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Ordinance on the Capital Adequacy and Risk Diversification of Banks and Securities Firms[1]

(Capital Adequacy Ordinance, CAO)

of 1 June 2012 (Last amended on 1 January 2025)

The Swiss Federal Council,

based on Article 3 paragraph 2 letter b, Article 3*g*, Article 4 paragraphs 2 and 4, Article 4bis paragraph 2, Article 10 paragraph 4 letter a and Article 56 of the Banking Act of 8 November 1934[2] (BankA) and on Article 46 paragraph 3 and Article 72 of the Financial Institutions Act of 15 June 2018[3] (FinIA),[4]

ordains:

Title 1 General Provisions

Chapter 1 Purpose, Scope and Definitions

Art. 1 Principles

[1] To protect creditors and the stability of the financial system, banks and account-holding securities firms must mitigate their risks appropriately and hold adequate capital commensurate with their business activities and risks.[5]

[2] They must provide capital backing for credit risks, market risks and operational risks.[6]

Art. 2 Subject matter

[1] This Ordinance governs:

a. eligible capital;

b. the risks to be backed with capital and the level of capital backing;

AS **2012** 5441

1 Amended by Annex 1 No II 10 of the Financial Institutions Ordinance of 6 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4633).
2 SR **952.0**
3 SR **954.1**
4 Amended by Annex 1 No II 10 of the Financial Institutions Ordinance of 6 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4633).
5 Amended by Annex 1 No II 10 of the Financial Institutions Ordinance of 6 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4633).
6 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

c.[7] risk diversification, i.e. the upper limits for risk concentrations and the treatment of intra-group exposures;

d. the special requirements for systemically important banks.

2 ...[8]

Art. 3[9] Scope

This Ordinance applies to banks in accordance with the BankA and account-holding securities firms pursuant to the FinIA (hereinafter banks).

Art. 4 Definitions

1 In this Ordinance:

a. *regulated stock exchange* means an institution that is appropriately regulated and supervised according to internationally recognised standards, whose purpose is to enable the simultaneous purchase and sale of securities among several securities firms[10] and that also ensures this by means of sufficient market liquidity;

b. *main index* means an index comprising all securities traded on a regulated stock exchange (total market index) or a selection of key securities on such an exchange, or an index comprising the key securities of various regulated stock exchanges;

c. *regulated entity* means an entity operating in the financial sector that must comply with appropriate capital adequacy requirements, particularly with regard to business risks, and that is regulated according to internationally recognised standards and supervised by a banking, securities or insurance supervisory authority;

d. *equity security* means a security representing a financial interest in the share capital of an entity;

d[bis].[11] *equity-like instrument* means a financial instrument that, irrespective of voting rights, has a direct or indirect legal or economic link to the assets or revenue of a company, including equity securities, but excluding shares in managed collective assets;

e. *equity instrument* means equity securities that qualify as Common Equity Tier 1 capital or additional Tier 1 capital, as well as debt instruments that qualify as additional Tier 1 capital or Tier 2 capital;

7 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
8 Repealed by No I of the O of 29 Nov. 2023, with effect from 1 Jan. 2025 (AS **2024** 13).
9 Amended by Annex 1 No II 10 of the Financial Institutions Ordinance of 6 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4633).
10 Term in accordance with Annex 1 No. II 10 of the Financial Institutions Ordinance of 6 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4633). This amendment has been made throughout the text.
11 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

f.[12] *corresponding deduction approach* means the corresponding deduction approach described in paragraphs 30.21, 30.26 and 30.30 of the Basel Minimum Standards on the definition of capital (CAP)[13];

f^bis.[14] *interest rate instrument* means an instrument in which interest rates are the predominant risk factor;

g.[15] *qualifying interest rate instrument* means an interest rate instrument that has:

1. an external rating of between 1 and 4 from at least two rating agencies recognised by the Swiss Financial Supervisory Authority (FINMA) in accordance with Article 6,
2. an external rating of between 1 and 4 from one FINMA-recognised rating agency in accordance with Article 6, provided that it does not have a lower external rating from another recognised rating agency,
3. no external rating from a FINMA-recognised rating agency in accordance with Article 6, but has a yield to maturity and residual maturity comparable to those of securities with an external rating of between 1 and 4, provided that the issuer's securities are traded on a regulated stock exchange or on a market where at least three market makers independent of each other normally quote rates on a daily basis that are published regularly, or
4. no external rating from a FINMA-recognised rating agency in accordance with Article 6, but has an internal bank rating corresponding to a rating of between 1 and 4, provided that the issuer's securities are traded on a regulated stock exchange or on a market where at least three market makers independent of each other normally quote rates on a daily basis that are published regularly;

h.[16] *managed collective assets* means capital collected from investors that is collectively invested and managed on their behalf according to a fixed investment strategy, irrespective of domicile and legal form, especially:

1. collective capital investments,
2. investment clubs in accordance with Article 2 paragraph 2 letter f of the Collective Investment Schemes Act of 23 June 2006[17] (CISA),
3. investment companies, even if not subject to the CISA,
4. in-house funds in accordance with Article 71 of the Financial Services Act of 15 June 2018[18],
5. foundations established under foreign law, whose aim is the management of collective assets;

12 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
13 The CAP is listed in Annex 1 No 2.
14 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
15 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
16 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
17 SR **951.31**
18 SR **950.1**

i.[19] *leverage ratio* means the leverage ratio in accordance with the Basel Minimum Standards on the leverage ratio (LEV)[20].

[2] The following instruments in particular shall be deemed to be equity-like instruments:

a. financial instruments that are recorded as credit following a debt-equity swap, but which count legally or economically as equity;

b. financial instruments that count as Tier 1 capital;

c. financial instruments whose settlement can be deferred indefinitely by the issuer;

d. financial instruments that are realised solely through:
   1. their sale,
   2. the sale of the rights to the relevant financial instruments,
   3. the liquidation of the issuer,
   4. repayment via the issuance of equity securities by the issuer, if:
      – in the event of a mandatory repayment or a repayment at the issuer's discretion: upon issuance of a variable number of equity securities, any change in the exposure value is aligned, comparable and linked with the change in value of a given number of equity securities in the company's capital
      – in the event of a repayment at the discretion of the holder of the financial instrument: FINMA rejects the bank's request for it to be treated as a financial asset.[21]

Art. 4*a*[22] Basel Minimum Standards

[1] In this Ordinance, Basel Minimum Standards are those documents of the Basel Committee on Banking Supervision that this Ordinance declares to be relevant, in particular for calculating capital requirements and with respect to the disclosure requirements.

[2] The relevant authoritative version of the Basel Minimum Standards is stipulated in Annex 1.

Art. 4*b*[23] Banking book

The following instruments must be assigned to the banking book:

a. unlisted equity securities;

b. securitisation exposures;

c. direct real estate holdings;

19 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
20 The LEV is listed in Annex 1 No 7.
21 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
22 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
23 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

d. loans and loan commitments to small and medium-sized enterprises (SMEs) under Article 70 paragraphs 3 and 4 and retail exposures under Article 71;

e. units in managed collective assets, unless at least one of the conditions under Article 5 paragraph 3 letter c is met;

f. hedge funds;

g. derivative instruments and managed collective assets that have the instruments under letters a to f as the underlying asset, except if at least one of the conditions under Article 5 paragraph 3 letter c is met;

h. instruments held for the purpose of hedging the risk of the instruments under letters a to g;

i. other instruments that are not assigned to the trading book in accordance with Article 5.

Art. 5[24] Trading book

1 Instruments may be assigned to the trading book only if there is no legal impediment against trading or fully hedging the instrument.

2 Instruments held for one of the following purposes must, when first recognised on the entity's books, must be assigned to the trading book, unless they are instruments under Article 4*b* letters a to h:

a. short-term resale;

b. profiting from short-term price movements;

c. locking in arbitrage profits;

d. hedging risks arising from the instruments held for the purposes under letters a to c.

3 The following instruments must be assigned to the trading book, unless they are instruments under Article 4*b* letters a to h:

a. instruments held as accounting trading assets or liabilities;

b. instruments resulting from market-making activities;

c. units in managed collective assets that meet at least one of the following conditions:

1. the bank is able to look through the fund to its individual components, and has access to sufficient and frequent information on the fund's composition which has been verified by a third party,

2. the bank obtains daily price quotes for the fund, and has access to the mandate or the legal regulations governing the investment strategy;

d. listed equity-like instruments;

e. trading-related repo and repo-style transactions;

24 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

f. derivative instruments, including embedded derivatives from instruments that the bank issued itself and that relate to credit or equity risk;

g. instruments that would give rise to a net short credit or equity exposure in the banking book;

h. instruments in the correlation trading portfolio;

i. instruments resulting from underwriting commitments from securities issuance, where the securities are expected to be actually purchased by the bank on the settlement date.

4 In derogation from paragraph 3, the instruments under paragraph 3 letters a to g may be assigned to the banking book. FINMA shall issue technical implementing provisions. It shall base these on the Basel Minimum Standards on risk-based capital requirements (RBC)[25]. As regards deviating assignments under paragraph 25.10 RBC, it shall make provision for less stringent requirements.

5 FINMA shall issue technical implementing provisions on the documentation requirement and the procedure for assigning instruments to the trading and banking books. It shall base these on the RBC. As regards the auditing of banks' compliance with internal directives under paragraph 25.13 RBC, it shall make provision for less stringent requirements.

Art. 5*a*[26] Banking book and trading book: reassignments and internal risk transfers

1 If a reassignment of instruments between the two books results in a reduction of the minimum capital calculated across all trading and banking book positions, the difference shall be treated as a surcharge on minimum capital.

2 FINMA shall issue technical implementing provisions on reassignments and internal risk transfers. It shall base these on the RBC[27]. For banks in categories 3 to 5 under Annex 3 of the Banking Ordinance of 30 April 2014[28] (BankO) and with respect to the requirement to obtain approval for reassignments under paragraph 25.16 RBC, FINMA shall make provision for less stringent requirements.

Art. 5*b*[29] Banking book and trading book: prudent valuation

1 Trading book positions must be calculated daily and any valuation change must be recognised in the profit and loss account.

2 For the purpose of calculating regulatory capital, banking book positions that are estimated at fair value in accordance with the applicable accounting standards, as well as trading book positions, shall be valued prudently for individual positions.

25 The RBC is listed in Annex 1 No 3.
26 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
27 The RBC is listed in Annex 1 No 3.
28 SR **952.02**
29 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

3 If the prudent valuation leads to valuation adjustments over and above those performed in accordance with the applicable accounting standards, these additional valuation adjustments shall result in a reduction of eligible CET1 capital.

4 FINMA shall issue technical implementing provisions on prudent valuation. It shall base these on the CAP[30].

Art. 6[31] Rating agencies

1 FINMA may recognise a rating agency if the criteria under paragraphs 21.2 to 21.4 of the Basel Minimum Standard on the calculation of RWA for credit risk (CRE)[32] and the Code of Conduct Fundamentals for Credit Rating Agencies of 24 March 2015[33] of the International Organization of Securities Commissions (IOSCO) are met, especially if:

a. the rating methodology and ratings are objective;

b. the rating agency and its rating procedure are independent;

c. the rating agency makes its external ratings and the underlying information available;

d. the rating agency discloses its rating methodology, its code of conduct, its method of dealing with conflicts of interest, its compensation arrangements and the main characteristics of its ratings;

e. the rating agency has sufficient resources;

f the rating agency and its ratings are credible;

g. the rating agency does not use unsolicited ratings to put pressure on rated entities into obtaining solicited ratings; and

h. the rating agency declares its willingness to cooperate with FINMA, especially if it notifies it of significant changes to methodologies and provides it with access to its external ratings and other relevant data.

2 It shall publish a list of recognised rating agencies, including information on the market segment for which it has granted recognition.

3 If it finds that a recognised rating agency no longer meets the recognition requirements, it shall withdraw such recognition.

30 The CAP is listed in Annex 1 No 2.
31 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
32 The CRE is listed in Annex 1 No 4.
33 The Code of Conduct Fundamentals for Credit Rating Agencies can be downloaded free of charge at www.iosco.org > Publications > Public Reports

Chapter 2 Consolidation

Art. 7 Consolidation requirement

1 The capital adequacy and risk diversification requirements must be met not only at the level of the individual entity, but also at the level of the financial group and financial conglomerate (consolidation requirement).

2 Consolidation shall include all group entities operating in the financial sector in accordance with Article 4 in conjunction with Article 22 of the BankO[34], with the following exceptions:[35]

a. subject to Article 12, participations in the insurance sector shall be consolidated only within the framework of the risk diversification requirements;

b. the management of collective investments on behalf of investors or the holding of the initial capital of investment companies shall not imply a requirement to consolidate the collective investment.

3 If the bank holds equity instruments in an unconsolidated entity under paragraph 2 letter a, these shall be subject to the corresponding deduction approach.

4 If the bank holds equity instruments in an unconsolidated entity under paragraph 2 letter b, these shall be subject to the corresponding deduction approach without application of a threshold.

Art. 8 Consolidation types and options available to the bank

1 Majority interests in entities subject to consolidation must be fully consolidated.

2 In the case of participations held jointly with a second shareholder or partner where each holds 50% of the voting rights (joint ventures), the bank may choose full consolidation, proportionate consolidation or the corresponding deduction approach.

3 In the case of minority interests of at least 20% in entities subject to consolidation over which the bank directly or indirectly exerts a controlling influence together with other shareholders, the bank may opt for proportionate consolidation or the corresponding deduction approach.

4 The corresponding deduction approach shall be applied for all other minority interests.

5 With proportionate consolidation, eligible and required capital and risk concentrations must be recognised in proportion to the participation in question.

6 Participations recognised under the corresponding deduction approach shall not be included in risk diversification.

7 The deduction approach under paragraphs 2 and 3 shall not involve the application of a threshold.

34 SR **952.02**
35 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

Art. 9 Deviation in treatment with the consent of the audit firm

[1] With the audit firm's consent, the following participations may be treated as exempt from the consolidation requirement:

a. participations in entities which, due to their size and business activities, are insignificant for compliance with the capital adequacy requirements;

b. significant group entities held for less than a year.

[2] Participations conferring more than 50% of the voting rights may exceptionally be consolidated on a proportionate basis with the audit firm's consent if it is contractually stipulated that:

a. the support for the entity subject to consolidation is limited to the bank's proportionate share; and

b. the other shareholders or partners are obliged to provide support to the extent of their proportionate share and are legally and financially capable of fulfilling that obligation.

[3] Participations that are exempt from the consolidation requirement in accordance with paragraph 1 shall be subject to the corresponding deduction approach without application of a threshold.

Art. 10 Special provisions

[1] In special cases, FINMA may fully or partially exempt a bank from compliance with the capital and risk diversification requirements at the level of the individual entity, in particular if the criteria under Article 17 BankO[36] are met.[37]

[2] In the context of the capital requirements to be met at the level of the financial group or financial conglomerate, FINMA may impose additional requirements regarding the capital adequacy of an entity which is at the head of a financial group or financial conglomerate and which is not supervised as an individual entity.

[3] In special cases, FINMA may permit bank group entities that operate in the financial sector to be consolidated by the bank at the level of the individual entity (solo consolidation), owing to their particularly close relationship with the bank.

Art. 11 Subordinate financial groups

[1] The consolidation requirement shall apply to every financial group, even if a higher-level financial group or financial conglomerate is already supervised by FINMA.

[2] FINMA may exempt a subordinate financial group from the consolidation requirement in special cases, particularly if:

a. its group entities operate exclusively in Switzerland; and

36 SR **952.02**
37 Amended by Annex 2 No. 4 of the Banking Ordinance of 30 April 2014, in force since 1 Jan. 2015 (AS **2014** 1269).

b. the higher-level financial group or financial conglomerate is itself subject to appropriate consolidated supervision by a financial market supervisory authority.

Art. 12 Captives for operational risk

Subject to approval by FINMA, group entities with the sole purpose of insuring operational risk within the group may be fully consolidated at financial group level in the same way as group entities operating in the financial sector and, if appropriate, solo consolidation may be used (Art. 10 para. 3).

Art. 13 Participations in non-financial entities

The upper limits for a bank's qualifying participations in a non-financial entity under Article 4 paragraph 4 of the BankA shall not apply if:

a. such participations are acquired temporarily as part of the restructuring or rescue of an entity;

b. securities are acquired for the standard underwriting period; or

c.[38] the difference between the upper limits applicable to these participations and the carrying amounts of the participations that exceed the upper limit is weighted at 1,250%.

Chapter 3 Demonstration and Disclosure of Capital Adequacy

Art. 14 Capital statement

[1] Banks shall demonstrate their capital adequacy on a quarterly basis. FINMA shall determine what the statement must include.

[2] The consolidated capital statement must be provided every six months.

[3] The statements shall be submitted to FINMA within six weeks of the end of the quarter or half-year.[39]

Art. 15 Calculation basis

When calculating the eligible and required capital for the capital statement, the bank shall rely on the financial statements prepared in accordance with the accounting standards prescribed by FINMA. FINMA shall regulate the exceptions to this principle.

38 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
39 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

Art. 16 Disclosure

1 The banks shall inform the public in appropriate form about their risks and capital. The calculation of eligible capital must be clearly derived from the financial statements.

2 Private bankers who do not actively seek deposits from the public are exempt from this obligation.

3 FINMA shall issue technical implementing provisions. It shall base these on the Basel Minimum Standards on disclosure requirements (DIS)[40]. Further, it shall define, in particular, which information is to be disclosed in addition to the annual or interim financial statements, especially with regard to corporate governance and climate-related financial risks, and which information must be disclosed by systemically important banks with regard to the requirements under Title 5 and compliance with them. It shall make provision for less stringent requirements for non-systemically important banks, provided that this is justified for reasons of proportionality.[41]

Chapter 4 Simplified Application

Art. 17

1 The banks may opt for simplified application of individual provisions of this Ordinance and of FINMA's technical implementing provisions that provide detail thereto if:

a. they thereby avoid disproportionate effort;

b. they ensure risk management that is appropriate to their business activities; and

c. the ratio of minimum capital to the bank's eligible capital is at least maintained as a result.

2 They shall ensure that these requirements are met and shall document the type of simplification.

Title 2 Eligible Capital and Additional Loss-Absorbing Capital[42]

Chapter 1 General

Art. 18 Capital components

1 Eligible capital is composed of core capital (Tier 1 capital; T1) and supplementary capital (Tier 2 capital; T2).

40 The DIS is listed in Annex 1 No 11
41 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
42 Amended by Annex No 2 of the O of 23 Nov. 2022, in force since 1 Jan. 2023 (AS **2022** 804).

2 Core capital is composed of Common Equity Tier 1 (CET1) capital and additional Tier 1 (AT1) capital.

Art. 19 Loss absorption

1 The loss absorption principles for the capital components are as follows:

a. CET1 capital shall absorb losses ahead of AT1 capital;

b. AT1 capital shall absorb losses ahead of Tier 2 capital.

2 If individual instruments of the same capital component (excluding CET1) are not to absorb losses in the same way, this must be specified in the articles of association or when the instrument is issued.

Art. 20 Common capital requirements

1 Capital must be fully paid up or generated internally to the extent of its recognition.

2 At the time of issuance, it may not:

a. be directly or indirectly financed by loans granted by the bank to third parties;

b. be offset against the bank's receivables;

c. be secured by bank assets.

3 It must be subordinate to the senior claims of all other creditors in the event of liquidation, bankruptcy or restructuring.

4 Capital instruments that do not only provide for contingent conversion or write-off at point of non-viability (Art. 29) shall be recognised as capital components commensurate with their characteristics prior to conversion or write-off. This shall be without prejudice to:

a.[43] recognition to cover the capital buffer requirement under Article 43 paragraph 1 and Annex 8; and

b. the provisions for the convertible capital of systemically important banks under Title 5.

5 FINMA shall issue technical implementing provisions on the eligibility of capital.[44]

Chapter 2 Calculation

Section 1 Common Equity Tier 1 (CET1) Capital

Art. 21 Eligible elements

1 The following shall be eligible as CET1 capital:

a. paid-up share capital;

43 Amended by No I of the O of 22 Nov. 2017, in force since 1 Jan. 2018 (AS **2017** 7625).
44 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

b. disclosed reserves;

c. reserves for general banking risks after deduction of deferred taxes, unless a corresponding provision has been created;

d. retained earnings;

e.[45] the profit for the current business year after deducting the estimated earnings distribution, to the following extent, subject to the existence of a full income statement in accordance with FINMA's implementing provisions based on Article 42 of the BankO[46], or of a full income statement in accordance with an international standard recognised by FINMA:

1. 100% if the income statement has been audited according to FINMA's requirements,
2. 70% if the income statement has not been audited; in justified cases, FINMA may request an attestation for the recognition.

