

FINMA Guidance

06/2020

Exemptions for supervised institutions due to the COVID-19 crisis

19 May 2020

1 Information for banks

1.1 Temporary exemptions

In Guidance 02/2020 of 31 March 2020, the banks were granted three temporary exemptions up until 1 July 2020 owing to the COVID-19 pandemic and its associated impact on the real economy. In view of the current situation, FINMA is adjusting the periods of these exemptions as follows:

1. Clients are still holding unusually large deposits with Swiss banks. In order to continue not to restrict the balance sheet business of banks unnecessarily, the exemption relating to the leverage ratio (exclusion of central bank deposits) is therefore being extended for all banks until 1 January 2021. In the case of dividend distributions, the reduction of the relief set out in FINMA Guidance 03/2020 continues to apply. There are no plans to continue this treatment under the temporary exemption following the expiry of this extension.
2. The exemption pertaining to risk diversification is not being extended owing to a lack of demand and will cease on 1 July 2020. As before, institutions will be able to submit a justified application to FINMA in individual cases for an exemption pursuant to Article 112 para. 2 of the Capital Adequacy Ordinance (CAO).
3. The exemption in the area of backtesting exceptions in the form of a freezing of the number of exceptions at the level of 1 February 2020 is fundamentally to be incorporated into future supervisory practice, thus rendering an extension of the period superfluous. According to margin no. 332 of FINMA Circular 2008/20 "Market risks – banks", FINMA may disregard individual exceptions if the institution is able to prove that these exceptions are not attributable to a lack of precision (forecast quality) of the risk aggregation model. There has been an increased number of exceptions in the recent phase of market volatility which from FINMA's perspective could justifiably be disregarded in the calculation of capital. The content of this exemption will therefore continue to apply after 1 July 2020.

1.2 COVID-19 credits and net stable funding ratio

For the net stable funding ratio (NSFR), the maturity of the loan procured as part of the SNB's COVID-19 refinancing facility (CRF) can be considered identical to the maturity of the claim ceded as collateral without taking into account the termination option of the SNB. A value of 100 percent can accordingly also be applied at present to the available stable funding (ASF factor). The claim ceded is to be recorded as encumbered for the same period, which currently results in required stable funding (RSF factor) of 100 percent.

2 Exemptions for identification of anti-money laundering

In Guidance 03/2020 of 7 April 2020, FINMA granted exemptions for the opening of new client relationships on the basis of Article 17 of the Anti-Money Laundering Act (AMLA; SR 955.0) in conjunction with Article 3 para. 2 of the FINMA Anti-Money Laundering Ordinance (AMLO-FINMA; SR 955.033.0). The current developments permit a gradual return to the previous opening procedure. It must be borne in mind here that the subsequent inspection of the original identity document or subsequent obtaining of ID copies with confirmation of authenticity will take some time and the situation may vary depending on the client's domicile or individual situation of the client. The temporary exemption until 1 July 2020 is being extended by way of the following adjustments **subject to the requirements set out in FINMA Guidance 03/2020**:

- For new openings for which the exemption pursuant to Guidance 03/2020 has been or will be drawn on by 1 July 2020, the confirmation of authenticity must be received within a maximum of 120 days (instead of 90 days) from the opening of the relationship.
- For new openings with clients domiciled **abroad**, the exemption as set out in Guidance 03/2020 can be applied beyond 1 July 2020 until 1 October 2020. The confirmation of authenticity must be received within a maximum of 120 days from the opening of the relationship.
- Where confirmations of authenticity cannot be made available within the adjusted periods due to specific restrictions connected with COVID-19 measures, this must be documented in each individual case. Confirmation of authenticity in these cases must be obtained as soon as possible.