, esisuisse advances the necessary funds to the liquidator. esisuisse can collect these funds from all banks at any time via direct debit. 50% of the maximum contribution obligations are secured in favour of esisuisse.

Level 3: 125% rule

Each bank must hold assets in Switzerland whose value is at least 125% of the sum of the preferential deposits (protected deposits plus vested benefits accounts, Pillar 3a accounts and deposits at foreign branches of Swiss banks) held with it. These assets serve as additional collateral to ensure the payment and reimbursement of the protected deposits. This 125% rule, which has been applicable since 2008, means Switzerland has a third level of protection that is not replicated anywhere else in the world, making the Swiss deposit insurance scheme particularly resilient.

Information documents on the 2020/21 revision of deposit insurance legislation

Details of the 2020/21 revision of deposit insurance legislation can be found in the following information documents:

- Swiss deposit insurance today: in brief
- Overview of the reform of the deposit insurance scheme
- *Financing of the deposit insurance scheme (this document)*
- Payment of protected deposits
- Swiss deposit insurance: an international comparison
- State guarantee and deposit insurance
- Reform of the Swiss deposit insurance scheme – key points

Further information on deposit insurance and esisuisse can be found at www.esisuisse.ch.