2 Minority interests in fully consolidated regulated entities shall be eligible to the extent that they are eligible in these entities themselves. Capital surpluses attributable to minority interests, calculated on the basis of requirements that include capital buffers and additional capital, are not eligible. FINMA shall issue technical implementing provisions. It shall base these on the CAP[47].[48]

Art. 22 Eligibility of share capital

1 Share capital shall be eligible as CET1 capital if:

a. it meets the requirements set out in Article 20;

b. it was directly issued in accordance with the resolution or authorisation of the owners;

c. it does not constitute a liability for the company;

d. it is clearly and separately disclosed on the balance sheet in accordance with the applicable accounting standards;

e. it is perpetual and not subject to any provision to the contrary in the bank's articles of association or contractual obligations;

f. distributions to the owners are carried out from distributable reserves without any obligations or privileges; and

g. owners do not have any privileges or senior claims to the proceeds in the event of liquidation.

1bis If equity securities do not absorb going-concern losses equally, only those for primary loss absorption may be recognised as CET1 capital.[49]

2 Preferred stock and participation capital shall be eligible as CET1 if:

45 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
46 SR **952.02**
47 The CAP is listed in Annex 1 No 2.
48 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
49 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

a. they meet the criteria under paragraph 1;

b. they are equivalent to common share capital in the form of CET1 capital as regards loss absorption; and

c. the issuer, as a company limited by shares, has not listed its ordinary shares on a regulated stock exchange.[50]

3 FINMA shall take account of the bank's legal form and the characteristics of its share capital when assessing whether the criteria under paragraph 1 and paragraph 2 letter b are met.

Art. 23 Types of share capital

1 Depending on a bank's legal form, the share capital shall consist of equity, nominal, cooperative or endowment capital, and the limited-partner contribution in the case of banks in the form of partnerships (private bankers).

2 FINMA may issue technical implementing provisions on the regulatory recognition of banks' share capital.

Art. 24 Endowment capital of banks under public law

If cantonal legislation or the articles of association of banks under public law provide for a maturity date for their endowment capital, this capital may be recognised as CET1 capital if the maturity:

a. serves the purpose of being able to redefine the conditions; and

b. does not lead to the repayment of the endowment capital.

Art. 25 Capital contributions of private bankers

1 Private bankers may recognise capital contributions as CET1 capital if:

a. their amount is specified in the partnership agreement to be approved by FINMA;

b. they bear interest or entitle the contributor to a share in profits only if sufficient profit is available at the end of the financial year; and

c. they are equivalent to a limited-partner contribution as regards loss absorption.

2 Capital contributions may be reduced only in a procedure that involves all partners with unlimited liability.

3 CET1 capital may be decreased by a reduction in capital contributions only to the extent that the remaining capital meets the requirements under Article 41.

50 Amended by Annex 2 No 4 of the Banking Ordinance of 30 April 2014, in force since 1 Jan. 2015 (AS **2014** 1269).

Art. 26 Cooperative capital

1 If the articles of association provide for the redemption of cooperative capital share certificates, the cooperative capital may be recognised as CET1 capital if the articles of association specify that the redemption:

a. may be rejected by the governing bodies at any time without giving reasons; and

b. is carried out only to the extent that the bank's remaining capital meets the requirements under Article 41.

2 A restriction on the claim to the liquidation proceeds must:

a. affect all share certificate holders equally; and

b. be provided for in the articles of association.

3 A share in the liquidation proceeds may be foregone only in favour of:

a. a public or tax-exempt private institution; or

b.[51] a central organisation within the meaning of Article 17 BankO[52] if the bank to be liquidated belongs to this central organisation.

4 Articles of association must not guarantee distributions for holders of share certificates, even if they set an upper limit.

Section 2 Additional Tier 1 (AT1) Capital

Art. 27 Eligibility

1 A capital instrument shall be eligible as AT1 capital if:

a. it meets the requirements under Articles 20 and 29;

b. it is perpetual and, at the time of issuance, the bank does not create expectations of repayment or the corresponding approval of the supervisory authority;

c. the bank is entitled to repay the capital no earlier than five years after issuance;

d. the bank indicates at the time of issuance that the supervisory authority will approve repayment only if:

1. the remaining capital continues to meet the requirements under Article 41; or

2. sufficient capital that is at least equivalent is issued to replace it;

e. it does not have any characteristics which would in any way complicate an increase in the bank's share capital;

51 Amended by Annex 2 No. 4 of the Banking Ordinance of 30 April 2014, in force since 1 Jan. 2015 (AS **2014** 1269).

52 SR **952.02**

f. distributions by the bank to the capital providers are made solely on a discretionary basis and only if distributable reserves are available; and

g. increases in distributions to the capital providers during the term as a result of issuer-specific credit risk are excluded.

2 Equity securities shall be eligible as AT1 capital if they meet the criteria under paragraph 1.

3 Liabilities that meet the criteria under paragraph 1 shall be eligible as AT1 capital if, in the occurrence of a contractually defined event (trigger) but no later than when the CET1 capital ratio falls below 5.125%, they cease to exist due to:

a. a write-off; or

b. conversion to CET1 capital.

4 The terms and conditions of issuance for a conditional write-off capital instrument may grant the capital provider a deferred conditional right to participate in an improvement in the bank's financial situation. This must not substantially impair the strengthening of the bank's capital base at the time of the write-off.

4bis FINMA may issue technical implementing provisions on the eligibility of AT1 capital.[53]

5 Before a capital instrument is issued, FINMA shall approve:[54]

a. the contractually defined trigger event under paragraph 3; and

b. the extent to which a right to participate in an improvement under paragraph 4 is permissible.

6 Article 21 paragraph 2 concerning the eligibility of minority interests in fully consolidated regulated entities shall apply by analogy.

Art. 27*a*[55] Activation of the trigger

If the trigger is activated for liabilities under Article 27 paragraph 3 that are eligible as additional Tier 1 capital, FINMA shall order the write-off or conversion to CET1 capital, including the time of such, and shall define the amount concerned. In doing so, it shall maintain the contractual issue and/or loan conditions, as well as the resulting order of priority.

Art. 28 Availability in the financial group

AT1 capital issued by a non-operating special purpose entity shall be recognised on a consolidated basis if it is directly and unrestrictedly transferred in the same or higher quality to the group parent company or an operating entity of the bank.

53 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
54 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
55 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

Art. 29 Point of non-viability (PONV)

[1] The terms and conditions of issue or the articles of association must make provision for AT1 capital to contribute to the bank's restructuring by means of a complete write-off or conversion at the point of non-viability. In this case, creditors' claims must be written off in full.

[2] The conversion to CET1 capital or the write-off shall take place if FINMA:

a. identifies a recourse to public sector assistance in which the conversion or write-off for the investors takes effect before the assistance is availed of; or

b. orders this to avoid insolvency.[56]

[3] In the case of equity securities that are recognised as AT1 capital and do not have a loss absorption mechanism in accordance with paragraph 1, the contract or articles of association must make provision for the irrevocable waiver of any privileges with respect to the share capital that qualifies as CET1 capital at the point of non-viability. In each individual case, FINMA shall define the time at which the privilege ceases to apply.[57]

Section 3 Supplementary (Tier 2) Capital

Art. 30 Eligibility

[1] A capital instrument shall be eligible as Tier 2 capital if:

a. it meets the requirements under Article 20 and Article 29 paragraphs 1 and 2;

b. it has an original maturity of at least five years and the terms and conditions of issue do not contain any repayment incentives for the bank;

c. the bank is entitled to repay the capital no earlier than five years after issuance;

d. the bank indicates at the time of issuance that the supervisory authority will approve early repayment only if:

1. the remaining capital continues to meet the requirements under Article 41; or

2. sufficient capital that is at least equivalent is issued to replace it; and

e. increases in distributions to the capital providers during the term as a result of issuer-specific credit risk are excluded.

[2] In the last five years prior to final maturity, the recognition of Tier 2 capital instruments shall decrease by 20% of the nominal amount each year. They shall not be recognised at all in the last year.

[3] Article 21 paragraph 2, Article 28 and Article 29 paragraphs 1 and 2 shall apply by analogy.

56 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
57 Second sentence inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

4 FINMA shall issue technical implementing provisions defining the criteria for the inclusion of additional Tier 2 capital components, in particular:

a. banks under public law;

b. the capital contributions made by partners with unlimited liability to private bankers which do not meet the criteria under Article 25; and

c. hidden reserves.

Section 4 Adjustments

Art. 31 General

1 The adjustments to eligible capital shall be calculated in the same way for both individual entities and consolidated financial groups.

2 The carrying value shall be the relevant amount for an adjustment. Anticipated tax effects may be taken into account to reduce the adjustment only if:

a. the tax liability expires automatically together with the corresponding position; or

b. this is expressly provided for in this Ordinance or in FINMA's technical implementing provisions.

3 FINMA may define in technical implementing provisions the implementation of the provisions on adjustments, and provide for special rules for banks that prepare their financial statements in accordance with internationally recognised accounting standards.[58]

Art. 31*a*[59] Changes in the fair value of own liabilities as a result of a change in the bank's credit risk

1 When calculating CET1 capital, all unrealised gains and losses on own liabilities that are attributable to fair value changes caused by changes in the bank's credit risk must be neutralised.

2 In addition, all valuation adjustments concerning derivative liabilities that arise from the bank's own credit risk must be neutralised.

3 Valuation adjustments arising from the bank's own credit risk must not be netted against valuation adjustments arising from the counterparties' credit risk.

Art. 32[60] Deductions from CET1 capital

1 The following must be deducted in full from CET1 capital:

58 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
59 Inserted by Annex 2 No 4 of the Banking Ordinance of 30 April 2014, in force since 1 Jan. 2015 (AS **2014** 1269).
60 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

a. the loss carried forward and the loss for the current financial year;

b. the unsecured valuation adjustments and provisions for the current financial year;

c. goodwill, including any goodwill included in the valuation of significant interests in financial sector entities outside the scope of consolidation, and intangible assets other than mortgage servicing rights (MSR);

d. deferred tax assets (DTA) whose realisation depends on future profitability, subject to offsetting against deferred tax liabilities under paragraph 2; deferred tax assets which result from temporary differences and which are subject to the deductions according to the thresholds under Articles 39 and 40, shall be excluded from the deduction;

e. revenue from sales related to securitisation transactions;

f. balance sheet claims against defined-benefit occupational pension institutions; these claims must be deducted in accordance with the corresponding requirements of the CAP[61];

g. directly or indirectly held own equity securities which form part of CET1 capital, in the amount of the net long exposures under Article 52, unless these securities have already been recognised in the statement of financial performance;

h. qualifying financial interests in the capital of another financial sector entity, where such entity also has a stake in the capital of the bank (reciprocal cross-holdings);

i. deductions resulting from a deduction option chosen by the bank within the framework of the consolidation provisions under Article 7 paragraph 4, Article 8 paragraphs 2 and 3 and Article 9 paragraphs 1 and 3.

[2] Deferred tax assets under paragraph 1 letter d may be netted against deferred tax liabilities within the same geographical and actual tax jurisdiction, provided that the relevant tax authority permits netting.

[3] Banks that apply the internal ratings-based approach (IRB; Article 77) must, in addition to the deductions under paragraph 1, also deduct the amount by which the expected losses calculated under the IRB exceed the value adjustments under the CAP.

[4] In the context of the individual entity calculation, if FINMA does not permit risk weighting in accordance with Annex 4 Nos 1 or 2, the net long exposures of the directly held financial interests in financial sector entities subject to consolidation, calculated in accordance with Article 52, are to be deducted in addition to the deductions under paragraph 1.

61 The CAP is listed in Annex 1 No 2.

Art. 33 Corresponding deduction approach

1 If the bank holds equity instruments of a financial sector entity, the deductions shall be made using the corresponding deduction approach. The value of these instruments shall be deducted from the bank's capital component that corresponds to the component at the level of the third-party entity.

1bis Bail-in bonds issued by internationally active systemically important banks in accordance with Article 126*a* paragraph 1 or corresponding regulations in foreign jurisdictions shall be treated as Tier 2 capital instruments with respect to the requirements of this section.[62]

2 If the bank does not hold any capital for the deduction in the corresponding eligible capital component, or if such capital is insufficient, the deduction shall be made from the next higher capital component.

Art. 34 Deductions of exposures in own equity instruments outside CET1 capital

1 The bank's own direct or indirect net long exposures in AT1 capital and Tier 2 capital instruments, calculated in accordance with Article 52, shall be deducted using the corresponding deduction approach.

2 With the corresponding deduction approach in accordance with paragraph 1 for Tier 2 capital instruments, the restricted recognition under Article 30 paragraph 2 (amortisation) shall not apply to securities of the same issue, and nominal values may be netted against each other.

Art. 35[63] Threshold deductions

1 In the case of threshold deductions, the portion that exceeds the relevant threshold 1, 2 or 3 shall be deducted from capital.

2 Threshold 1 shall amount to 10% of CET1 capital after all adjustments under Article 31 paragraph 3 and Article 32 paragraphs 1 and 3.

3 Threshold 2 shall amount to 10% of CET1 capital after all adjustments under Article 31 paragraph 3 and Article 32 paragraphs 1, 3 and 4, including any deductions from CET1 capital as a result of the threshold 1 calculation (Art. 37 paras. 1 and 2).

4 Threshold 3 shall be determined such that, after the application of all regulatory adjustments, including any deductions at this threshold level in accordance with Article 40 paragraph 1, the remaining amount of the three items under Article 38 paragraph 2 and Article 39 paragraph 1 does not exceed 15% of CET1 capital.

Art. 36 Applicable deduction approach for equity instruments

1 Whether the deduction approach under Article 37 or that under Article 38 applies to a bank's equity holdings in a financial sector entity shall depend on the percentage of

62 Inserted by No I of the O of 21 Nov. 2018 (AS **2018** 5241). Amended by No I of the O of 27 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4623).
63 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

directly or indirectly held equity securities in such entity, calculated in accordance with Article 52, as well as other forms of investment in such securities which synthetically embody the same risk (securities held).[64]

2 Equity instruments which the bank holds in the form of AT1 capital or Tier 2 capital in companies whose equity securities must be deducted in full from CET1 capital in accordance with Article 32 paragraph1 letters h and i and paragraph 4 shall be subject to the procedure under Article 38 paragraph 1.[65]

Art. 37 Equity securities in financial sector entities up to 10%

1 If a bank holds a maximum of 10% in equity securities in a financial sector entity in the form of CET1 capital, it shall deduct from its own capital components the portion of the total carrying value of all equity instruments in such financial sector entities which exceeds threshold 1. This shall also apply if the bank holds only equity instruments in a financial sector entity that do not constitute CET1 capital.[66]

2 When applying the corresponding deduction approach, the amount to be deducted under paragraph 1 shall be divided proportionately among the equity instruments held by the bank in the relevant financial sector entities before the deduction.

2bis In addition to the threshold 1 limit under paragraph 1, a bank may hold bail-in bonds in accordance with Article 33 paragraph 1bis up to 5% of CET1 capital without deducting them from its own capital components. FINMA may issue corresponding implementing provisions.[67]

3 The portion of the aggregated carrying values under paragraph 1 that is below the threshold shall be weighted according to risk. The calculation of the risk-weighted assets for each capital component shall be based on its allocation to the banking or trading book before the deduction.[68]

Art. 38 Equity securities in financial sector entities over 10%

1 A bank that holds more than 10% in equity securities in a financial sector entity in the form of CET1 capital shall apply the corresponding deduction approach without thresholds to all AT1 capital and Tier 2 capital instruments of such entities. The corresponding deduction approach without thresholds shall also apply to holdings of bail-in bonds of internationally active systemically important banks under Article 33 paragraph 1bis.[69]

2 It must deduct from its CET1 capital the amount by which the total carrying value of all directly or indirectly held shares in the CET1 capital of such entities outside the

64 Amended by Annex 2 No 4 of the Banking Ordinance of 30 April 2014, in force since 1 Jan. 2015 (AS **2014** 1269).
65 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
66 Amended by Annex 2 No 4 of the Banking Ordinance of 30 April 2014, in force since 1 Jan. 2015 (AS **2014** 1269).
67 Inserted by No I of the O of 27 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4623).
68 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
69 Amended by No I of the O of 27 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4623).

scope of consolidation exceeds threshold 2, both at the level of the individual entity and on a consolidated basis.

3 The amount calculated in accordance with paragraph 2 that is below the threshold shall be treated in accordance with Article 40.

Art. 39 Further deductions according to threshold 2

1 The bank must separately deduct from its CET1 capital the following amounts that exceed threshold 2:

a. mortgage servicing rights; and

b. deferred tax assets (DTAs) due to temporary differences.

2 Amounts below the threshold shall be treated in accordance with Article 40.

Art. 40 Deductions according to threshold 3

1 Carrying values which are obtained using the methods in Article 38 paragraphs 2 and 3 and Article 39 and which are below threshold 2 shall be added together and measured against threshold 3. The bank must deduct from its CET1 capital the amount that exceeds threshold 3.

2 The bank must apply a risk weight of 250% to the amounts of the three items under Article 38 paragraph 2 and Article 39 paragraph 1 that are below threshold 3, in accordance with the international standardised approach for credit risk (BIS SA).[70]

Chapter 3[71] Additional Loss-Absorbing Capital for Cantonal Banks

Art. 40*a*

1 Cantonal banks may issue bail-in bonds in accordance with Article 30*b* paragraph 6 BankA.

2 These bonds must meet the requirements under Article 126*a*, as well as the following terms and conditions of issuance:

a. The amount of compensation shall be based on the amount by which the claim was reduced. The accrued and written-down interest, as well as the interest that would be payable up to the final maturity of the claim on the corresponding amount, shall be included.

b. The obligation to pay compensation is limited in time. The duration and mechanism for payment must take account of the resolution concept and the amount of the compensation; the duration shall be at least ten years.

c. The cantonal bank:

70 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
71 Inserted by Annex No 2 of the O of 23 Nov. 2022, in force since 1 Jan. 2023 (AS **2022** 804).

1. may pay compensation only if it meets the regulatory requirements after making the payment,
2. must pay compensation if it meets the criteria in paragraph 1 and:
   - has a defined capital buffer or
   - distributes funds to the canton in order to cover the latter's costs for refinancing the capital it has provided in the resolution.

3 Before issuing debt instruments in accordance with this article, the cantonal bank must submit the terms and conditions of issuance, as well as a resolution concept drawn up together with the canton, to FINMA for approval. In particular, the resolution concept must describe:

a. the mechanism for paying the subsequent compensation, including the form, terms and legal feasibility;

b. the extent to which a write-off of debt instruments as part of the resolution is feasible and meets the legal requirements, in particular those of Article 30*c* paragraph 1 letter b BankA;

c. the parameters of any participation by the canton in the resolution of the cantonal bank.

4 Debt instruments in accordance with this article may be issued only for a minimum amount of CHF 100,000.

Title 3 Required Capital

Chapter 1 General

Art. 41 Composition

1 Required capital shall be composed of the following:

a. minimum capital;

b. the capital buffer;

c.[72] the countercyclical buffer;

c^{bis}.[73] the countercyclical buffer add-on; and

d. additional capital.

2 The more stringent special requirements for systemically important banks under Title 5 remain reserved.[74]

72 Amended by No I of the O of 11 May 2016, in force since 1 July 2016 (AS **2016** 1725).
73 Inserted by No I of the O of 11 May 2016, in force since 1 July 2016 (AS **2016** 1725).
74 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

Art. 42[75] Minimum capital

1 After the deductions under Articles 31 to 40, banks must hold the following minimum capital overall:

a. Tier 1 capital amounting to 3% of total exposure (Art. 42*a*);

b. capital amounting to 8% of total risk-weighted assets (Art. 42*b*).

