

## Reform of the Swiss deposit insurance scheme – key points

Switzerland’s financial sector is among the most stable and secure in the world, not least thanks to its strict capital adequacy and liquidity rules and highly diversified banking industry. Should deposit insurance nevertheless be required to take effect, the reform to be debated in parliament would speed up the payment of protected deposits (up to CHF 100,000 per client at each bank). It would also make the financing of the deposit insurance scheme more resilient to crises. The statutory deposit insurance scheme is organised by esisuisse, an independent self-regulatory organisation of the Swiss banks.

### What is the purpose of deposit insurance, and what are its benefits for bank clients?

Deposit insurance must provide a bank’s clients with enough money to cover their day-to-day living expenses within a short time frame if their bank goes bankrupt. This certainty increases the level of trust in banks and helps to prevent a “run on the bank” and its adverse impact on society.

### Why does the legislation need to be revised?

Measures such as stricter capital adequacy and liquidity rules (the “Swiss finish” goes beyond international standards) and the implementation of “too big to fail” protocols have further improved the stability of the financial sector and the security of the banks in recent years. As an additional element of security, deposit insurance was stepped up considerably in the midst of the financial crisis back in 2008. Ever since, Switzerland’s deposit insurance scheme has had effective instruments at its disposal that are not replicated anywhere in the world, in particular the *payment of deposits from the bank’s available liquidity* and the *125% rule*, which requires banks to hold liquid assets in Switzerland covering 125% of their protected and preferential deposits. However, there is a need for adjustments to the legislation as regards *financing* and *payouts*.

### How is the tried-and-tested system to be improved?

		Current legislation	Revised legislation
Financing	Contribution obligation	– CHF 6 billion	– 1.6% of all protected deposits (= CHF 7.4 billion)
	Coverage	– None	– 50% of contribution obligation secured by collateralised securities or loans
Payout	Deadline	– 20 days from esisuisse to liquidator	– 7 working days from esisuisse to liquidator – In parallel, 7 working days from liquidator to client
	Preparations	– Minimal reporting of protected deposits	– Standardised list of protected deposits per depositor available at all times – New processes for each bank as preparation for its closure

### How will the proposal affect banks?

*Shortening the time taken to pay out* will result in significant costs for banks, but these should be seen as an investment in the financial sector’s reputation (one-off implementation costs of approximately CHF 90 million, followed by annual costs of approximately CHF 22 million). However, higher fees for bank clients or higher borrowing costs are not to be expected. The banks are in favour of the proposal in principle, but they are calling for a cost-neutral implementation of the *requirement to pledge securities and/or grant loans* (according to the proposal, the additional cost per year would be approximately CHF 1 million at present or approximately CHF 19 million at normal interest rate levels).

### Conclusion

The planned revision is effective and politically balanced. It would help to bring about further improvements in financial market stability, the security of the banks and the reputation of the Swiss banking industry:

- ✓ **Tried-and-tested deposit insurance with strengthened financing**
- ✓ **Faster payouts**
- ✓ **Increased security for bank clients**
- ✓ **Reasonable cost/benefit ratio**

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

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

Further information on deposit insurance and esisuisse can be found at [www.esisuisse.ch](http://www.esisuisse.ch).