The Swiss Regulatory Proposals in the International Context

Internationally aligned regulation is needed to ensure that the Swiss financial sector remains competitive and to shore up its role as a key pillar of the Swiss economy in the long term. The Federal Council's proposals on bank regulation would subject UBS to a minimum capital requirement that is 50% higher than that of its international competitors. This runs contrary to the trend toward regulatory easing that can be seen internationally. This growing regulatory divergence weakens UBS's competitive standing and gives rise to increased costs and risks for the Swiss economy, according to the expert report by Alvarez & Marsal commissioned by the Federal Council.

Why the topic is important

The Federal Council has proposed a comprehensive reform for the regulation of systemically important Swiss banks, which would greatly expand the existing "Swiss Finish." Today, due to the early and full implementation of Basel III final (B3f), UBS already has to hold approximately USD 7 billion more Common Equity Tier 1 (CET1) capital for the same trading and operational risks than comparable banks in the EU or the UK. The capital rules now being proposed on top of this would increase the CET1 minimum requirement for UBS to 17-19% – 50% higher than those for its international competitors.

While Switzerland is tightening regulation, at the international level there is a push to ease or simplify regulations:

- **The US is planning reforms to release additional capital for banks to expand their business**. The reform of the enhanced supplementary leverage ratio (eSLR) and the upcoming review of the capital surcharge for systemically important banks (G-SIB surcharge) in the US could lower the capital requirements for large banks. According to an independent report by Alvarez & Marsal ("Bank Deregulation Primer 2025") from October 2025, deregulation initiatives in the US are expected to lower CET1 capital requirements by almost two percentage points, thereby creating additional capacity of approximately USD 2.6 trillion for lending and capital market activities.
- **The EU and the UK also want to simplify the regulatory framework and strengthen their own banking sector's competitiveness**. The European Commission has committed to review the EU banking sector's competitiveness within the context of its strategy for a Savings and Investment Union. The European Central Bank (ECB) has set up a task force for this purpose to simplify the regulatory and supervisory framework. There is also increasing pressure on regulators in the UK to boost the financial center's competitiveness. At the beginning of December 2025, the Bank of England (BoE) confirmed its intention to lower system-wide core capital requirements (Tier1) by one percentage point to 13%. Both the ECB and the BoE have repeatedly stated that banks in the EU and the UK are already adequately capitalized. Alvarez & Marsal estimate that deregulation initiatives in the UK could release approximately USD 19 billion in CET1 capital, thereby creating additional capacity of USD 0.5 trillion for the economy.

The overall picture: In its pursuit of extremely high capital requirements, Switzerland runs the risk of weakening its financial center's international competitiveness and denting investors' trust. Forecasts say that Hong Kong could overtake Switzerland as the leading global center for wealth management as early as 2029 (BCG, Global Wealth Report, 2025). This would give rise to considerable additional costs and risks for the Swiss economy. It is crucial to strike a balance between stability and competitiveness so that the financial sector can retain its role as a strong pillar of the economy.

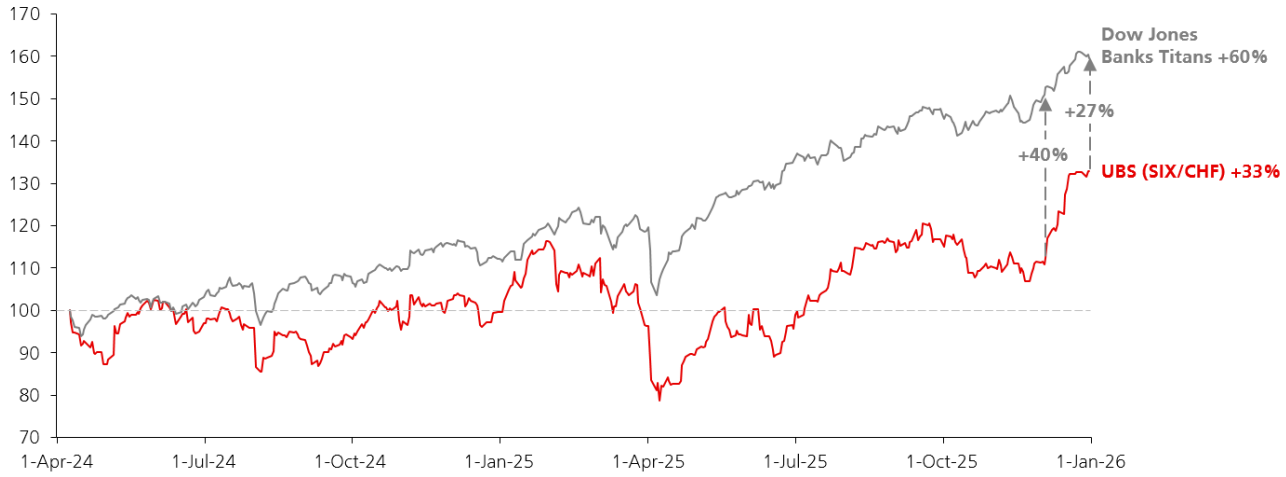
The Federal Council has argued that higher capital requirements will strengthen stability and protect investors. However, market trends suggest that the costs will outweigh the benefits and could therefore undermine investor confidence. Despite strong business results and the rapid, thus far successful integration of Credit Suisse, UBS's share price has performed 27% – or roughly CHF 30 billion – worse than that of banks in Europe and the United States from the

publication of the Federal Council's report on banking stability in April 2024 through the end of December 2025 (see Figure 1).