2 A bank must inform FINMA and the audit firm as soon as its capital falls below the minimum required under paragraph 1.

3 A bank that holds less than the minimum capital required under paragraph 1 shall be deemed non-compliant with the capital adequacy requirements within the meaning of Article 25 paragraph 1 BankA.

Art. 42*a*[76] Total exposure

1 The total exposure corresponds to the leverage ratio denominator. It is composed of the unweighted exposures.

2 FINMA shall issue technical implementing provisions on the leverage ratio and total exposure. It shall base these on the LEV[77]. For the purpose of calculating the variation margin for derivatives, it shall permit the simplified standardised approach (CCR-VSA, Art. 58) in addition to the standardised approach for measuring counterparty credit risk, CCR-SA, Art. 57).

Art. 42*b*[78] Total risk-weighted assets

Total risk-weighted assets (RWA) shall be composed of:

a. RWA for credit risk (Art. 49);

b. the minimum capital requirement for market risk (Arts. 81 to 88), multiplied by a factor of 12.5;

c. the minimum capital requirement for operational risk (Arts. 89 to 94), multiplied by a factor of 12.5.

Art. 42*c*[79] Capital quality of minimum capital under Article 42 paragraph 1 letter b

At least 4.5% of the total risk-weighted assets must be backed by CET1 capital, and at least 6% by Tier 1 capital.

75 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
76 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
77 The LEV is listed in Annex 1 No 7.
78 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
79 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

Art. 43 Capital buffer

[1] In addition to the minimum capital, banks shall permanently maintain a capital buffer in accordance with the requirements of Annex 8.[80]

[2] Banks whose capital buffer temporarily falls below the requirements due to exceptional, unforeseeable circumstances such as a crisis in the international or Swiss financial system shall not be deemed to be non-compliant with the capital adequacy requirements.

[3] In the event of a shortfall, FINMA shall set a deadline for the individual banks to restore the capital buffer.

Art. 44 Countercyclical buffer

[1] The Swiss National Bank may request the Federal Council to require banks to hold a countercyclical capital buffer in the form of CET1 capital up to a maximum of 2.5% of their risk-weighted assets in Switzerland if this is necessary to:[81]

a. strengthen the banking sector's resilience to the risks of excessive credit growth; or

b. counteract excessive credit growth.

[2] The Swiss National Bank shall consult FINMA before submitting the request and shall simultaneously inform the Federal Department of Finance. If the Federal Council approves the request, this Ordinance shall be supplemented with a corresponding Annex 7.[82]

[3] The countercyclical buffer may be restricted to certain credit exposures. It shall be removed or adjusted in line with the changed circumstances if the criteria for its imposition no longer apply. The procedure shall be based on paragraphs 1 and 2.

[4] Article 43 paragraphs 2 and 3 shall apply by analogy to the countercyclical buffer.

Art. 44*a*[83] Countercyclical buffer add-on

[1] Banks with total assets of at least CHF 250 billion and total foreign exposure of at least CHF 10 billion, or with a total foreign exposure of at least CHF 25 billion, are required to hold a countercyclical buffer add-on in the form of CET1 capital.

[2] For such banks, the level of the countercyclical buffer add-on shall correspond to the weighted average level of the countercyclical buffers which, according to the list published by the Basel Committee on Banking Supervision[84], apply in the member jurisdictions where a bank's relevant private sector claims are located, but it shall not

80 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
81 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
82 Second sentence amended by No I of the O of 26 Jan. 2022, in force since 30 Sept. 2022 (AS **2022** 53).
83 Inserted by No I of the O of 11 May 2016, in force since 1 July 2016 (AS **2016** 1725).
84 The list can be downloaded free of charge at www.bis.org > Committees & Associations > Basel Committee on Banking Supervision > CCyB and G-SIB buffer > Countercyclical capital buffer (CCyB).

exceed 2.5% of risk-weighted assets. Claims vis-à-vis banks and the public sector shall not be deemed to be private sector claims.[85]

3 The weighting of the ratios for each member jurisdiction shall correspond to the total capital requirement for credit exposures to the private sector in that jurisdiction, divided by the bank's total capital requirement for credit exposures to the private sector.

4 The indicative amount of the countercyclical buffer add-on for Switzerland shall correspond to the countercyclical buffer required under Article 44 for all exposures. A buffer under Article 44 shall be eligible for inclusion in the countercyclical buffer add-on.

5 A countercyclical buffer restricted to certain credit exposures in accordance with Article 44 paragraph 3 shall not be recognised for the countercyclical buffer add-on.

6 Article 43 paragraphs 2 and 3 shall apply by analogy.

Art. 45[86] Additional capital

In special circumstances, FINMA may require individual banks to hold additional capital if the minimum capital under Article 42 and the capital buffer under Article 43 do not provide sufficient security, particularly in relation to:

a. their business activities;

b. their risk exposures;

c. their business strategy;

d. the quality of risk management; or

e. the state of the art of the techniques used.

Art. 45*a*[87] Calculation of risk-weighted assets by banks using the model-based approaches

1 Banks using one of the following approaches must additionally calculate risk-weighted assets according to the standardised approaches:

a. the expected positive exposure (EPE) model-based approach for calculating the credit equivalents of derivatives and securities lending/borrowing transactions (Art. 59 and Art. 62 para. 1 let. c);

b. the internal ratings-based approach for securitisations (SEC-IRBA) (Art. 59*b* para. 2 lit. b);

c. the internal assessment approach for securitisations (SEC-IAA) (Art. 59*b* para. 2 lit. d);

85 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
86 Amended by No I of the O of 11 May 2016, in force since 1 July 2016 (AS **2016** 1725).
87 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

d. the Value-at-Risk model-based approach for recognising collateral for securities lending/borrowing transactions and other secured transactions (Art. 62 para. 3 let. b);

e. the IRB (Art. 77);

f. the model-based approach for market risk (Art. 88).

2 Standardised approaches are deemed to be:

a. the SA-CCR (Art. 57);

b. the standardised approach for securitisations (SEC-SA) (Art. 59*b* para. 2 let. a) and the external ratings-based approach for securitisations (SEC-ERBA) (Art. 59*b* para. 2 let. c), as well as the weighting under Article 59*b* paragraph 3;

c. the simplified approach for securities lending/borrowing transactions and other secured transactions (Art. 62 para. 1 let. a) and the comprehensive approach for securities lending/borrowing transactions and other secured transactions with supervisory haircuts (Art. 62 para. 3 let. a);

d. the BIS SA (Art. 63–73);

e. the approaches used for the credit value adjustment risk of derivatives and securities lending/borrowing transactions (Art. 77*g*–77*j*);

f. the simplified standardised approach for market risk (Art. 83–86*a*) and the standardised approach for market risk (Art. 87); banks that use the model-based approach for market risk (Art. 88) must use the standardised approach for market risk (Art. 87) for the additional calculation;

g. the standardised approach for operational risk (Art. 90–94).

3 Banks under paragraph 1 must use the higher of the following two values for the calculation of total risk-weighted assets (output floor):

a. value arising from the calculation of the risk-weighted assets under the model-based and standardised approaches used by the bank, taking the requirements under Article 77 paragraph 2 into account;

b. value corresponding to 72.5% of the risk-weighted assets calculated exclusively according to the standardised approaches.

4 Paragraph 3 shall apply at both the level of the individual entity and the level of the financial group and the financial conglomerate.

Art. 46 and **47**[88]

88 Repealed by No I of the O of 29 Nov. 2023, with effect from 1 Jan. 2025 (AS **2024** 13).

Chapter 1*a*[89]
Simplifications for Particularly Liquid and Well-Capitalised Banks in Categories 4 and 5

Art. 47*a*[90] Simplifications

Banks in categories 4 and 5 under Annex 3 BankO[91] may apply to FINMA to be exempted from compliance with the provisions on required capital under Articles 41 to 45*a*.

Art. 47*b* Prerequisites

[1] Banks in categories 4 and 5 may avail themselves of the simplifications if they meet the following prerequisites at all times, at the level of both the individual entity and the financial group:

a. The required capital corresponds to a simplified leverage ratio of at least 8%.

b. The average liquidity ratio is at least 110%.

c. The refinancing ratio is at least 100%.

[2] The simplified leverage ratio is the quotient of:

a. Tier 1 capital; and

b. the sum of all balance sheet assets, less goodwill and participations, plus all off-balance sheet exposures.

[3] The average liquidity ratio corresponds to the quotient of:

a. the average of the last twelve month-end holdings of high-quality liquid assets (HQLA) in accordance with Article 15 of the Liquidity Ordinance of 30 November 2012[92] (LiqO); and

b. the average value for the last twelve months of the net cash outflow at month-end in accordance with Article 16 LiqO which can be expected over a 30-day horizon under the stress scenario for the liquidity coverage ratio (LCR).

[4] The refinancing ratio is the quotient of:

a. the sum of amounts due in respect of client deposits, medium-term notes, bonds with a residual maturity of more than one year, mortgage bond loans with a residual maturity of more than one year and net assets/equity; and

b. claims against clients and mortgage claims.

[5] FINMA may issue technical implementing provisions on paragraphs 2 to 4.

89 Inserted by No I of the O of 27 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4623).
90 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
91 SR **952.02**
92 SR **952.06**

Art. 47*c* Rejection of application

FINMA may reject the application for simplifications if:

a. the prerequisites under Articles 47*a* and 47*b* are not met;

b. it has taken supervisory measures against the bank in question, proceedings have been initiated under Article 30 of the Financial Market Supervision Act of 22 June 2007[93] (FINMASA) or the bank has not taken measures to restore compliance in accordance with Article 31 of the FINMASA in the following areas:

   1. the code of conduct under the Financial Services Act of 15 June 2018[94],
   2. market rules of conduct under the Financial Market Infrastructure Act of 19 June 2015[95],
   3. anti-money laundering and terrorist financing under the Anti-Money Laundering Act of 10 October 1997[96],
   4. cross-border transactions;

c. interest rate risk management is insufficient or the interest rate risk is inappropriately high in relation to Tier 1 capital, net interest income or risk-bearing capacity, taking all risks into account.

Art. 47*d* Prerequisites no longer met

1 Banks that no longer meet the prerequisites under Article 47*b* must notify FINMA immediately.

2 If FINMA finds that a bank is no longer in category 4 or 5 or that there is a reason for rejection in accordance with Article 47*c*, it shall notify the bank accordingly.

3 In the event of notifications in accordance with paragraphs 1 and 2, FINMA shall grant the bank a deadline for restoring compliance with the prerequisites. This deadline shall generally be one year, but may be shortened or extended in justified individual cases. If the prerequisites are not met at the end of this period, the simplifications under Article 47*a* may no longer be availed of.

Art. 47*e* Waiver of simplifications

Banks that no longer wish to avail themselves of the simplifications under Article 47*a* shall inform FINMA and the audit firm accordingly.

93 SR **956.1**
94 SR **950.1**
95 SR **958.1**
96 SR **955.0**

Chapter 2 Credit Risk
Section 1 General

Art. 48[97] Definitions: credit risk

[1] Credit risk is the risk of the bank incurring a loss as a result of:

a. a counterparty's failure to meet its contractual obligations; or

b. a reduction in the value of financial instruments issued by a third party, namely equity-like instruments, interest rate instruments or units in managed collective assets.

[2] Counterparty credit risk is the risk of a counterparty defaulting before final settlement of the delivery associated with the following transactions:

a. derivatives transactions;

b. securities lending/borrowing transactions;

c. transactions with a long period to settlement.

[3] CVA risk is the risk of market valuation losses for the bank as a result of credit valuation adjustments (CVA) in derivatives and securities lending/borrowing transactions, owing to the risk of counterparty default.

Art. 49[98] Risk-weighted assets

[1] Risk-weighted exposures (risk-weighted assets) for credit risk shall be composed of:

a. units in managed collective assets in the banking book that are weighted for credit risk and counterparty credit risk;

b. securitisation exposures that are weighted for credit risk and counterparty credit risk;

c. the minimum capital for exposures to central counterparties and clearing members in the banking and trading books, multiplied by a factor of 12.5;

d. the exposures from unsettled transactions in the banking and trading books, weighted for credit risk and counterparty credit risk;

e. the minimum capital for CVA risk, multiplied by a factor of 12.5;

f. exposures in the banking book that are weighted for credit risk and counterparty credit risk, unless included under letters a to e;

g. exposures in the trading book that are weighted for counterparty credit risk, unless included under letters a to e.

[2] Exposures in this context shall be deemed to be:

a. receivables, including claims arising from guarantee credits not recognised under assets;

97 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
98 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

b. claims in connection with securitisations;

c. other off-balance sheet transactions converted into their credit equivalent;

d. derivatives transactions, converted into their credit equivalent;

e. net exposures in equity-like instruments and interest rate instruments not in the banking book;

f. net exposures in equity-like instruments and interest rate instruments in the trading book, where minimum capital is calculated in accordance with Article 83 paragraph 3;

g. net exposures in own securities and qualifying participations in the trading book;

h. exposures under Annex 3 No 6.

3 Exposures of connected counterparties within the meaning of Article 109 that are not broken down by counterparty shall be assigned the highest of the risk weights assigned to the individual counterparties in the group.

4 Banks do not need to hold minimum capital for counterparty credit risk for the following credit derivatives:

a. credit protection purchased for an exposure in the banking book or for an exposure carrying counterparty credit risk;

b. credit protection purchased in the form of a credit default swap in the banking book, where this is treated as a guarantee issued by the bank and the entire nominal amount is recognised under minimum capital for credit risk.

Art. 50[99] Risk weighting approaches

1 The calculation of risk-weighted assets shall be performed in accordance with the common provisions (Art. 77*a*–77*j)* and with:

a. the BIS SA (Art. 63–73);

b. the IRB (Art. 77).

2 The IRB and BIS SA may be combined.

3 Use of the IRB requires approval by FINMA.

4 FINMA shall issue technical implementing provisions on credit risk. It shall base these on the CRE[100].

99 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
100 The CRE is listed in Annex 1 No 4.

Section 2 Calculation of Exposures

Art. 50*a*[101] Deductions

[1] Exposures that are to be weighted for credit risk shall first be reduced by the following amounts:

a. individual value adjustments, provisions and partial write-downs;

b. credit value adjustments for derivatives and securities lending/borrowing transactions; and

c. deductions from capital in accordance with Article 5*b* paragraph 3 and Articles 31 to 40.

[2] Provisions that deviate from the IRB under chapters 30 to 36 CRE[102] shall take precedence over those in paragraph 1, subject to Article 77 paragraph 4 for defaulted exposures.

Art. 51 Net exposures

[1] Net exposures shall be calculated as follows:

	physical holdings plus securities lending claims minus securities borrowing commitments
+	unsettled spot and forward purchases (including financial futures and swaps)
./.	unsettled spot and forward sales (including financial futures and swaps)
+	firm commitments to underwrite securities less sub-participations and firm subscriptions, provided that these eliminate the bank's price risk
+	exercise rights from purchased calls, delta-weighted
./.	delivery obligations from written calls, delta-weighted
+	underwriting obligations from written puts, delta-weighted
./.	exercise rights from purchased puts, delta-weighted.

[2] ...[103]

[3] Positive net exposures shall be referred to as net long exposures, and the absolute amounts of negative net exposures shall be referred to as net short exposures.

Art. 52 Net exposures for equity instruments of entities operating in the financial sector

[1] The net exposures for equity instruments of entities operating in the financial sector shall be calculated as follows, taking into account the additional requirements in paragraphs 2 and 3:

101 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
102 The CRE is listed in Annex 1 No 4.
103 Repealed by No I of the O of 29 Nov. 2023, with effect from 1 Jan. 2025 (AS **2024** 13).

physical holdings plus synthetic positions, as well as securities lending claims minus securities borrowing commitments

\+ unsettled spot and forward purchases (including financial futures and swaps)

./. unsettled spot and forward sales (including financial futures and swaps)

./. underwriting positions held for five business days or less

\+ exercise rights from purchased calls, delta-weighted

./. delivery obligations from written calls, delta-weighted

\+ underwriting obligations from written puts, delta-weighted

./. exercise rights from purchased puts, delta-weighted.

2 In the case of direct holdings of instruments that are equity instruments or through which equity instruments are held indirectly or synthetically, other than own equity instruments, long and short exposures in equity instruments may be netted against each other only if:[104]

a. the long and short exposures relate to the same equity instrument; and

b. either the short exposure has a maturity matching that of the long exposure or it has a residual maturity of at least one year.

3 In the case of own equity instruments, the following net exposures must be determined for each component (CET1, AT1 and T2) and deducted from the corresponding component in accordance with Articles 32 to 34:

a. net exposures in own equity instruments held directly or synthetically, whereby long and short exposures may be netted against each other only if they relate to the same equity instrument and the short exposure does not carry counterparty risk;

b. net exposures in own equity instruments held indirectly via a financial instrument such as an index or an option on an index, whereby long and short exposures may be netted against each other only if they relate to the same underlying instrument; the short exposure's counterparty risk must have capital backing.

Art. 53[105] Off-balance sheet transactions

1 Off-balance sheet transactions shall be converted into a credit equivalent using credit conversion factors. This shall constitute the risk-weighted assets.

2 Banks that use the BIS SA must calculate the credit equivalent of the transaction in question by multiplying the nominal or present value with its credit conversion factor as set out in Annex 1*a*.

3 In the case of commitments, amounts agreed but not yet drawn down shall be converted in accordance with the BIS SA. Commitments shall be deemed to be all

104 Amended by Annex 2 No 4 of the Banking Ordinance of 30 April 2014, in force since 1 Jan. 2015 (AS **2014** 1269).

105 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

contractual agreements between the bank and the client regarding the granting of loans, the purchase of assets or the issuance of credit substitutes, where they give the client a right to performance by the bank or where the bank has no control over the right arising. This includes agreements which the bank may:

a. cancel unconditionally at any time and without prior notice;

b. cancel automatically if the borrower no longer meets the predefined conditions.

4 If a commitment is made to provide an off-balance sheet transaction, the bank may use the lower of the two applicable credit conversion factors under the BIS SA.

5 Under the BIS SA, amounts relating to commitments to companies, including SMEs under Article 70, may be converted with a credit conversion factor of 0.0, where:

a. the company is continuously monitored by the bank;

b. the bank does not receive fees or commission for concluding or maintaining the agreement;

c. the company must submit a request to the bank each time it wishes to draw down the commitment;

d. the bank has unlimited decision-making powers on each drawdown, irrespective of whether the company meets the conditions set out in the agreement;

e. the bank decides on each drawdown only after an assessment of the company's creditworthiness; and

f. the bank performs the assessment of creditworthiness immediately prior to the drawdown.

6 Banks using the IRB must calculate the credit equivalent for contingent funding obligations and irrevocable commitments in accordance with the BIS SA rules in cases where the IRB does not contain a corresponding provision.

Art. 54[106] Sub-participations in the case of contingent funding obligations

Contingent funding obligations where the bank has ceded sub-participations may be treated as direct claims against the respective sub-participants in the amount of the sub-participation.

106 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

Art. 55[107]

Art. 56[108] Approaches for calculating the credit equivalents of derivatives and of transactions with longer settlement periods

1 Derivatives shall be converted into credit equivalents. These shall constitute the risk-weighted assets.

2 The credit equivalents shall be calculated using one of the following approaches:

a. the SA-CCR;

b. one of the simplified approaches:
   1. the VSA-CCR,
   2. the market value approach;

c. the EPE model-based approach.

3 Use of the EPE model-based approach requires approval by FINMA.

4 These calculation approaches shall apply to all derivatives, irrespective of whether they are traded on an exchange or concluded over the counter.

5 Transactions with long settlement periods shall be treated as derivatives for the purpose of calculating the credit equivalents.

6 FINMA may issue technical implementing provisions on calculating the credit equivalent in the event of statutory or contractual netting in accordance with Article 61 paragraph 1 letter a involving more than two parties.

Art. 57[109] Standardised approach

1 To calculate the credit equivalents of derivatives using the SA-CCR, the sum of the regulatory replacement cost and the amount for potential future exposure shall be multiplied by a factor of 1.4.

2 FINMA shall issue technical implementing provisions. It shall base these on chapter 52 CRE[110]. In line with European Union (EU) law, it shall regulate the calculation for interest rate derivatives in the event of negative interest rates.

Art. 58[111] Simplified approaches

1 The following banks may use the VSA-CCR or the market value approach to calculate the credit equivalents of derivatives:

a. banks in categories 4 and 5 under Annex 3 BankO[112];

107 Repealed by No I of the O of 29 Nov. 2023, with effect from 1 Jan. 2025 (AS **2024** 13).
108 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
109 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
110 The CRE is listed in Annex 1 No 4.
111 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
112 SR **952.02**

b. banks in category 3 under Annex 3 BankO with insignificant derivatives exposures.

2 FINMA shall issue technical implementing provisions.

Art. 59[113] EPE model-based approach

1 FINMA shall issue technical implementing provisions on the calculation of the credit equivalents of derivatives according to the EPE model-based approach. It shall base these on chapter 53 CRE[114].

2 The credit equivalents are multiplied by the EPE factor. FINMA shall determine the EPE factor in each individual case. This shall be at least 1.2.

Art. 59*a*[115] Units in managed collective assets

1 For units in managed collective assets, the risk-weighted assets of the managed collective assets shall be calculated according to the:

a. look-through approach (LTA);

b. mandate-based approach (MBA);

c. fallback approach (FBA); or

d. simplified approach (VA).

2 The following banks may use the VA as an alternative to the FBA:

a. banks in category 3 under Annex 3 BankO[116] with insignificant exposures related to managed collective assets;

b. banks in categories 4 and 5 under Annex 3 BankO.

3 FINMA shall issue technical implementing provisions. It shall base these on chapter 60 CRE[117].

Art. 59*b*[118] Securitisation exposures

1 Securitisation exposures are exposures from transactions with the following characteristics:

a. They divide the credit risk associated with a risk exposure or a pool of risk exposures into tranches.

b. The payments performed as part of the transaction depend on the change in value of the risk exposure or pool of risk exposures.

c. The order of precedence of the tranches determines the distribution of losses over the duration of the transaction.

113 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
114 The CRE is listed in Annex 1 No 4.
115 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
116 SR **952.02**
117 The CRE is listed in Annex 1 No 4.
118 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

2 For securitisation exposures, the risk-weighted assets shall be calculated according to the:

a. SEC-SA;

b. SEC-IRBA;

c. SEC-ERBA;

d. SEC-IAA.

3 Securitisation exposures to which none of the approaches under paragraph 2 applies shall be weighted at 1,250%.

4 Use of the SEC-IAA requires approval by FINMA.

5 FINMA shall issue technical implementing provisions on securitisations. It shall base these on chapters 40 to 45 CRE[119]. It shall assign the external ratings to individual rating classes. In addition, with regard to the SEC-ERBA, FINMA shall regulate the requirements relating to specialist knowledge, risk management in connection with securitisations and due diligence in the use of external ratings.

Art. 60[120] Interest rate instruments and equity-like instruments

1 If the interest rate instruments or equity-like instruments are equity instruments of an entity operating in the financial sector, the net exposure shall be calculated in accordance with Article 52.

2 In the case of interest rate instruments and equity-like instruments of the same issuer which are not in the trading book and which have the same risk weight, the net exposure shall be calculated in accordance with Article 51.

3 For exposures that are not in the trading book, the carrying value of the physical holding shall be used.

4 Paragraphs 1 and 2 shall also apply to interest rate instruments and equity-like instruments in the trading book, provided that the minimum capital is calculated in accordance with Article 83 paragraph 3.

Art. 61 Risk mitigation measures

1 The following risk mitigation measures may be taken into account when calculating exposures:

a. statutory and contractual netting;

b. guarantees;

c. credit derivatives; and

d.[121] financial collateral.

119 The CRE is listed in Annex 1 No 4.
120 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
121 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

2 Upon request, the banks must demonstrate to the audit firm or to FINMA that these risk mitigation measures are legally enforceable in the jurisdictions concerned.

3 FINMA shall issue technical implementing provisions on risk mitigation measures. It shall base these on the CRE[122], but shall provide for derogations as regards the inclusion of the following collateral in risk mitigation measures:

a. sureties under the Housing Construction and Home Ownership Act of 4 October 1974[123];

b. guarantees under the Export Risk Insurance Act of 16 December 2005[124];

c. repo and repo-like transactions in Swiss francs.[125]

4 In line with European Union law, it shall designate the main indices that may be used to determine the haircut.[126]

Art. 62[127] Securities lending/borrowing transactions and other secured transactions

1 For securities lending/borrowing transactions and other transactions secured with financial collateral, the bank may include such collateral when calculating exposures according to:

a. the simplified approach;

b. the comprehensive approach;

c. the EPE model-based approach.

2 Under the simplified approach, the collateralised exposure components shall be assigned to the collateral provider's exposure class.

3 Under the comprehensive approach, the exposure shall be netted against the collateralised exposure component. The net exposure shall remain in the original exposure class. The following shall be applied to the collateralised portion of the exposure:

a. supervisory haircuts; or

b. the *Value at Risk* model-based approach.

4 Use of the EPE and Value at Risk approaches requires approval by FINMA.

5 If the EPE model-based approach is used, the credit equivalents shall be multiplied by the EPE factor. FINMA shall determine the EPE factor in each individual case. This shall be at least 1.2.

6 When calculating the credit equivalents in accordance with Articles 56 to 59, all eligible collateral provided by the bank and received by the bank to secure derivatives must be included.

122 The CRE is listed in Annex 1 No 4.
123 SR **843**
124 SR **946.10**
125 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
126 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
127 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

7 FINMA shall issue technical implementing provisions on the approaches under paragraphs 1 to 5 and on the inclusion of collateral under paragraph 6. It shall base these on the CRE[128], excluding chapter 56 therein.

Section 3
Exposure Classes and Risk Weights according to the BIS SA[129]

Art. 63[130] Exposure classes

1 Banks that use the BIS SA shall assign the individual exposures to exposure classes.

2 In the following exposure classes, external ratings may be used for the risk weighting of the individual exposures:

a. central governments, central banks and supranational organisations;

b. public sector entities;

c. multilateral development banks;

d. banks;

e. common institutions;

f. companies;

g. special financing vehicles;

h. foreign covered bonds.

3 External ratings cannot be used for the following exposure classes:

a. retail exposures;

b. domestic Pfandbrief bonds;

c. direct and indirect mortgage-backed exposures;

d. subordinated exposures;

e. defaulted exposures;

f. equity-like instruments;

g. other exposures.

4 FINMA shall issue technical implementing provisions on the definition of exposure classes. It shall base these on the CRE[131]. It shall designate multilateral development banks to which a risk weight of 0% can be assigned.

128 The CRE is listed in Annex 1 No 4.
129 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
130 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
131 The CRE is listed in Annex 1 No 4.

Art. 63*a*[132] Due diligence in the use of external ratings

[1] If a bank uses external ratings for exposures in the exposure classes under Article 63 paragraph 2 letters c to h, it must perform due diligence to assess whether the applied risk weight is appropriate. If the exposure has a higher risk profile compared to the external rating, a risk weight from a lower rating class must be applied. The due diligence assessment must not result in a lower risk weight compared to the external rating.

[2] The bank may exclude insignificant exposures from the due diligence assessment.

[3] FINMA shall issue technical implementing provisions. It shall base these on the CRE[133].

Art. 64[134] Use of external ratings

[1] Under the BIS SA, banks may use external ratings from a rating agency recognised by FINMA under Article 6 to determine risk weights, provided that the corresponding ratings are covered by the rating agency's recognition for this purpose.

[2] FINMA shall assign the external ratings to individual rating classes. It shall base these on the CRE[135].

[3] Banks must base their use of external ratings on a concrete, institution-specific concept which ensures consistent application in risk weighting and risk management. This concept shall be applied consistently.

[4] If a bank assigns risk weights to exposures based on external ratings. it must apply all available ratings from the selected rating agencies for the risk weighting of exposures under Article 63 paragraph 2, provided that the ratings refer to exposures in the recognised market segment.

[5] If a bank does not use external ratings to assign risk weights to exposures, or if no rating from the bank's selected rating agency is available to assign a risk weight to an exposure, the weights of the «unrated» rating category shall be used.

[6] In the case of two or more ratings with differently assigned risk weights, the ratings that correspond to the two lowest risk weights shall be selected and the higher of these two risk weights shall be applied.

[7] External ratings for individual entities of a corporate group must not be used to determine the risk weight of other entities in the same group.

Art. 64*a*[136] External short-term ratings

[1] Banks may use short-term ratings for the risk weighting of short-term exposures to banks and companies.

132 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
133 The CRE is listed in Annex 1 No 4.
134 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
135 The CRE is listed in Annex 1 No 4.
136 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

2 FINMA shall assign the short-term ratings to four rating categories. It shall base these on the CRE[137]. The rating categories shall have the following risk weights:

a. category 1: 20%;

b. category 2: 50%;

c. category 3: 100%;

d. category 4: 150%.

3 If the risk weight under paragraph 2 for an exposure to the bank is higher than the risk weight under Annex 2 No 4.1 for short-term exposures, the risk weight under paragraph 2 shall be applied to all unrated short-term exposures to the bank.

4 If the risk weight under paragraph 2 for an exposure to the bank is lower than or equal to the risk weight under Annex 2 No 4.1 for short-term exposures, the risk weight under paragraph 2 shall be applied to the corresponding exposure, but not to other unrated short-term exposures to the bank.

5 The minimum risk weight for unrated exposures to a bank or company shall be:

a. 100% for short-term exposures, if an exposure to the counterparty is or would be assigned a risk weight of 50% on the basis of a short-term rating;

b. 150% for short- and long-term exposures, if an exposure to the counterparty is or would be assigned a risk weight of 150% on the basis of a short-term rating.

6 The minimum risk weight under paragraph 5 letter b shall not apply if the bank performs risk mitigation under Article 61 for the unrated exposures.

Art. 64*b*[138] External issue and issuer ratings

1 For exposures for which an issue or issuer rating from a rating agency selected by the bank is available, the risk weight shall be determined according to this rating.

2 For exposures without an issue rating and for which an issue rating for another issue of the same borrower or an issuer rating for the borrower is available, the risk weight shall be determined according to this rating.

3 If an issue rating is available for another issue of the same borrower, the following shall apply:

a. If the rating is high quality, it may only be applied to the unrated exposure if such exposure is senior or equivalent to the rated exposure. If it is subordinate to the rated exposure, the risk weight for unrated exposures shall be applied.

b. If the rating is not high quality, it shall be applied to the unrated exposure if such exposure is equivalent or subordinate to the rated exposure.

4 If an issuer rating is available for the borrower, the following shall apply:

137 The CRE is listed in Annex 1 No 4.
138 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

a. If the issuer rating is high quality, it may only be applied to the senior unsecured claims against the borrower. For other exposures, the risk weight for unrated exposures shall be applied.

b. If the issuer rating is not high quality, it shall be applied to the unrated exposure if such exposure is equivalent or subordinate to the senior unsecured claims.

5 If an issuer has a high-quality rating which applies only for a specific type of receivable, such rating may likewise only be applied to unrated exposures of this receivable type.

6 A high-quality issue or issuer rating is available if a lower risk weight is assigned than would be the case if there were no rating.

Art. 64*c*[139] External domestic and foreign currency ratings

If equivalent rated receivables are used for the risk weighting of unrated exposures to the same borrower, foreign currency ratings shall be applied to foreign currency exposures. Ratings based on domestic currency may only be used for the risk weighting of exposures that are also denominated in domestic currency.

Art. 65 Use of external ratings at group level

The ratings used in the companies to be consolidated may be applied at group level.

Art. 65*a*[140] Country risk classification

1 For the risk weighting of exposures to central governments, banks may use the country risk classification drawn up in accordance with the *Arrangement on Guidelines for Officially Supported Export Credits* of 1 January 2022[141] of the Organisation for Economic Co-operation and Development (OECD) and published by the OECD[142].

2 The following risk weights shall apply to the categories in this country risk classification:

a. 0% for a country risk classification of 0 or 1;

b. 20% for a country risk classification of 2;

c. 50% for a country risk classification of 3;

d. 100% for a country risk classification of 4 to 6;

e. 150% for a country risk classification of 7.

139 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
140 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
141 The *Arrangement on Guidelines for Officially Supported Export Credits* can be downloaded free of charge at www.oecd.org > Topics > Trade > Export credits > Arrangement and Sector Understandings
142 The country risk classification can be downloaded free of charge at www.oecd.org > Topics > Trade > Export credits > Arrangement and Sector Understandings > Country risk classification

Art. 66[143] Risk weighting of exposures

[1] Exposures in the exposure classes under Article 63 paragraph 2 shall be assigned risk weights in accordance with Annex 2 for purposes of the BIS SA.

[2] Exposures in the exposure classes under Article 63 paragraph 3 letters a to e shall be assigned risk weights in accordance with Annex 3 for purposes of the BIS SA.

[3] Exposures in the exposure classes under Article 63 paragraph 3 letter f shall be assigned risk weights in accordance with Annex 4 for purposes of the BIS SA, unless they are deducted from capital or assigned a 250% weight under Article 40 paragraph 2.

[4] Net exposures in interest rate instruments under Article 60 shall be assigned to the issuer's exposure class and receive a corresponding risk weight.

[5] In the case of exposures in the form of equity instruments of entities operating in the financial sector, the risk weighting under paragraphs 3 and 4 shall refer to the portion of the net exposure in accordance with Article 52 that was not deducted from capital under the corresponding deduction approach (Art. 33).

Art. 66*a*[144] Exposures to natural persons which are not hedged against currency risk

[1] If retail exposures to natural persons and exposures to natural persons that are secured by residential real estate are not hedged against currency risk, and if the loan currency is not the same as the currency of the borrower's income source, the risk weight under Annex 3 shall be increased by half. The maximum risk weight shall be 150%. Lombard loans are exempted from this increase.

[2] For banks in categories 4 and 5 under Annex 3 BankO[145], paragraph 1 shall not apply to exposures to borrowers resident or domiciled in Switzerland.

Art. 67[146] Domestic currency exposures to central governments or central banks

Where the supervisory authority of a country other than Switzerland provides for a lower risk weight than that stipulated in Article 66 paragraph 1 for domestic currency exposures to the central government or central bank of that country, banks may apply the same risk weight to such exposures, provided that such exposures are refinanced in the domestic currency of that country and that the banking supervision of that country is appropriate. This risk weight shall refer to the portion of such exposure that is refinanced in domestic currency.

143 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
144 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
145 SR **952.02**
146 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

Art. 68[147] Banks: allocation to the «banks» exposure class and use of external ratings

[1] Domestic securities firms may only be allocated to the «banks» exposure class (Art. 63 para. 2 let. d) if they manage accounts. Foreign financial institutions may be allocated to this exposure class if they are subject to regulation and supervision in the home jurisdiction that is equivalent to that of banks in the home jurisdiction.

[2] For the risk weighting of exposures to banks, no external ratings may be used that are based on an implicit state guarantee, except for exposures to state-owned banks.

Art. 68*a*[148] Banks: exposure sub-classes

[1] Exposures to a bank without an external rating shall be allocated to exposure sub-classes A to C as follows:

a. exposure sub-class A: banks with high creditworthiness;

b. exposure sub-class B: banks with medium creditworthiness;

c. exposure sub-class C: banks with low creditworthiness.

[2] Allocation to exposure sub-class A assumes that the debtor bank meets or exceeds the regulatory requirements for minimum capital and buffers in the home jurisdiction, with the exception of non-public bank-specific minimum capital or buffers.

[3] Allocation to exposure sub-class B assumes that the debtor bank meets or exceeds the regulatory requirements for minimum capital in the home jurisdiction, with the exception of buffers or non-public bank-specific minimum capital.

[4] Allocation to exposure sub-class C assumes that the debtor bank does not meet the prerequisites under paragraphs 2 and 3.

[5] Exposures to a bank without an external rating whose request to avail itself of the simplifications under Article 47*a* was approved by FINMA shall only be allocated to exposure sub-classes A to C on the basis of the bank's creditworthiness. The prerequisites under paragraphs 2 to 4 shall not apply.

Art. 69[149] Banks: risk weighting

[1] If a bank in exposure sub-class A holds capital in the form of CET1 capital amounting to at least 14% of all risk-weighted exposures (Art. 42*b*) and at least 5% of total exposure (Art. 42*a*), a risk weight of 30% shall apply to exposures to that bank under Annex 2 No 4.2.

[2] Exposures to a bank in exposure sub-class A, B or C must receive at least the risk weight for exposures to the home jurisdiction of that bank if:

a. exposures to that bank are not recorded in the domestic currency of the home jurisdiction; or

147 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
148 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
149 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

b. exposures to a branch of that bank are not recorded in the domestic currency of the jurisdiction in which the branch operates.

3 Paragraph 2 shall not apply to self-liquidating trade-related contingent funding obligations with a remaining maturity of less than a year arising from the movement of goods.

4 Banks in categories 4 and 5 under Annex 3 BankO[150] may waive the allocation to exposure sub-classes for exposures to a bank without an external rating. This also applies to banks in category 3 under Annex 3 BankO which have insignificant exposures to banks without an external rating. If banks waive the use of exposure sub-classes, the claims shall be assigned a risk weight of 35% or 60%, depending on their original maturity (Annex 3 No 4). FINMA shall issue technical implementing provisions.

Art. 70[151] Companies

1 The risk weighting of exposures to companies shall be in accordance with Annex 2.

2 If a bank uses external ratings for exposures to banks, it must also use external ratings for exposures to companies.

3 SMEs shall be deemed to be companies with a consolidated annual turnover of a maximum of CHF 75 million in the last financial year. If the SME belongs to a group, the consolidated turnover of the group shall be indicative. The risk weighting of exposures to these companies shall be in accordance with Annex 2 No 6.2.

4 In derogation from paragraph 3, banks in categories 3 to 5 under Annex 3 BankO[152] may categorise companies with no more than 250 employees as SMEs, irrespective of the consolidated annual turnover. If these companies do not have a rating, the risk weight of the exposures to these companies shall be 90%.

5 Exposures to SMEs, except direct and indirect mortgage-backed exposures, may be allocated to the «retail exposures» exposure class (Art. 71) if they meet the prerequisites for qualifying retail exposures. They shall be weighted in accordance with Annex 3 Nos 1.1 and 1.2.

Art. 70*a*[153] Special financing vehicles: definitions

1 Exposures to companies, except direct and indirect mortgage-backed exposures, shall be deemed to be special financing vehicles if:

a. one of the following types of financing is involved:
   1. financing which is repaid and secured mainly with receipts from the financed project (project financing),

150 SR **952.02**
151 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
152 SR **952.02**
153 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

2. financing for the purchase of plant, machinery, vehicles and other equipment, repayment of which depends on the cashflows generated by these assets (asset financing),
3. short-term loans to finance supplies, inventories or receivables from exchange-traded commodities that are repaid with the proceeds from the sale of the financed goods (commodities trade financing); and

b. at least one of the following criteria is met:
1. the company has few or no other significant assets or activities, and is therefore largely dependent, for the repayment of the obligation, on the revenue from the assets to be financed,
2. the contract grants the bank a far-reaching security interest in the assets and the revenue generated from them.

2 If a bank uses external ratings for special financing vehicles, only issue ratings may be used. Issuer ratings may not be used.

3 Banks in categories 3 to 5 under Annex 3 BankO[154] are not required to identify exposures under paragraph 1 letter a Nos 2 and 3 as such. They may assign them the risk weight for exposures to unrated companies.

Art. 70*b*[155] Special financing vehicles: risk weighting of project finance

1 For the risk weighting of project financing vehicles without an external issue rating, a distinction is made between a non-operative and an operative phase.

2 The operative phase is the phase in which the company's net cashflow is positive and sufficient to cover outstanding contractual obligations, and the company's long-term debt is declining. The remaining phases shall be deemed to be non-operative phases.

3 High-value project financing vehicles shall be deemed to be exposures to companies that are able meet their financial obligations when due, even under adverse economic or operating conditions. Moreover, project financing vehicles must meet the additional criteria under chapter 20.52 CRE[156]. FINMA shall issue technical implementing provisions.

Art. 71[157] Retail exposures

1 Retail exposures comprise exposures to natural persons and exposures under Article 70 paragraph 5 to SMEs, except for direct and indirect mortgage-backed exposures.