UBS's position

The Swiss financial center needs a regulatory environment that promotes stability and competitiveness in equal measure so that it can remain a pillar of the economy. UBS is committed to a strong, learning-oriented regulation. However, UBS firmly rejects the extreme capital measures because they are neither proportionate nor internationally aligned and would generate unnecessary extra costs for UBS and the Swiss economy. What is needed is a balanced, internationally aligned package that strengthens stability and taxpayer protection – without placing a disproportionate burden on the Swiss financial center and the country's economy.

Figure 1: UBS share price performance compared to the sector index Dow Jones Banks Titans
April 2024 – December 2025



Note: Data from Factset Research Systems.

Additional information

- **The existing "Swiss Finish" compared to international standards:** In the wake of the 2008 global financial crisis, international standard-setting bodies – including the Basel Committee on Banking Supervision and the Financial Stability Board – developed a set of rules designed to make banks more resilient, protect taxpayers and secure financial stability. However, the Basel Standard (as it is known) has been implemented very differently from one country to the next. Switzerland, with its "Swiss Finish", is already going beyond these standards, taking into consideration the special importance and stability of the Swiss financial sector. One such provision is that systemically important banks must hold sufficient liquidity for outflows for a period of 90 days, whereas the Basel rules stipulate just 30 days. What is more, Switzerland already fully implemented the most recent round of reforms (Basel III final, B3f) at the beginning of 2025 – earlier than other major financial centers.
- **Impact and international comparison of B3f implementation:** Switzerland fully implemented the B3f rules effective 1 January 2025. The regulations require more capital backing for certain assets through the stricter calculation of risk-weighted assets (RWA). As a consequence, the required equity capital has increased under B3f while the risks have not changed. This relates in particular to the handling of market risks (Fundamental Review of the Trading Book, FRTB) and operational risks. The FRTB rules require more equity capital for market risks. When it comes to operational risks, Swiss banks must fully include the losses incurred in the past in the risk calculation for capital requirements (so-called internal loss multiplier, ILM). In its response to interpellation 25.3521 "Easing instead of tightening capital adequacy requirements with Basel III" from National Councillor Céline Widmer (SP), the Federal Council confirmed that B3f has led to an overall increase in capital requirements, but not on the cut-off date of 1 January 2025. B3f has had the expected effect. The interpellation asked whether the new rules have indeed led to higher capital requirements, since the UBS Annual Report did not show any regulation-related rise in RWA between the fourth quarter of 2024 and the first quarter of 2025, when B3f was introduced in Switzerland. The higher requirements were in fact already preempted in the years preceding this, triggered by FINMA's regulatory requirements. Specifically, UBS's RWA for credit and market risks increased by around USD 70 billion between 2016 and 2024, according to the respective UBS Annual Reports.

  The EU and the UK will not start implementing the FRTB rules until 2027 at the earliest and are using the option provided in the regulations to suspend the ILM rule. A similar stance can be observed in the US, where the timeline and structure for the implementation remain uncertain ("Basel III endgame"). However, US banks must comply with rules with comparable effect due to the so-called Collins Amendment.
- **The Federal Council's regulatory package:** On 6 June 2025, the Federal Council published 26 measures aimed at adapting banking regulation in response to the key lessons learned from the Credit Suisse crisis in March 2023. The capital measures alone would require UBS to build up around USD 24 billion more CET1 capital. This increase would be on top of the approximately USD 15 billion that UBS needs to provide in order to comply with existing regulations resulting from the takeover of Credit Suisse. This would result in an additional CET1 requirement of approximately USD 39 billion.
- **Regulatory reforms in the US:** Far-reaching efforts that should result in significant regulatory relief are currently underway in the US. The agencies have finalized changes to the eSLR and will likely propose changes the capital surcharge for systemically important banks (G-SIB surcharge). The eSLR is an unweighted capital requirement that applies regardless of the risk profile of the bank balance sheet. The eSLR requirements would be less binding in the future at bank level, i.e. the risk-based capital requirements shall become decisive. Since these are lower, additional capital becomes available to banks, which they can use to expand their business. The G-SIB surcharge is an additional capital buffer for large banks intended to take into account their complexity and size. Its purpose is to ensure that these institutions have sufficient capital at their disposal to keep them stable, even in a crisis. The G-SIB surcharge is expected to be geared specifically to better reflect a bank's actual risk due to its complexity and evolving market conditions – and less to economic growth. Largest banks are the ones expecting to benefit the most from these reforms as they will be able to free up capital resources and expand their business.