2 Retail exposures shall be weighted as qualifying retail exposures in accordance with Annex 3 Nos 1.1 and 1.2 if they meet the following criteria:

154 SR **952.02**
155 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
156 The CRE is listed in Annex 1 No 4.
157 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

a. They are revolving credits and lines of credit, personal loans with fixed terms and leasing contracts, and credits and lines of credit to SMEs.

b. The retail exposures to a counterparty amount to a maximum of CHF 1.5 million and, excluding defaulted exposures, a maximum of 1% of total qualifying retail exposures.

[3] Derivatives and other securities shall not be assigned to qualifying retail exposures.

Art. 71*a*[158] Domestic Pfandbrief bonds

Domestic Pfandbrief bonds comprise Pfandbrief bonds in accordance with the Mortgage Bond Act of 25 June 1930[159]. They shall be weighted in accordance with Annex 3 No 2.

Art. 71*b*[160] Foreign covered bonds

Foreign covered bonds may only be assigned to this exposure class and weighted according to Annex 2 No 8 if the following criteria are met:

a. They are issued by a bank or mortgage institution.

b. They are subject to special public oversight, owing to legal requirements on the protection of bondholders.

c. In accordance with the legal provisions, the income from the issuance of the bonds is invested in assets which cover the liabilities arising out of the bonds for the entire duration of the bonds, and are primarily intended to repay the capital and interest in the event of default by the issuer.

d. The assets used as coverage fall into at least one of the following categories:
   1. claims on central governments, central banks, supranational organisations, public sector entities or multilateral development banks, or claims guaranteed by such an institution;
   2. direct and indirect mortgage-backed exposures for residential real estate that meet the requirements under Article 72*c* paragraph 1, with a maximum loan-to-value ratio of 80%;
   3. direct and indirect mortgage-backed exposures for commercial real estate that meet the requirements under Article 72*c* paragraph 1, with a maximum loan-to-value ratio of 60%;
   4. claims on banks with a maximum risk weight of 30% or claims guaranteed by such a bank; these claims may comprise a maximum of 15% of the assets of the issued foreign covered bonds;
   5. cash or short-term liquid and secure claims that serve to temporarily offset changes in stocks;
   6. derivatives that serve to hedge the risk of foreign covered bonds.

158 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
159 SR **211.423.4**
160 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

e. The nominal value of the assets used for coverage must be at least 10% above the nominal value of the foreign covered bonds issued by the institution. If the legal requirements under letter b do not make provision for this over-coverage, the institution must publicly demonstrate compliance with this criterion.

f. The bank obtains the information under paragraph 20.37 CRE[161] from the issuer of the foreign covered bonds at least every six months.

Art. 72[162] Direct and indirect mortgage-backed exposures: definitions

[1] Direct and indirect mortgage-backed exposures are exposures that are secured by residential or commercial real estate. Exposures to companies that are used to finance operating assets and are subordinately secured by a mortgage may be allocated to the «companies» exposure class (Art. 70).

[2] Residential real estate is real estate that is wholly or predominantly used for residential purposes.

[3] Owner-occupied residential real estate is residential real estate that is occupied predominantly by the borrower, as well as a maximum of one further dwelling which is predominantly rented out and also financed by the bank that financed the borrower's main residence. Residential real estate owned by public housing developers and residential real estate with a state-controlled rent model shall be deemed to be owner-occupied residential real estate.

[4] Commercial real estate is all real estate that is not residential real estate.

[5] Owner-occupied commercial real estate is real estate that is predominantly used by the borrower itself.

[6] Real estate that is used for both residential and commercial purposes shall be allocated according to the purpose for which it is predominantly used. The corresponding risk weight for owner-occupied real estate may be applied only if the real estate is predominantly used by the owner, regardless of the type of use.

Art. 72*a*[163] Direct and indirect mortgage-backed exposures: loan-to-value ratio

[1] The loan-to-value ratio of the mortgage is the ratio of the outstanding loan and all loan commitments to the original loan value of the mortgage.

[2] In the case of loans secured by more than one mortgage, the bank shall use a suitable formula to divide the loan amount between the loan values of the various mortgages for the purpose of determining the loan-to-value ratio for each mortgage.

[3] No risk mitigation measures under Article 61 shall be included when calculating the loan-to-value ratio. The only exception are pledged account balances that are permitted for netting under Article 61 paragraph 1 letter a and whose sole purpose is the repayment of the loan.

161 The CRE is listed in Annex 1 No 4.
162 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
163 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

4 Any equivalent or senior claims shall be included when calculating the loan-to-value ratio.

Art. 72*b*[164] Direct and indirect mortgage-backed exposures: loan value

1 In the case of lending for new business and for increases in existing loans, the original loan value of the mortgage shall be assessed and maintained for a period of five years. If the funds generated by a loan increase are not invested in the mortgage property, a reassessment of the loan value of the mortgage is not permitted and the five-year period continues to run. If mortgages are integrated into portfolios during the life of the loan, the value at the time of integration into the portfolio shall be deemed to be the original loan value.

2 If, during this five-year period, changes are made to the mortgage which increase its value without increasing the loan, an upward adjustment of the loan value beyond the original loan value in the amount of the investment is permitted.

3 The loan value must be reviewed in the following cases:

a. an unusual event with a direct impact on the value of the mortgage;

b. a significant price decline on the real estate market.

4 If the review under paragraph 3 reveals that the value of the mortgage has declined permanently and is now below the loan value, the latter shall be reduced accordingly. The bank must inform FINMA in advance if the reduction affects a significant portion of its mortgage-backed exposures.

5 During the five years under paragraph 1, the loan value following a reduction in the case set out in paragraph 3 letter b may be increased, at most, by the amount by which it was reduced in accordance with paragraph 4.

6 Banks must use internal directives to ensure that loan values are assessed prudently.

7 The internal directives must stipulate a lower of cost or market principle, whereby the lower value between market value and purchase price shall be used as the original loan value in the event of a change of ownership.

8 FINMA shall set detailed requirements for internal directives; in particular, it shall define the prudent assessment of loan values.

Art. 72*c*[165] Direct and indirect mortgage-backed exposures: risk weighting

1 A direct or indirect mortgage-backed exposure shall be weighted in its entirety with the risk weight allocated to the loan-to-value ratio of the mortgage under Annex 3 No 3 if the following requirements are met:

a. Construction of the real estate has been completed, except in the case of construction loans and loans for building land (Art. 72*e*).

b. Claims on the mortgage are legally enforceable within an appropriate period of time.

164 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
165 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

c. Each holder of senior, equal and subordinate liens may, independently of the others, enforce their claims and the senior creditors cannot dispose of the mortgage at a price that places lower-ranked creditors at a disadvantage.

d. The affordability of the loan (Art. 72*d*) and the borrower's ability to repay it shall be checked as part of the lending process.

e. The loan value is assessed prudently in accordance with Article 72*b*.

f. The information required at the time the loan is granted and needed for monitoring purposes shall be documented appropriately.

2 In the case of foreign real estate, the risk weighting under paragraph 1 is only possible if compliance with the requirements can be ensured through risk management that is appropriate and comparable to that for Swiss real estate.

3 As a prerequisite for the risk weighting under paragraph 1, the bank's lending business must meet the following minimum requirements:

a. The borrower provides an appropriate minimum share of capital for the financing; such share must not originate from a pledge or an advance withdrawal under Articles 30*b* or 30*c* of the Federal Act of 25 June 1982[166] on Occupational Old Age, Survivors' and Invalidity Pension Provision (OPA).

b. The loan is amortised appropriately in terms of time and amount.

4 FINMA shall set detailed minimum requirements for the loan transactions under paragraph 3 as a prerequisite for the risk weighting; in particular, it shall define the appropriate minimum share of capital and the appropriate amortisation.

5 If the prerequisites under paragraphs 1 to 3 are not met, the risk weight shall be:

a. for owner-occupied residential real estate and owner-occupied commercial real estate:
   1. for natural persons: 75%,
   2. for SMEs: 85%, subject to Article 70 paragraph 4,
   3. for all other counterparties: the counterparty's risk weight;

b. for non-owner-occupied residential real estate and non-owner-occupied commercial real estate: 150%.

6 For subordinate claims, the risk weight under Annex 3 No 3 based on the loan-to-value ratio must be multiplied by a factor of 1.25, unless it is the lowest risk weight under Annex 3 Nos 3.1 to 3.4. The resulting risk weight shall correspond to, at most, the risk weight under paragraph 5.

Art. 72*d*[167] Direct and indirect mortgage-backed exposures: affordability

1 Banks must ensure, by means of internal directives, that the affordability of the loans granted is permanently and systematically guaranteed. In doing so, they must use prudently calculated imputed costs as a basis.

166 SR **831.40**
167 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

2 FINMA shall set detailed requirements for internal directives; in particular, it shall define the permanent and systematic guarantee of affordability, and the prudent calculation of imputed costs.

Art. 72*e*[168] Direct und indirect mortgage-backed exposures: construction loans and loans for building land

1 Construction loans are deemed to be loans for the development and construction of real estate. Loans for building land are deemed to be loans for the purchase of land for development and construction purposes.

2 Construction loans and loans for building land for owner-occupied real estate that meet the requirements under Article 72*c* paragraph 1 letters b to f shall be weighted in accordance with Annex 3 No 3.1. If these requirements are not met, Article 72*c* paragraph 5 letter a shall apply.

3 Construction loans and loans for building land for non-owner-occupied real estate shall be weighted at 100%, provided that the requirements under Article 72*c* paragraph 1 letters b to f are met and the maximum loan-to-value ratio is 70%. In all other cases, they shall be weighted at 150%. The value on which the loan-to-value ratio is based shall correspond to the estimated loan value of the mortgage at the time of completion.

4 Construction loans and loans for building land for owner-occupied commercial real estate shall be weighted in accordance with Article 72*c* paragraph 5 letter a.

5 Construction loans and loans for building land for non-owner-occupied commercial real estate shall be weighted at 150%.

Art. 72*f*[169] Direct and indirect mortgage-backed exposures: inclusion of risk mitigation measures

1 Risk mitigation measures (Art. 61) may be included when calculating the direct and indirect mortgage-backed exposures to be risk-weighted, provided that they were not already included when calculating the loan-to-value ratio under Article 72*a* paragraph 3.

2 Pledged pension assets under Article 30*b* OPA[170] and Article 4 of the Ordinance of 13 November 1985[171] on Tax Relief on Contributions to Recognised Pension Schemes may be counted as eligible under Article 61 if:

a. the pledge exists as additional security for a mortgage-backed claim;

b. the real estate is owner-occupied residential real estate; and

c. the minimum requirements under Article 72*c* paragraph 3 are met.

168 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
169 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
170 SR **831.40**
171 SR **831.461.3**

Art. 72*g*[172] Direct and indirect mortgage-backed exposures: technical implementing provisions

FINMA shall issue technical implementing provisions on direct and indirect mortgage-backed exposures. It shall base these on the CRE[173]. In derogation from the CRE, it shall regulate the eligibility of pledged pension assets under Article 72*f* paragraph 2.

Art. 73 Equity-like instruments[174]

Net exposures in equity-like instruments shall be weighted in accordance with Annex 4. This shall not apply to portions of net exposures which:[175]

a. are to be deducted from the capital components under Articles 31 to 40; or

b. are to be risk-weighted in accordance with Article 40 paragraph 2.

Art. 74–76[176]

Section 4 IRB Approach

Art. 77[177]

1 Banks that apply the IRB approach for calculating minimum capital for credit risk may choose between:

a. foundation IRB (F-IRB); or

b. advanced IRB (A-IRB).

2 The total of risk-weighted direct and indirect mortgage-backed exposures based on a mortgage in Switzerland which are calculated according to the IRB must be at least 72.5% of the corresponding total calculated according to the BIS SA. This shall apply at both the single entity level and the level of its subsidiaries consolidated as a financial group in which direct and indirect mortgage-backed exposures based on a mortgage in Switzerland are reported.

3 For exposures backed directly or indirectly by residential real estate where the bank's lending business does not meet the minimum requirements under Article 72*c* paragraph 3, the risk weight under Article 72*c* paragraph 5 shall be applied, provided that this is higher than the risk weight calculated according to the IRB.

4 For defaulted exposures, a risk weight of 100% shall apply, after deduction of individual value adjustments and partial write-downs.

172 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
173 The CRE is listed in Annex 1 No 4.
174 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
175 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
176 Repealed by No I of the O of 29 Nov. 2023, with effect from 1 Jan. 2025 (AS **2024** 13).
177 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

5 FINMA shall issue technical implementing provisions on the IRB. It shall base these on the CRE[178]; however, when allocating exposures to the exposure classes and defining default for lombard loans, it may make provision for derogations in order to take account of Swiss banking practice.

6 In the absence of a rule under the IRB, the provisions of the BIS SA apply by analogy.

Section 5[179]
Common Provisions for Risk Weighting according to the BIS SA and the IRB

Art. 77*a* Central counterparties and clearing members

1 Articles 77*a* to 77*e* shall apply to transactions with central counterparties under Article 48 of the Financial Market Infrastructure Act of 19 June 2015[180].

2 Central counterparties shall be deemed to be qualifying central counterparties under the following conditions:

a. They are authorised as central counterparties for the services offered.

b. They have a registered office in a jurisdiction in which they are subject to appropriate regulation and supervision.

c. The banks possess the necessary information from the central counterparty to allow them to calculate their minimum capital under Article 77*d* paragraph 2 for exposures to the default fund, and the responsible supervisory authorities check this information and the calculation.

3 Clearing members are deemed to be participants in a central counterparty who are authorised to enter into a direct transaction with the central counterparty as a party, irrespective of whether they do so for their own account or as intermediaries between the central counterparty and clearing clients.

4 Clearing clients are deemed to be counterparties that settle transactions with a central counterparty via a clearing member which:

a. acts as a financial intermediary through a contractual relationship with both the central counterparty and the clearing client; or

b. guarantees the clearing client's contract fulfilment vis-à-vis the central counterparty.

178 The CRE is listed in Annex 1 No 4.
179 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
180 SR **958.1**

Art. 77*b* Minimum capital: principles for exposures to central counterparties and clearing members

[1] The minimum capital for a bank's exposures to central counterparties and clearing members shall be calculated for:

a. exposures from proprietary trading activities;

b. exposures from trading activities for which the bank guarantees the central counterparty's contract fulfilment vis-à-vis clearing client;

c. exposures to the default fund.

[2] Trading activities are deemed to be:

a. derivatives transactions;

b. securities financing transactions;

c. transactions with a long period to settlement;

d. margin payments in connection with the transactions under letters a to c.

[3] For exposures relating to spot transactions, Article 77*f* shall apply. For contributions to default funds that cover only the settlement risk of spot transactions, a risk weight of 0% shall apply.

[4] FINMA shall issue technical implementing provisions on calculating minimum capital under paragraph 1, and on risk management in connection with exposures to central counterparties, clearing members and clearing clients. It shall base these on the CRE[181].

Art. 77*c* Minimum capital: exposures to non-qualifying central counterparties

[1] The minimum capital for exposures from trading activities under Article 77*b* paragraph 1 letters a and b to non-qualifying central counterparties shall be calculated using the BIS SA.

[2] For the following exposures to the default fund, a risk weight of 1,250% shall apply:

a. pre-financed contributions to the default fund;

b. binding contributions made upon request to the default fund and additional payment obligations.

[3] If the obligation under paragraph 2 letter b is unlimited, FINMA shall define, on a case-by-case basis, the amount of the obligation to which this risk weight is to be applied.

Art. 77*d* Minimum capital: exposures to qualifying central counterparties

[1] If a bank acts as a clearing member of a qualifying central counterparty, a risk weight of 2% shall apply to exposures to the qualifying central counterparty from trading activities under Article 77*b* paragraph 1 letters a and b.

[181] The CRE is listed in Annex 1 No 4.

2 The minimum capital for contributions to the default fund shall be calculated according to Annex 4*a*.

3 The minimum capital under paragraphs 1 and 2 shall amount to, at most, the minimum capital to cover exposures to a non-qualifying counterparty.

4 If a bank acts as a client of a clearing member of a qualifying central counterparty, and if the transferability of the transaction is guaranteed in the event of default by the clearing member, the following risk weights shall be applied to the bank's exposures from trading activities:

a. 2% if these exposures are protected against the risk of joint default by the clearing member and any of the clearing member's other clients;

b. 4% if these exposures are protected against the risk of default by the clearing member or by any of the clearing member's other clients, but not against the risk of joint default by the clearing member and any of the clearing member's other clients.

Art. 77*e* Additional capital for exposures to central counterparties

The bank must examine whether the minimum capital under Articles 77*b* to 77*d* appropriately covers the risks inherent in its exposures to the central counterparty. Otherwise, it must hold appropriate additional capital over and above the required capital under Articles 41 to 45*a* and, if the bank is systemically important, Articles 130 to 131*b*.

Art. 77*f* Exposures from unsettled transactions

1 Exposures from unsettled transactions are exposures which carry a risk of loss owing to delayed or failed settlement.

2 Positive replacement values for exposures from unsettled foreign exchange, securities and goods transactions that are settled via a securities settlement or payment system according to the «delivery versus payment» or «payment versus payment» principle shall receive the following risk weights:

a. from 5 to 15 business days after the agreed settlement date: 100%;

b. from 16 to 30 business days after the agreed settlement date: 625%;

c. from 31 to 45 business days after the agreed settlement date: 937.5%;

d. 46 or more business days after the agreed settlement date: 1,250%.

3 For exposures from unsettled foreign exchange, securities and goods transactions that are settled by other means, the treatment shall be as follows:

a. The bank that has delivered shall treat the transaction as a credit until receipt of the corresponding receivable. If the exposures are not materially significant, a risk weight of 100% may be applied instead of a ratings-based risk weight.

b. If the corresponding receivable has not been received five business days after the agreed settlement date, a 1,250% weight shall be applied to the delivered asset and any positive replacement value.

4 In derogation from paragraphs 2 and 3, exposures from unsettled foreign exchange, securities and goods transactions that carry counterparty credit risk shall be treated as set out in Articles 56 and 62.

Art. 77*g* CVA risk: minimum capital

1 Banks must provide minimum capital backing for CVA risk. FINMA shall regulate which derivatives and securities financing transactions are exempt from the capital requirement for CVA risk. It shall base its decision on chapter 50 of the Basel Minimum Standard on the calculation of RWA for market risk (MAR)[182].

2 The minimum capital requirement for CVA risk shall be calculated using one of the following approaches:

a. the basic approach for CVA risk;

b. the simplified approach for CVA risk;

c. the advanced approach for CVA risk.

3 Use of the advanced approach for CVA risk requires approval by FINMA.

Art. 77*h* CVA risk: basic approach

1 Banks applying the basic approach for CVA risk to calculate the minimum capital requirement for CVA risk may choose one of the following approaches:

a. the reduced basic approach;

b. the full basic approach.

2 FINMA shall issue technical implementing provisions. It shall base these on chapter 50 of the MAR[183].

Art. 77*i* CVA risk: simplified approach

1 Banks whose aggregate gross nominal amount of all derivatives not traded via a central counterparty amounts to a maximum of CHF 125 billion may back their CVA risk with 100% of the minimum capital required to cover the counterparty risk of the derivatives and securities financing transactions. CVA hedges must not be included under the simplified approach for CVA risk.

2 The simplified approach shall be applied to the entire portfolio. It must not be combined with the advanced approach or the basic approach, except on a consolidated basis in accordance with Article 77*j* paragraph 2 second sentence.

182 The MAR is listed in Annex 1 No 5.
183 The MAR is listed in Annex 1 No 5.

3 FINMA may require a bank to apply the advanced approach if the CVA risk resulting from the bank's derivatives exposures and securities lending/borrowing transactions materially contributes to the bank's overall risk.

Art. 77*j* CVA risk: advanced approach

1 The minimum capital requirement for CVA risk under the advanced approach for CVA risk corresponds to the capital requirement calculated from the individual risks.

2 The advanced approach may be combined with the basic approach. When calculating minimum capital for CVA risk on a consolidated basis, combination with the simplified approach is also possible, provided that such approach is applied by financial entities which belong to the group and are to be consolidated, and whose CVA risk is insignificant on a consolidated basis.

3 FINMA shall issue technical implementing provisions. It shall base these on chapter 50 of the MAR[184].

Chapter 3 ...

Art. 78 and **79**[185]

Chapter 4 Market Risk

Section 1 General

Art. 80[186]

Art. 81[187] Definition

Market risk is the risk of sustaining losses on on- and off-balance sheet exposures as a result of market price fluctuations, especially in the case of:

a. interest rates, including credit spread (interest rate risk);

b. shares (share price risk);

c. currencies (currency risk);

d. gold (gold price risk);

e. commodities, including precious metals except gold, and electricity (commodity risk).

184 The MAR is listed in Annex 1 No 5.
185 Repealed by No I of the O of 29 Nov. 2023, with effect from 1 Jan. 2025 (AS **2024** 13).
186 Repealed by No I of the O of 29 Nov. 2023, with effect from 1 Jan. 2025 (AS **2024** 13).
187 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

Art. 81*a*[188] Minimum capital calculation for market risk

[1] For trading book positions, the minimum capital requirement for all market risks shall be calculated.

[2] For banking book positions, the minimum capital requirement for currency, gold price and commodity risks shall be calculated.

Art. 81*b*[189] Exclusions for currency risk

[1] Exposures that are to be deducted from eligible capital in accordance with Articles 32 to 40 may be excluded from the calculation of the minimum capital requirement for currency risk.

[2] In addition, under the following conditions, exposures may be excluded from the minimum capital calculation for currency risk if they are acquired or held in order to fully or partly hedge the ratio of eligible capital, Tier 1 capital or CET1 capital to total risk-weighted assets (capital ratios) against exchange rate movements:

a. The exposures do not stem from trading activities (structural foreign currency exposures).

b. The scope of the excluded exposures must not exceed the value that results in the capital ratios' foreign exchange sensitivity being neutralised.

c. The exposures are excluded from the calculation for at least six months.

d. The bank shall regulate the accumulation and management of these structural foreign currency exposures in internal regulations.

e. The exclusion and hedging of exposures must be consistent; once exposures have been excluded, they remain so for their entire duration.

f. The bank must be able to provide FINMA with a full inventory of all exempted exposures at any time.

[3] FINMA shall define the requirements on internal regulations under paragraph 2 letter d in technical implementing provisions. It shall base these on chapter 11.3 MAR[190].

Art. 81*c*[191] Capital instruments of financial sector entities

[1] Exposures that are to be deducted from eligible capital in accordance with Articles 32 to 40 or weighted with 1,250% for the minimal capital calculation, must not also be included in the capital calculation for market risk.

[2] Subject to FINMA consent, trading book positions in capital instruments of financial institutions may be included by the bank in the calculation of market risk capital without deduction in accordance with the thresholds under Article 35 paragraphs 2 and 3, provided that the bank:

188 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
189 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
190 The MAR is listed in Annex 1 No 5.
191 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

a. is an active market-maker in these instruments; and

b. has appropriate systems and controls in place for trading such exposures.

Art. 82[192] Calculation approaches

[1] The minimum capital requirement for market risk may be calculated according to:

a. the simplified standardised approach for market risk;

b. the standardised approach for market risk; or

c. the model-based approach for market risk.

[2] The model-based approach and the standardised approach for market risk may be combined. When calculating minimum capital for market risk on a consolidated basis, combination with the simplified approach is also possible, provided that such approach is applied by financial entities which belong to the group and are to be consolidated, and whose market risk is insignificant on a consolidated basis.

[3] The minimum capital requirement for the following exposures must not be calculated using the model-based approach for market risk:

a. securitisations;

b. units in managed collective assets that are allocated to the trading book in accordance with Article 5 paragraph 3 letter c, and for which it is not possible to accurately identify the underlying investments.

Section 2[193] Simplified Standardised Approach for Market Risk

Art. 83 Application

[1] A bank may calculate the minimum capital requirement for market risk according to the simplified standardised approach for market risk if it meets the following criteria:

a. It is not an internationally active systemically important bank under Article 124*a* paragraph 1.

b. It does not engage in correlation trading.

c. It does not apply the standardised approach for market risk (Art. 87) or the model-based approach for market risk (Art. 88).

d. It does not engage in complex trading activities.

[2] In justified individual cases, FINMA may order the use of the standardised approach for market risk, even if the bank meets the criteria under paragraph 1.

[3] Banks under paragraph 1 which do not hold credit derivatives in the trading book and whose trading book does not exceed certain thresholds may calculate the minimum capital requirement for interest rate and share price risks inherent in

192 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
193 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

instruments held in the trading book according to Articles 59*a*, 59*b*, 60 and 66 to 73 (de minimis approach). In so doing, they must apply the provisions of the same approach as that used to calculate the capital requirement for credit risk, using a multiplier of 2.5 for risk-weighted exposures.

4 FINMA shall set the thresholds.

5 When calculating the minimum capital requirement for market risk on a consolidated basis, a combination of the de minimis approach and the approaches under Article 82 paragraph 1 is also possible, provided that the de minimis approach is applied by financial entities which belong to the group and are to be consolidated, and whose market risk is insignificant on a consolidated basis.

Art. 83*a* Minimum capital

1 Under the simplified standardised approach for market risk, minimum capital shall be calculated as follows:

a. The pre-scaling minimum capital requirement for interest rate, share price, currency, gold price and commodity risks is calculated according to Articles 84 to 86*a*.

b. The value under letter a for each risk category is multiplied by the scaling factor for the corresponding risk category.

c. The scaled values under letter b for all risk categories are added together.

2 When performing the calculation under paragraph 1 letter a, the corresponding option risk for each risk category shall be included.

3 The scaling factor shall be:

a. for interest rate risk: 1.3;

b. for share price risk: 3.5;

c. for currency risk and gold price risk: 1.2;

d. for commodity risk: 1.9.

4 FINMA shall issue technical implementing provisions on the calculation of minimum capital according to the simplified standardised approach for market risk. It shall base these on the MAR[194].

Art. 84 Interest rate risk in the trading book

1 The pre-scaling minimum capital requirement for the specific interest rate risk of exposures allocated to the trading book shall be derived by multiplying the absolute amount of the net exposures under Articles 51 and 52 for each issue by the rates in Annex 5.

2 The pre-scaling minimum capital requirement for general interest rate risk of these exposures shall comprise the sum of the values calculated for each currency using

194 The MAR is listed in Annex 1 No 5.

either the maturity method or the duration method. All values must be calculated using the same method.

Art. 85 Share price risk in the trading book

[1] The pre-scaling minimum capital requirement for the specific share price risk of exposures allocated to the trading book shall amount to 8% of the sum of the absolute amount of the net exposures under Articles 51 and 52 for each issue.

[2] The pre-scaling minimum capital requirement for the general share price risk of these exposures shall amount to 8% of the sum of the absolute amount of the net exposures per national market.

[3] FINMA shall set criteria for share indices for which other percentages may apply, and shall define the percentages. It shall base these on the MAR[195].

Art. 86 Currency and gold price risks in the banking and trading books

[1] The pre-scaling minimum capital requirement for the currency risk of exposures allocated to the banking or trading book shall amount to 8% of the sum of net long exposures under Articles 51 and 52, calculated for each foreign currency and converted to Swiss francs, or the sum of the net short exposures calculated in the same way, whichever is the higher.

[2] The pre-scaling minimum capital requirement for the gold price risk of these exposures shall amount to 8% of the absolute value of the net exposures, converted to Swiss francs.

Art. 86*a* Commodity risk in the banking and trading books

The pre-scaling minimum capital requirement for the commodity risk of exposures allocated to the banking or trading book shall comprise the sum of the values calculated for each commodity using either the maturity band method or the simplified method. All values must be calculated using the same method.

Section 3[196] Standardised Approach for Market Risk

Art. 87

[1] Banks that do not use the simplified standardised approach for market risk and do not have permission to use the model-based approach for market risk must calculate minimum capital according to the standardised approach for market risk.

[2] FINMA shall issue technical implementing provisions on the calculation of minimum capital according to the standardised approach for market risk. It shall base these on the MAR[197]. For the calculation of minimum capital for units in managed

195 The MAR is listed in Annex 1 No 5.
196 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
197 The MAR is listed in Annex 1 No 5.

collective assets in the trading book, it shall define alternative methods which do not derogate significantly from the methods set out in the MAR and which reduce the implementation effort.

Section 4 Model-Based Approach for Market Risk

Art. 88[198]

[1] Use of the model-based approach for market risk requires approval by FINMA.

[2] FINMA shall regulate the approval criteria and define the details for the calculation of minimum capital according to the market-based approach for market risk. It shall base these on the MAR[199]. It shall, however, provide for the following derogations from the MAR:

a. additional requirements in terms of infrastructure and risk management, where this is necessary for the appropriate use of the model-based approach for market risk;

b. simplifications for the modelling of units in managed collective assets in the trading book, provided that this does not result in inappropriate calculations.

[3] FINMA shall set the multiplier provided for under the model-based approach for market risk in each individual case. The multiplier shall be at least 1.5. When setting the multiplier, FINMA shall take account of the approval criteria and the forecast accuracy of the institution-specific risk aggregation model.

Chapter 5[200] Operational Risk

Art. 89 Definition

Operational risk is the risk of losses resulting from the inappropriateness or failure of internal procedures, people or systems, or from external events. This includes legal risk, but not strategic risk or reputational risk.

Art. 90 Calculation approach

[1] The minimum capital requirement for operational risk shall be calculated according to the standardised approach for operational risk.

[2] The standardised approach shall be based on the following key indicators:

a. business indicator (BI);

b. business indicator component (BIC);

c. internal loss multiplier (ILM);

198 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
199 The MAR is listed in Annex 1 No 5.
200 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

d. loss component (LC).

3 FINMA shall issue technical implementing provisions. It shall base these on the Basel Minimum Standard on the calculation of RWA for operational risk (OPE)[201].

Art. 91 Calculation of minimum capital

Under the standardised approach, the minimum capital requirement for operation risk is calculated by multiplying the business indicator component with the internal loss multiplier.

Art. 92 Business indicator: components

1 The business indicator comprises the sum of:

a. the interest, leases and dividend component (ILDC);

b. the services component (SC); and

c. the financial component (FC).

2 The interest, leases and dividend component is calculated according to the formula in Annex 5*a* and is made up of:

a. interest income;

b. interest expenses;

c. interest-bearing assets; and

d. dividend revenue.

3 The services component is calculated according to the formula in Annex 5*a* and is made up of:

a. revenue from commission business and services;

b. expenses from commission business and services;

c. other business revenue; and

d. other business expenses.

4 The financial component is calculated according to the formula in Annex 5*a* and is made up of:

a. the net profit/loss on the trading book; and

b. the net profit/loss on the portions of the banking book that are relevant for calculating the minimum capital requirement for operational risk.

Art. 92*a* Business indicator: discontinued operations and activities related to mergers and acquisitions

1 Banks may exclude discontinued business operations from the business indicator calculation. They must inform FINMA of the exclusion.

201 The OPE is listed in Annex 1 No 6.

2 Newly acquired business activities or those resulting from mergers must be included in the business indicator calculation.

Art 92*b* Business indicator: calculation principles

1 When calculating the consolidated business indicator, the revenue and expenses accruing within the financial group subject to consolidation must be netted against each other.

2 The business indicator must be calculated annually on the basis of the year-end data. In the cases under Article 92*a*, a recalculation during the year is necessary.

Art. 92*c* Business indicator component

The business indicator component comprises the sum of:

a. 12% multiplied by the amount of the business indicator, up to a maximum of CHF 1.25 billion;

b. 15% multiplied by the amount of the business indicator exceeding CHF 1.25 billion, up to a maximum of CHF 37.5 billion;

c. 18% multiplied by the amount of the business indicator exceeding CHF 37.5 billion.

Art. 92*d* Internal loss multiplier

1 Banks with a business indicator exceeding CHF 1.25 billion must calculate the internal loss multiplier on the basis of internal loss data. The internal loss multiplier shall be calculated from the business indicator component and the loss component, using the formula in Annex 5*a*.

2 The internal loss multiplier must be calculated annually on the basis of the year-end data. In the cases under Article 93*a* paragraphs 2 to 4, a recalculation during the year is necessary.

3 Financial groups subject to consolidation with a consolidated business indicator exceeding CHF 1.25 billion must include the internal loss data of all entities belonging to the financial group when calculating the minimum capital. For entities belonging to the financial group which do not meet the requirements for loss data, paragraph 5 shall apply by analogy.

4 For banks with a business indicator not exceeding CHF 1.25 billion, the internal loss multiplier shall be equal to one. With the authorisation of FINMA, the bank may calculate the internal loss multiplier on the basis of internal loss data. It is possible to change back to an internal loss indicator of one after a transition period of five years. The bank must inform FINMA of the change in advance.

5 For banks that calculate the internal loss indicator on the basis of internal loss data and do not meet the requirements for internal loss data under Article 93, for calculating the loss component under Article 93*a* or for calculating the gross and net loss under Article 94, the internal loss multiplier shall be equal to one. In individual cases, FINMA may require an internal loss multiplier higher than one.

Art. 93 Loss component: requirements for internal loss data

[1] To calculate the loss component, loss data is to be compiled which meets the following criteria:

a. It encompasses operational losses, including the operational losses associated with market risk and the operational losses associated with credit risk that are not covered by the calculation of risk-weighted exposures for credit risk.

b. It covers a period of ten years; exceptionally, if the bank uses new loss data to calculate minimum capital, a period of five years shall be sufficient, unless high-quality loss data is available for more than five years.

c. It covers all significant activities and exposures of the entire bank.

d. The net losses of the loss events underlying the loss data exceed CHF 25,000 in each case.

e. In addition to the gross loss amounts, it includes further relevant information on the loss events with a degree of detail which is appropriate to the amount of the gross loss.

[2] The bank must use the date on which the respective individual loss is recognised.

[3] Losses that are caused by an event or more than one connected events and which are recognised in the financial statements over several years shall be allocated to the relevant years in the loss data set on the basis of such recognition.

[4] The bank must define and document processes for ensuring the completeness and accuracy of the loss data, as well as the regular and independent checking of this data.

Art. 93*a* Loss component: calculation

[1] The loss component shall amount to fifteen times the bank's average annual loss as a result of operational risks for the last ten years.

[2] Losses from newly acquired business activities or business arising from mergers must be included in the loss component calculation.

[3] The bank may exclude a loss event amounting to more than 10% of the bank's average annual loss of relevance for the loss calculation, if this is no longer relevant for the bank's risk profile. Exclusion is possible after three years at the earliest. An event may also be excluded after less than three years if the corresponding business operation is discontinued.

[4] Clear justification must be provided for an exclusion. The bank must inform FINMA of the exclusion.

Art. 94 Loss component: gross and net loss

[1] The gross loss of a loss event shall correspond to the loss without any kind of loss mitigation. The net loss shall correspond to the loss after inclusion of all kinds of loss mitigation. Tax effects shall not constitute loss mitigation.

2 The bank must be in a position to identify gross loss amounts, as well as insurance compensation and other loss mitigation. Loss mitigation may only be deducted from the gross loss once payment has taken place.

3 The bank shall use net loss amounts for the loss data set.

4 The calculation of the gross loss shall include the following:

a. direct losses including revaluations and corrections, and settlements owing to the materialisation of an operational risk;

b. costs caused by the event, including repair and replacement costs and external expenditure;

c. provisions and reserves for potential operational losses;

d. losses that are booked in a transitory or interim account; and

e. significant negative effects on the financial accounting from events arising out of operational risks in previous accounting periods.

5 The calculation of gross loss must not include the following:

a. costs for general upkeep;

b. internal and external costs of improvements in business activities after a loss event; and

c. insurance premiums.

Title 4 Risk Diversification

Chapter 1 General Provisions

Section 1 Subject Matter

Art. 95[202] Risk concentrations and other large credit exposures

1 A risk concentration exists when the total exposure to a counterparty or group of connected counterparties equals or exceeds 10% of the bank's adjusted eligible Tier 1 capital under Articles 31 to 40.

2 Banks must identify and monitor risk concentrations and other large credit exposures to an individual counterparty or group of connected counterparties, and comply with associated reporting obligations.

Art. 96[203] Recordable exposures and total exposure

1 For the purposes of identifying and monitoring risk concentrations, all on- and off-balance sheet items in the banking book and trading book that carry a credit exposure or counterparty credit exposure to an individual counterparty or group of connected counterparties must be recorded.

202 Amended by No I of the O of 22 Nov. 2017, in force since 1 Jan. 2019 (AS **2017** 7625).
203 Amended by No I of the O of 22 Nov. 2017, in force since 1 Jan. 2019 (AS **2017** 7625).

2 The recorded exposures must be aggregated to arrive at a total exposure figure.

3 The following do not need to be included in the calculation of total exposure:

a. exposures that can be deducted from Tier 1 capital in accordance with Articles 31 to 40: the amount of the deduction;

b. intraday exposures to banks.

4 Exposures that are assigned a 1,250% weight in the minimum capital calculation shall be included in the total exposure.[204]

5 The total exposure to a group of connected counterparties is the sum of the total exposures to the individual counterparties.

Section 2 Upper Limits on Risk Concentrations

Art. 97[205] Upper limit on individual risk concentrations

1 A risk concentration may not exceed 25% of adjusted eligible Tier 1 capital under Articles 31 to 40.

2 This limit shall not apply to:

a.[206] exposures to central banks, central governments and supranational organisations;

b. exposures with an explicit guarantee from counterparties under letter a;

c. exposures secured by financial collateral from counterparties under letter a;

d. exposures to qualifying central counterparties resulting from clearing services.

3 The exposures shall be calculated in accordance with Article 119 paragraph 3.

Art. 98[207] Upper limit on risk concentrations vis-à-vis banks

For banks in categories 4 and 5 under Annex 3 BankO[208], the upper limit on individual risk concentrations vis-à-vis non-systemically important banks, and vis-à-vis securities firms that are allocated to the «banks» exposure class under Article 68 paragraph 1, shall be 100% of the adjusted eligible Tier 1 capital under Articles 31 to 40.

204 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
205 Amended by No I of the O of 22 Nov. 2017, in force since 1 Jan. 2019 (AS **2017** 7625).
206 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
207 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
208 SR **952.02**

Art. 99[209] Upper limit breaches

[1] The upper limit on risk concentrations must not be breached, except in the cases specified in paragraphs 2 and 3.

[2] A limit breach is permitted if this is related to the settlement of client payment transactions and lasts for no more than five business days.

[3] A limit breach is also permitted if this results solely from the affiliation of previously independent counterparties or the affiliation of a bank with other financial sector entities.

[4] The amount by which the limit may be breached owing to an affiliation under paragraph 3 may not be actively increased further. The breach must be rectified within two years of the affiliation acquiring legal force.

Section 3[210]
Reporting Obligations relating to Risk Concentrations and Other Large Credit Exposures

Art. 100 Reporting risk concentrations and other large credit exposures

[1] The bank shall report all outstanding risk concentrations and other large credit exposures to its body responsible for overall management, supervision and control:

a. quarterly on an individual entity basis;

b. semi-annually on a consolidated basis.

[1bis] It shall use the financial statements prepared in accordance with the accounting standards prescribed by FINMA as a basis for reporting. FINMA shall regulate exceptions, where this is necessary for the appropriate measurement of risk concentrations and other large credit exposures as part of risk diversification.[211]

[2] The reports must be submitted to the statutory banking audit firm and FINMA within six weeks of the end of the quarter or half-year, using the form prescribed by FINMA.[212]

[3] The following reference dates shall apply for the reports:

a. total exposure: last day of the current quarter and half-year;

b. Tier 1 capital: last day of the current or preceding quarter and half-year.

[4] Specifically, the following shall be reported:

a. all risk concentrations;

b. all exposures amounting to at least 10% of eligible Tier 1 capital, without applying the risk mitigation under Article 119 paragraph 1;

209 Amended by No I of the O of 22 Nov. 2017, in force since 1 Jan. 2019 (AS **2017** 7625).
210 Amended by No I of the O of 22 Nov. 2017, in force since 1 Jan. 2019 (AS **2017** 7625).
211 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
212 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

c. all total exposures for which no upper limit applies and which amount to at least 10% of eligible Tier 1 capital.

5 In addition, each year the twenty largest total exposures shall be reported, irrespective of whether or not they constitute risk concentrations, excluding total exposures to central banks and central governments.

6 For the exposures under paragraphs 4 and 5, the values both before and after application of the risk mitigation under Article 119 paragraph 1 must be reported.

7 If a risk concentration involves a member of the bank's management or a holder of a qualifying participation in the bank under Article 3 paragraph 2 letter c^{bis} BankA or a related person or company, the risk concentration shall be reported under the collective heading «management business».

8 If a risk concentration involves a group company, the risk concentration must be reported under the collective heading «group business». The components of the «group business» item that are exempted from the upper limit in accordance with Article 111*a* paragraph 1 and Article 112 paragraph 2 letter d shall also be reported.

9 The audit firm shall assess the internal controls implemented by the bank to ensure correct risk identification and reporting, and shall examine the trend of risks.

Art. 101[213] Reporting of unauthorised limit breaches

If the bank observes that a risk concentration has breached the upper limit without the existence of an exception under Article 99, it must notify its audit firm and FINMA immediately and rectify the breach in a timely manner. The deadline for rectification shall be approved by FINMA. Upper limit breaches caused by the use of the trade date principle and arising out of transactions having a settlement date (value date) within the next two business days, or three business days as a result of foreign bank holidays, shall be exempt from the duty to report immediately.

Art. 102[214] Reporting of intra-group exposures

The bank must draw up a report on intra-group exposures under Article 111*a* on a quarterly basis and submit the report to the audit firm, FINMA and the body responsible for overall management, supervision and control, together with the report on outstanding risk concentrations under Article 100. A distinction must be made between group companies under Article 111*a* paragraphs 1 and 3.

Section 4 Calculation Principles

Art. 103 Firm commitments to underwrite securities

The issuer-specific exposures for firm commitments to underwrite securities must be calculated as follows:

213 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
214 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

a. sub-participations and firm subscriptions may be deducted from firm commitments to underwrite debt and equity securities, provided that this eliminates the bank's associated market risk.

b. the resulting amount must be multiplied by one of the following credit conversion factors:

1 0.05 as of the day on which the firm commitment to underwrite is irrevocably entered into,

2 0.1 on the issue's payment date,

3 0.25 on the second and third business day after the issue's payment date,

4 0.5 on the fourth business day after the issue's payment date,

5 0.75 on the fifth business day after the issue's payment date,

6 1 as of the sixth business day after the issue's payment date.

Art. 104 and **105**[215]

Art. 106[216] Exposures from unsettled transactions

Transactions that remain unsettled after five business days (Art. 77*f*) must be included in the total exposure figure at their full exposure value.

Art. 107 and **108**[217]

Art. 109[218] Groups of connected counterparties

[1] A group of connected counterparties comprises:

a. counterparties between which there is a control relationship or economic interdependence;

b. counterparties that are held as participations by the same person, or are directly or indirectly controlled by them; or

c. counterparties that form a consortium.

[2] Groups of connected counterparties shall be treated as one entity.

[3] If the total exposure to a single counterparty exceeds 5% of eligible Tier 1 capital, it must be verified, within three months and at appropriate intervals thereafter, whether counterparties are economically interdependent.

[4] Central counterparties do not constitute a group of connected counterparties if the exposures to them are related to clearing services.

[5] Legally independent public enterprises together with their controlling public sector entity do not constitute a group of connected counterparties if:

215 Repealed by No I of the O of 22 Nov. 2017, with effect from 1 Jan. 2019 (AS **2017** 7625).
216 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
217 Repealed by No I of the O of 22 Nov. 2017, with effect from 1 Jan. 2019 (AS **2017** 7625).
218 Amended by No I of the O of 22 Nov. 2017, in force since 1 Jan. 2019 (AS **2017** 7625).

a. the public sector entity is not legally liable for the enterprise's obligations; or

b. the enterprise in question is a bank.

Art. 110 Exposures to a consortium

[1] Exposures to a consortium shall be allocated to the individual consortium members according to their participating interest.

[2] In the case of joint and several liability, the bank must recognise the entire exposure to the consortium member to which it assigned the highest credit rating during the lending decision.

Art. 111 Exposures of group companies

From the perspective of each bank in the financial group or financial conglomerate, group companies shall constitute a group of connected counterparties.

Art. 111*a*[219] Intra-group exposures

[1] If a bank is part of a financial group or financial conglomerate subject to appropriate consolidated supervision, the intra-group exposures to group companies that are fully integrated into the consolidated capital and risk diversification may be excluded from the upper limit under Article 97 if the group companies:

a. are individually subject to appropriate supervision; or

b. act as counterparty only to group companies that are individually subject to appropriate supervision.

[2] FINMA is authorised to issue implementing provisions to appropriately restrict the exclusion of intra-group exposures under paragraph 1.

[3] Intra-group exposures to other group companies shall be subject, on an aggregate basis, to the regular limit of 25% of the adjusted eligible Tier 1 capital under Articles 31 to 40.

Section 5 Easing and Tightening of Requirements

Art. 112[220]

[1] FINMA shall regulate the extent to which the risk diversification requirements may be relaxed for banks in categories 4 and 5 under Annex 3 BankO[221].

[2] In special cases, it may also relax or tighten the risk diversification requirements. Specifically, it may:

a. set lower reporting limits or upper limits for individual total exposures;

219 Inserted by No I of the O of 22 Nov. 2017, in force since 1 Jan. 2019 (AS **2017** 7625).
220 Amended by No I of the O of 22 Nov. 2017, in force since 1 Jan. 2019 (AS **2017** 7625).
221 SR **952.02**

b. impose upper limits on a bank's direct and indirect real estate holdings;

c. subject to prior request, allow the upper limit to be breached temporarily;

d. declare that the exemption from the upper limit under Article 111*a* paragraph 1 does not apply to some or all group companies, or extend the exemption to cover individual group companies that do not meet the criteria under Article 111*a* paragraph 1;

e. exempt individual group companies that do not operate in the financial sector from inclusion in the aggregate exposure under Article 111*a* paragraphs 1 and 3;

f. exempt the participations excluded from consolidation under Article 9 paragraph 1 from inclusion in the aggregate exposure under Article 111*a* paragraphs 1 and 3.

g. lower or raise the applicable weights for a specific counterparty;

h. set a different deadline to that in Article 99 paragraph 4;

i. in special circumstances for which the bank must provide justification, allow the parties concerned to not be considered as a group of connected counterparties, even if they meet the criteria under Article 109 paragraph 1;

j. allow counterparties to not be considered as a group of connected counterparties, provided that the bank demonstrates that a counterparty can absorb the financial problems or the default of an economically closely interconnected counterparty and find other business partners or fund providers within a reasonable period.

Chapter 2[222] Calculation of Total Exposure

Section 1 Weighting

Art. 113

[1] Counterparty exposures shall be assigned a risk weight of 100% as a rule.

[2] The following exposures are to be weighted differently to paragraph 1:

a.[223] exposures to cantons rated 1 or 2 under Annex 2: 20%;

b. exposures in domestic Pfandbrief bonds issued in accordance with the Mortgage Bond Act of 25 June 1930[224]: 10%;

c. exposures in covered bonds under Article 118 paragraph 1 letter c: at least 20%.

222 Amended by No I of the O of 22 Nov. 2017, in force since 1 Jan. 2019 (AS **2017** 7625).
223 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
224 SR **211.423.4**

Section 2 Addition

Art. 114

To calculate the total exposure to a counterparty, the associated exposures in the trading book and in the banking book shall be added together. Short exposures in the trading book must not be offset against long exposures in the banking book.

Section 3 General Exposure Calculation

Art. 115[225] Calculating exposures for transactions with counterparty credit risk

[1] For counterparty credit risk purposes, the exposure values for derivatives with long settlement periods in the banking or trading book must be calculated in accordance with Articles 57 and 58.

[2] For non-linear derivatives in the trading book, the exposure value shall additionally include the credit risk of the underlying assets, assuming a complete loss of value.

[3] The exposure values for securities financing transactions in the banking or trading book shall be calculated using either the simplified or the comprehensive approach (Art. 62); model-based approaches are not permitted. FINMA shall issue technical implementing provisions. It shall base these on the Basel Minimum Standards on large exposures (LEX)[226].

Art. 116[227] Other balance sheet exposures

For balance sheet exposures in the banking book that are not covered by Article 115, the carrying value stated in the accounts shall apply. Individual value adjustments may be deducted. Alternatively, the bank may also use the gross value without deducting individual value adjustments and value corrections.

Art. 117 Off-balance sheet exposures

[1] Off-balance sheet exposures in the banking book shall be converted to their credit equivalent using the credit conversion factors under Annex 1*a,* but at least a factor of 0.1. Individual provisions may be deducted.[228]

[2] For irrevocable loan commitments as part of a syndicated loan, the following credit conversion factors shall be applied:

a. 0.1 from the time at which the bank provides the commitment, up to the time of acceptance and confirmation by the counterparty;

b. 0.5 from the time at which the counterparty accepts the bank's commitment, up to the start of the syndication phase;

225 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
226 The LEX is listed in Annex 1 No 8.
227 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
228 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

c. 0.5 for the non-syndicated portion during the syndication phase, and 1 for the planned equity contribution;

d. 1.0 for the entire non-syndicated portion after 90 days (residual risk).

Art. 118 FINMA's implementing provisions on calculating the different exposures

[1] FINMA shall regulate the calculation of:

a. exposures in the trading book;

b. exposures to central counterparties;

c. exposures in covered bonds;

d. exposures in collective investment schemes, securitisations and other investment structures;

e. other exposures.

[2] It shall base this on the LEX[229]. It shall provide for less stringent requirements for banks in categories 3 to 5 under Annex 3 BankO[230].[231]

Section 4 Risk Mitigation

Art. 119

[1] The following may be included in the total exposure calculation:

a. netting;

b. guarantees;

c. credit derivatives;

d.[232] financial collateral recognised under the BIS SA.

[2] Upon request, the banks must demonstrate to the audit firm or to FINMA that these risk mitigation instruments are legally enforceable in the jurisdictions concerned.

[3] FINMA shall issue technical implementing provisions. It shall base these on the LEX[233]. In so doing, it shall ensure that:

a. double-counting of financial collateral is avoided when calculating the credit equivalents and during risk mitigation;

b. the hedging effect of credit default swaps is appropriately reduced in line with their complexity.[234]

229 The LEX is listed in Annex 1 No 8.
230 SR **952.02**
231 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
232 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
233 The LEX is listed in Annex 1 No 8.
234 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

4 In addition, it may provide for less stringent requirements:

a. if the upper limit for risk concentrations is breached only temporarily;

b. with regard to the recording of indirect exposures whose credit risk is reduced by financial collateral.[235]

Art. 120–123

Repealed

Title 5 Provisions for Systemically Important Banks

Chapter 1 General Provisions

Art. 124[236] Principle

1 In addition to the requirements applicable to all banks concerning capital and risk diversification under Titles 2 to 4 of this Ordinance, the special requirements of this Title shall apply to systemically important banks.

2 The amount of the special requirements shall be defined at the highest level of the financial group.

3 The special requirements must be met by the entities listed below, at the level of the financial group, the level of each individual entity licensed under the BankA[237] and the level of each securities firm licensed under the FinIA:

a. entities performing systemically important functions;

b. the highest entity in a financial group, where the consolidation scope includes an entity under letter a;

c. entities at the head of significant subordinate financial groups, where the consolidation scope includes an entity under letter a; and

d. entities which, owing to their core function or their relative size, are significant for the financial group.[238]

4 In individual cases, FINMA may exempt entities which perform systemically important functions but whose direct share in the financial group's domestic systemically important functions does not exceed 5% in total, or whose significance for the continued performance of the financial group's systemically important functions is otherwise minor.[239]

235 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
236 Amended by No I of the O of 21 Nov. 2018, in force since 1 Jan. 2019 (AS **2018** 5241).
237 SR **952.0**
238 Amended by No I of the O of 27 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4623).
239 Inserted by No I of the O of 27 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4623).

Art. 124*a*[240] Internationally active and non-internationally active systemically important banks

[1] Internationally active systemically important banks are those designated as global systemically important banks by the Financial Stability Board.

[2] Where a systemically important bank no longer qualifies as internationally active under paragraph 1, FINMA may continue to designate it as such if this is necessary owing to the scale of its activities abroad.

[3] Other systemically important banks shall not be deemed to be internationally active.

Art. 125[241]

Art. 125*a*[242]

Chapter 2 Convertible Capital and Bail-In Bonds[243]

Art. 126 Convertible capital[244]

[1] Convertible capital shall be deemed to be capital within the meaning of Article 11 paragraph 1 letter b in conjunction with Article 13 of the BankA and capital from write-down bonds under Article 11 paragraph 2 of the BankA that meets the criteria in this Chapter.

[2] Convertible capital shall be issued to investors outside the financial group by:

a. the group parent company;

b. a group company specially established for this purpose by financial groups and bank-dominated financial conglomerates; or

c. another group company licensed by FINMA.

Art. 126*a*[245] Bail-in bonds

[1] Bail-in bonds may be recognised as additional loss-absorbing funds under Chapter 4 only if they:[246]

a. are fully paid up;

b. are issued by a Swiss entity;

240 Inserted by No I of the O of 11 May 2016, in force since 1 July 2016 (AS **2016** 1725).
241 Repealed by No I of the O of 21 Nov. 2018, with effect from 1 Jan. 2019 (AS **2018** 5241).
242 Inserted by No I of the O of 11 May 2016 (AS **2016** 1725). Repealed by No I of the O of 22 Nov. 2017, with effect from 1 Jan. 2018 (AS **2017** 7625).
243 Amended by No I of the O of 11 May 2016, in force since 1 July 2016 (AS **2016** 1725).
244 Amended by No I of the O of 11 May 2016, in force since 1 July 2016 (AS **2016** 1725).
245 Inserted by No I of the O of 11 May 2016, in force since 1 July 2016 (AS **2016** 1725).
246 Amended by No I of the O of 27 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4623).

c. are subject to Swiss law and jurisdiction; in justified cases, FINMA may grant exemptions if it can be demonstrated that a conversion or write-off ordered by FINMA is enforceable in the jurisdictions concerned;

d. are issued by the group parent company or, with FINMA approval and in accordance with international standards, are issued by a group company exclusively established for this purpose, provided that it is ensured that the bonds can be used to absorb losses during restructuring;

e. are legally or contractually subordinate to the issuer's other obligations, or structurally subordinate to the obligations of other group companies;

f. do not contain an option for early termination by the creditors;

g. cannot be offset or secured or guaranteed in a way that restricts their bail-in capacity;

h. their terms and conditions contain a binding and irrevocable clause stating that creditors declare themselves in agreement with any potential conversion or write-off ordered by the supervisory authority during restructuring;

i. do not contain derivatives transactions and, with the exception of hedging transactions, are not linked to derivatives transactions;

j. were not purchased either directly or indirectly with funding from the issuing bank or one of its group companies;

k.[247] were issued with the approval of FINMA or are part of a FINMA-approved annual issuance programme, and may be redeemed before maturity only with FINMA approval, in cases where the level of additional loss-absorbing funds would fall below the quantitative requirements.

2 FINMA may deem loans that meet the criteria under paragraph 1 to be equivalent to bail-in bonds.

3 The redemption/repayment of bail-in bonds or loans under paragraphs 1 and 2 that were issued with FINMA approval and are to be redeemed/repaid before their maturity/due date without FINMA approval must be notified to FINMA.[248]

Art. 126*b*[249] Intra-group bail-in bonds

1 Swiss entities of systemically important banks may recognise intra-group bail-in bonds as additional loss-absorbing funds under Chapter 4 at a level below group parent company if these funds:

a. meet the criteria under Article 126*a* paragraph 1 letters a to c and f to i;

b. are contractually subordinated to the issuer's other obligations;

c. may be redeemed before maturity only with FINMA approval, in cases where such redemption would cause the level of additional loss-absorbing funds to fall below the quantitative requirements.

247 Amended by No I of the O of 27 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4623).
248 Amended by No I of the O of 21 Nov. 2018, in force since 1 Jan. 2019 (AS **2018** 5241).
249 Inserted by No I of the O of 27 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4623).

2 FINMA may deem loans that meet the criteria under paragraph 1 to be equivalent to bail-in bonds.

3 The debt instruments under paragraph 1 may be recognised in the amount of the receivable, provided that they have a residual maturity of at least one year.

Art. 127 Eligibility of convertible capital[250]

1 Convertible capital may be recognised for certain capital components, according to the extent that it contributes to loss absorption when a trigger event occurs. The loss absorption must take the following forms:

a. write-off as the result of a debt waiver;

b. conversion into CET1 capital of the bank.

2 FINMA shall approve recognition under Article 11 paragraph 4 of the BankA only if the bank demonstrates that the effects under the BankA and its implementing ordinances will occur and that the requirements under corporate and capital market legislation are met.

3 ...[251]

Art. 127*a*[252] Eligibility of bail-in bonds

1 Bail-in bonds that meet the criteria under Article 126*a* may be recognised as additional loss-absorbing funds under Chapter 4 in the amount of the receivable, provided that they have a residual maturity of at least one year.[253]

1bis Bail-in bonds issued by cantonal banks that meet the requirements under Article 40*a* may also be recognised under paragraph 1.[254]

2 The maturities of the loss-absorbing funds shall be staggered so as to ensure that the requirements concerning the level of these funds can be met, even in the event of temporarily impaired borrowing conditions. A maximum of 25% of the requirements concerning additional loss-absorbing funds may be met with assets with a residual maturity between one and two years.[255]

3 Where Tier 2 capital in accordance with Article 30 paragraph 2 is excluded as regulatory capital for a period of five years up to one year before final maturity, it can be recognised in the same way as bail-in bonds in accordance with international standards, provided that it is ensured that these instruments will absorb losses ahead of bail-in bonds.

4 Systemically important banks may not, at their own risk, hold convertible or debt-reducing capital instruments of other banks, nor bail-in bonds of other Swiss banks or

250 Amended by No I of the O of 11 May 2016, in force since 1 July 2016 (AS **2016** 1725).
251 Repealed by No I of the O of 29 Nov. 2023, with effect from 1 Jan. 2025 (AS **2024** 13).
252 Inserted by No I of the O of 11 May 2016, in force since 1 July 2016 (AS **2016** 1725).
253 Amended by No I of the O of 27 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4623).
254 Inserted by Annex No 2 of the O of 23 Nov. 2022, in force since 1 Jan. 2023 (AS **2022** 804).
255 Amended by No I of the O of 27 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4623).

foreign systemically important banks governed by Swiss law or corresponding regulations in foreign jurisdictions. The following are exempt:

a. exposures relating to the provision of bid and offer prices as a market maker, and short-term exposures relating to underwriting activities; and

b. the holding of bail-in bonds under Articles 37 and 38 in the bank's trading book, provided that these bail-in bonds are resold within 30 business days of their purchase.[256]

Chapter 3[257] Going-Concern Capital of the Bank

Art. 128 Principle

[1] Systemically important banks must hold sufficient capital to continue operating even in the event of major losses.

[2] Required capital shall be calculated according to:

a. the leverage ratio; and

b.[258] the share in total risk-weighted assets under Article 42*b* (RWA ratio).

Art. 129 Total capital requirement

[1] The total capital requirement is made up of a base requirement plus surcharges for market share and bank size as measured by total exposure.

[2] The base requirement shall amount to:

a. 4.5% for the leverage ratio;

b. 12.86% for the RWA ratio.

[3] For the purpose of determining the surcharges, FINMA shall periodically allocate the banks to «buckets» according to their market share and total exposure. The relevant values and the surcharges are set down in Annex 9. The surcharges shall be determined annually at the end of the second quarter.

[4] Market share is determined using whichever is the higher of the average market share in domestic lending business and the market share in domestic deposit-taking business based on the Swiss National Bank's statistical surveys on the reporting date at the end of the previous calendar year.

[5] The FDF shall regularly review the values and surcharges set down in Annex 9 against system stability and the competitiveness of the systemically important banks, and shall apply to the Federal Council for any adjustments.[259]

256 Amended by No I of the O of 27 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4623).
257 Amended by No I of the O of 11 May 2016, in force since 1 July 2016 (AS **2016** 1725).
258 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
259 Inserted by No I of the O of 27 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4623).

Art. 130 Minimum capital and capital buffer

[1] Systemically important banks shall permanently hold minimum capital amounting to:

a. 3% for the leverage ratio;

b. 8% for the RWA ratio.

[2] In addition, they shall hold a capital buffer up to the amount of the total requirement.

[3] The capital buffer should be complied with at all times. Temporary shortfalls are permitted in the event of bank losses.

[4] If there is a temporary shortfall in the capital buffer, the bank must demonstrate what measures will be taken to restore it and by what deadline. FINMA shall approve the deadline. If the capital requirements are not met after the deadline has expired, FINMA may order the necessary measures.

Art. 131 Capital quality

The capital used to meet the requirements must be of at least the following quality:

a. leverage ratio requirement:
   1 Minimum capital: CET1 capital; to meet the minimum capital requirement, a maximum of 1.5% may be used as AT1 capital in the form of convertible capital that is triggered if the eligible CET1 capital falls below 7% of the RWA ratio (high-trigger convertible capital),
   2 Capital buffer: CET1 capital;

b. RWA ratio requirement:
   1 Minimum capital: CET1 capital; a maximum of 3.5% may be used as AT 1 capital in the form of high-trigger convertible capital to meet the minimum capital requirement,
   2 Capital buffer: CET1 capital; a maximum of 0.8% may be used as AT1 capital in the form of high-trigger convertible capital to comply with the capital buffer.

Art. 131*a*[260] Countercyclical buffer

In addition to the capital requirements as a measure of risk-weighted assets under this Title, the countercyclical buffer under Articles 44 and 44*a* shall be complied with.

Art. 131*b* Additional capital

In special circumstances, FINMA may require individual banks to hold additional capital according to the criteria under Article 45, or may set higher quality requirements.

260 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

Chapter 4[261] Additional Loss-Absorbing Funds

Art. 132[262] Principle

[1] Systemically important banks must permanently hold additional funds to ensure resolution in accordance with Sections 11 and 12 of the BankA.[263],[264]

[2] The requirement concerning these additional funds is based on the total requirement, comprising the base requirements and surcharges under Article 129. It shall amount to:

a. for an internationally active systemically important bank:
   1 for entities performing systemically important functions (Art. 124 para. 3 lit. a): 62% of the total requirement at the level of the financial group and the individual entity,
   2. at the level of the highest entity in a financial group (Art. 124 para. 3 lit. b) and significant subordinate financial groups (Art. 124 para. 3 lit. c), unless the requirements under No 1 apply: 75% of the total requirement,
   3 at the level of the individual entity under Article 124 paragraph 3 letters c or d, the sum of:
      – the nominal amounts of additional loss-absorbing funds passed on to subsidiaries
      – 75% of the total requirement, except for participations subject to the consolidation requirement, including similarly recorded regulatory capital, and except for exposures from intra-group relationships, and
      – 30% of the consolidated requirements applicable to that entity;
b. for a non-internationally active systemically important bank: 40% of the total requirement.[265]

[3] The additional funds shall be held in the form of bail-in bonds that meet the criteria under Article 126*a*. This is without prejudice to paragraphs 4 to 7 and Article 132*b*.[266]

[4] If a systemically important bank holds the additional funds in the form of CET1 capital or convertible capital that meets the requirements concerning AT1 capital, the requirements under paragraph 2 shall be reduced by a factor of 0.5 for the amount of additional funds thus held. The requirements may be reduced by a maximum of one third.

[5] ...[267]

261 Originally before Art. 133. Amended by No. I of the O of 11 May 2016, in force since 1 July 2016 (AS **2016** 1725).
262 Amended by No I of the O of 21 Nov. 2018, in force since 1 Jan. 2019 (AS **2018** 5241).
263 SR **952.0**
264 Amended by Annex No 2 of the O of 23 Nov. 2022, in force since 1 Jan. 2023 (AS **2022** 804).
265 Amended by Annex No 2 of the O of 23 Nov. 2022, in force since 1 Jan. 2023 (AS **2022** 804).
266 Amended by Annex No 2 of the O of 23 Nov. 2022, in force since 1 Jan. 2023 (AS **2022** 804).
267 Repealed by Annex No 2 of the O of 23 Nov. 2022, with effect from 1 Jan. 2023 (AS **2022** 804).

[6] Capital held by a bank to meet the requirements under this Chapter must not simultaneously be used to meet the requirements under Articles 128 to 131*b*.

[7] If a bank has previously held capital to meet the requirements in this Chapter, it may use now use it to meet the requirements under Articles 128 to 131*b* only insofar as the requirements of this article continue to be met with the remaining funds.

Art. 132*a*[268] Special provisions for internationally active systemically important banks

[1] If an internationally active systemically important bank holds the additional funds in the form of CET1 capital or convertible capital that meets the requirements for AT1 capital, this capital shall receive preferential treatment within the meaning of Article 132 paragraph 4, up to a maximum of 2% for the leverage ratio and up to a maximum of 5.8% for the RWA ratio.

[2] For entities under Article 124 paragraph 3 letters b to d, the level of the additional capital requirement taking account of the reduced requirements under paragraph 1 must not fall below 3.75% for the leverage ratio and 10% for the RWA ratio.

Art. 132*b*[269] Special provisions for banks with a state guarantee or similar mechanism

If a non-internationally active systemically important bank benefits from an explicit state guarantee or similar mechanism, the requirement under Article 132 paragraph 2 letter b, in the amount of the guarantee:

a. shall be deemed to be met up to a maximum of half the required 40%;

b. shall be deemed to be fully met if, in a crisis situation, the corresponding funds are available unencumbered to FINMA irrevocably and rapidly; FINMA shall decide whether these criteria are met on a case-by-case basis.

Art. 133[270] Tier 2 additional loss-absorbing funds for internationally active systemically important banks

In the event of obstacles to resolution for entities under Article 124 paragraph 3 letters b to d, FINMA may, under Article 65*b* paragraph 1 BankO[271], require internationally active systemically important banks to hold Tier 2 additional loss-absorbing funds. The amount of such funds shall be limited to 25% of the total requirement. Article 132 paragraph 4 shall apply by analogy.

268 Inserted by No I of the O of 21 Nov. 2018 (AS **2018** 5241). Amended by Annex No 2 of the O of 23 Nov. 2022, in force since 1 Jan. 2023 (AS **2022** 804).
269 Inserted by Annex No 2 of the O of 23 Nov. 2022, in force since 1 Jan. 2023 (AS **2022** 804).
270 Amended by Annex No 2 of the O of 23 Nov. 2022, in force since 1 Jan. 2023 (AS **2022** 804).
271 SR **952.02**

Art. 134 and **135**

Repealed

Chapter 5 Special Risk Diversification Requirements

Art. 136[272] Risk concentrations

[1] In derogation from Article 95 paragraph1, a risk concentration shall exist when the total exposure to a counterparty or group of connected counterparties equals or exceeds 10% of the bank's adjusted eligible Tier 1 capital under Articles 31 to 40 that is not used to meet the requirements on additional loss-absorbing funds.[273]

[1bis] A risk concentration must not exceed 25% of the Tier 1 capital under paragraph 1.[274]

[2] A risk concentration must not exceed 15% of the Tier 1 capital under paragraph 1 in the case of:

a. exposures to other systemically important banks under Article 8 paragraph 3 BankA;

b. exposures to foreign systemically important banks that have been designated as global systemically important banks by the Financial Stability Board.

[3] The upper limit under paragraph 2 must be complied with at the latest twelve months after:

a. the designation of a bank as systemically important under Article 8 paragraph 3 BankA;

b. the designation of a foreign bank as a global systemically important bank under paragraph 2 letter b.

[4] In addition, the provisions on risk diversification under Title 4 shall apply.[275]

272 Amended by No I of the O of 22 Nov. 2017, in force since 1 Jan. 2019 (AS **2017** 7625).
273 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
274 Inserted by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
275 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

Title 6 Transitional and Final Provisions

Chapter 1 Transitional Provisions

Section 1 …[276]

Art. 137 and **138**[277]

Art. 139–142[278]

Art. 143–147[279]

Art. 148[280]

Art. 148*a*[281]

Section 2[282] Transitional Provisions to the Amendment of 11 May 2016

Art. 148*b* Capital quality

[1] As regards required capital quality under Article 131, instruments shall be recognised as follows:

a. high-trigger convertible capital qualifying as Tier 2 capital which is held at the time this Amendment enters into force: recognised as high-trigger convertible capital in the form of AT1 capital for its duration or up to the time of the first capital call, but at the latest until 31 December 2019;

b. low-trigger convertible capital qualifying as AT1 capital which is held at the time this Amendment enters into force: recognised as high-trigger convertible capital in the form of AT1 capital up to the time of the first capital call;

c. convertible capital that no longer qualifies under letter a: recognised as funds used to meet the requirements under Articles 132 and 133 up to one year before final maturity;

d. convertible capital that no longer qualifies under letter b: recognised as funds used to meet the requirements under Articles 132 and 133 up to the time of any termination by the bank.

276 Inserted by Attachment No 1 of the O of 11 May 2016, in force since 1 July 2016 (AS **2016** 1725).
277 Repealed by No I of the O of 22 Nov. 2017, with effect from 1 Jan. 2019 (AS **2017** 7625).
278 Repealed by No I of the O of 29 Nov. 2023, with effect from 1 Jan. 2025 (AS **2024** 13).
279 Repealed by No I of the O of 11 May 2016, with effect from 1 July 2016 (AS **2016** 1725).
280 Repealed by No I of the O of 22 Nov. 2017, with effect from 1 Jan. 2019 (AS **2017** 7625).
281 Inserted by Annex 2 No 4 of the Banking Ordinance of 30 April 2014 (AS **2014** 1269). Repealed by No. I of the O of 11 May 2016, with effect from 1 July 2016 (AS **2016** 1725).
282 Inserted by No I of the O of 11 May 2016, in force since 1 July 2016 (AS **2016** 1725).

2 As regards required capital quality under Article 131, convertible capital with a 5% trigger and issued before the entry into force of the Amendment of 1 July 2016 shall be recognised as follows:

a. where it qualifies as Tier 2 capital: recognised as high-trigger convertible capital in the form of AT1 capital for its duration or up to the time of the first capital call, but at the latest until 31 December 2019;

b. where it qualifies as AT1 capital: recognised as high-trigger convertible capital in the form of AT1 capital up to the time of the first capital call;

c. where it no longer qualifies under letters a and b: recognised as funds used to meet the requirements under Articles 132 and 133 up to one year before final maturity.

Section 3[283]
Transitional Provisions to the Amendment of 29 November 2023

Art. 148*c* Treatment of participations

Individual transitional rules on the treatment of participations that were set by FINMA before the entry into force of the Amendment of 21 November 2018[284] shall take precedence over the provisions of Article 32 paragraph 4 and Annex 4.

Art. 148*d* Additional funds for non-internationally active systemically important banks

In 2025, the requirement under Article 132 paragraph 2 letter b shall be 1.5% for the leverage ratio and 4.5% for the RWA ratio, plus half of the surcharges for market share and total exposure.

Art. 148*e* Floors in accordance with Article 45*a* paragraph 3 letter b, Article 77 paragraph 2 and Annex 7 No 2 second sentence

The floors in accordance with Article 45*a* paragraph 3 letter b, Article 77 paragraph 2 and Annex 7 No 2 second sentence shall be:

a. from 1 January 2025: 60%;

b. from 1 January 2026: 65%;

c. from 1 January 2027 to 31 December 2027: 70%.

Art. 148*f* Use of external ratings for risk-weighted exposures to banks

Up to 31 December 2027, external ratings based on an implicit state guarantee may be used for the risk weighting of exposures to banks if no corresponding external rating exists that is not based on an implicit state guarantee.

283 Amended by No I of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
284 AS **2018** 5241

Art. 148*g* Risk weighting of equity-like instruments

[1] The risk weight for exposures under Annex 4 No 3 shall be:

a. from 1 January 2025: 220%;

b. from 31 December 2025: 280%;

c. from 31 December 2026 to 30 December 2027: 340%.

[2] The risk weight for exposures under Annex 4 No 4 shall be:

a. from 1 January 2025: 160%;

b. from 31 December 2025: 190%;

c. from 31 December 2026 to 30 December 2027: 220%.

[3] Paragraphs 1 and 2 do not apply to banks using the IRB.

Art. 148*h* Reporting risk concentrations and other large credit exposures

Reports in accordance with Article 100 paragraph 2 and Article 102 with a reference date up to and including 31 December 2025 shall be submitted to the Swiss National Bank instead of FINMA.

Art. 148*i* Scope of the original loan value

For direct and indirect mortgage-backed exposures that existed before the entry into force of the amendment of 29 November 2023, Article 72*b* paragraphs 1, 2 and 5 shall apply only to lending in connection with new business and credit increases.

Art. 148*j* Transitional period under paragraph 90.1 MAR

When regulating the approval criteria and specifying the calculation of minimum capital under the market risk model approach (Art. 88 para. 2), FINMA shall provide for a later start to the transitional period, in derogation from paragraph 90.1 MAR[285].

Art. 148*k*–148*m*

Repealed

Chapter 2 Final Provisions

Art. 149 Repeal of existing legislation

The Capital Adequacy Ordinance of 29 September 2006[286] is repealed.

285 The MAR is listed in Annex 1 No 5.
286 [AS **2006** 4307, **2008** 5363 Annex No 8, **2009** 6101, **2010** 5429, **2012** 3539]

Art. 150 Amendment of existing legislation

The amendment of existing legislation is regulated in Annex 6.

Art. 151 Commencement

[1] This Ordinance enters into force on 1 January 2013, subject to paragraphs 2 and 3.

[2] Article 43 comes into force on 1 January 2016.

[3] The entry into force of the provisions of Title 5, with the exception of Articles 126 and 127, is contingent upon approval by the Federal Assembly.[287]

[287] Approved by the Federal Assembly on 18 September 2012 (BBl **2012** 8395).

Annex 1[288]
(Art. 4*a* para. 2)

Basel Minimum Standards

Available at https://www.sif.admin.ch/sif/en/home.html > Financial market policy and strategy > Financial market regulation > Basel Minimum Standards

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Chapter 40 SCO:	Global systemically important banks	31.01.2022
Chapter 50 SCO:	Domestic systemically important banks	31.01.2022
Chapter 95 SCO:	Glossary and abbreviations	31.01.2022
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Chapter 30 CAP:	Regulatory adjustments	31.01.2022
Chapter 50 CAP:	Prudent valuation guidance	31.01.2022
Chapter 90 CAP:	Transitional arrangements	31.01.2022
Chapter 99 CAP:	Application guidance	31.01.2022
3.	**Risk-based capital requirements (RBC)**	
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Chapter 21 CRE:	Standardised approach: use of external ratings	31.01.2022
Chapter 22 CRE:	Standardised approach: credit risk mitigation	31.01.2022
Chapter 30 CRE:	IRB approach: overview and asset class definition	31.01.2022
Chapter 31 CRE:	IRB approach: risk weight functions	31.01.2022
Chapter 32 CRE:	IRB approach: risk components	31.01.2022

[288] Inserted by No II para. 3 of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

Chapter	Title	Reference date
Chapter 33 CRE:	IRB approach: supervisory slotting approach for specialised lending	31.05.2023
Chapter 34 CRE:	IRB approach: RWA for purchased receivables	31.01.2022
Chapter 35 CRE:	IRB approach: treatment of expected losses and provisions	31.01.2022
Chapter 36 CRE:	IRB approach: minimum requirements to use IRB approach	31.05.2023
Chapter 40 CRE:	Securitisation: general provisions	31.01.2022
Chapter 41 CRE:	Securitisation: standardised approach	31.01.2022
Chapter 42 CRE:	Securitisation: External-ratings-based approach (SEC-ERBA)	31.05.2023
Chapter 43 CRE:	Securitisation: Internal assessment approach (SEC-IAA)	31.01.2022
Chapter 44 CRE:	Securitisation: Internal-ratings-based approach	31.01.2022
Chapter 45 CRE:	Securitisations of non-performing loans	31.01.2022
Chapter 50 CRE:	Counterparty credit risk definitions and terminology	31.01.2022
Chapter 51 CRE:	Counterparty credit risk overview	31.01.2022
Chapter 52 CRE:	Standardised approach to counterparty credit risk	31.01.2022
Chapter 53 CRE:	Internal models method for counterparty credit risk	31.01.2022
Chapter 54 CRE:	Capital requirements for bank exposures to central counterparties	31.01.2022
Chapter 55 CRE:	Counterparty credit risk in the trading book	31.01.2022
Chapter 56 CRE:	Minimum haircut floors for securities financing transactions	31.01.2022
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Chapter 70 CRE:	Capital treatment of unsettled transactions and failed trades	31.01.2022
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Chapter 21 MAR:	Standardised approach: sensitivities-based method	31.01.2022
Chapter 22 MAR:	Standardised approach: default risk capital requirement	31.01.2022
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Chapter 30 MAR:	Internal models approach: general provisions	31.05.2023

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Chapter 32 MAR:	Internal models approach: Backtesting and P&L attribution test requirements	31.01.2022
Chapter 33 MAR:	Internal models approach: capital requirements calculation	31.01.2022
Chapter 40 MAR:	Simplified standardised approach	31.01.2022
Chapter 50 MAR:	Credit valuation adjustment framework	31.01.2022
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6.	**Calculation of RWA for operational risk (OPE)**	
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7.	**Leverage Ratio (LEV)**	
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Chapter 20 LEV:	Calculation	31.01.2022
Chapter 30 LEV:	Exposure measurement	31.01.2022
Chapter 40 LEV:	Leverage ratio requirements for global systemically important banks	31.01.2022
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11.	**Disclosure requirements (DIS)**	
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12.	**Core Principles for effective banking supervision (BCP)**	
Chapter 01 BCP:	The core principles	31.01.2022

Annex 1a[289]
(Art. 53 para. 2 and 117 para. 1)

Credit conversion factors for off-balance sheet transactions when using the BIS SA

	Exposure	Credit conversion factor
1.	**Loan commitments**	
1.1	with firm commitment, unless a special credit conversion factor is specified	0.40
1.2	without firm commitment under Article 53 paragraph 3	0.10
1.3	without firm commitment which meet the requirements under Article 53 paragraph 5	0.00
2.	**Builder warranties for construction work in Switzerland and abroad**	0.50
3.	**Self-liquidating guarantees from goods trade transactions**	
3.1	Short-term self-liquidating trade letters of credit, e.g. documentary credits collateralised by the underlying shipment and with an original maturity of less than one year	0.20
4.	**Warranties**	
4.1	Transaction-related contingent liabilities, e.g. performance bonds, bid bonds, product warranties and standby letters of credit related to particular transactions	0.50
4.2	Note issuance facilities (NIFs) and revolving underwriting facilities (RUFs)	0.50

289 Originally: Annex 1. Amended by No II para. 2 of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

	Exposure	Credit conversion factor
5.	**Other contingent liabilities and other off-balance sheet transactions**	
5.1	Direct credit substitutes, e.g. general guarantees of indebtedness including standby letters of credit serving as financial collateral for loans and securities, and acceptances including endorsements with the character of acceptances	1.00
5.2	Other contingent liabilities; this includes, in particular: – Securities sale and repurchase agreements and asset sales with recourse where the credit risk remains with the bank [chapter 20.95 (2) CRE]; for risk weighting purposes, the asset type is relevant, not the counterparty; – Securities lending or posting of securities as collateral, including instances where these arise out of securities lending/borrowing transactions [para. 20.95 (3) CRE]; – Forward asset purchases, forward forward deposits and partly paid shares and securities which represent commitments with certain drawdown [para. 20.95 (4) CRE]; for risk weighting purposes, the asset type is relevant, not the counterparty	1.00
5.3	Other off-balance sheet transactions, including unrecognised and unsettled positions	1.00

Annex 2[290]
(Art. 64*a* para. 3 and 4, 66 para. 1, 70 para. 1 and 3, 71*b* and 113 para. 2 lit. a)

Exposure classes under the BIS SA when using external ratings and risk weights

	Exposure class	Rating category								
		1	2	3	4	5	6	7	Unrated	Fixed
1.	**Central governments, central banks and supranational organisations**									
1.1	Central governments and central banks	0%	0%	20%	50%	100%	100%	150%	100%	–
1.2	Confederation and Swiss National Bank, where the asset is denominated and refinanced in domestic currency	–	–	–	–	–	–	–	–	0%
1.3	Bank for International Settlements, International Monetary Fund, European Central Bank, EU, European Financial Stability Facility, European Stability Mechanism	–	–	–	–	–	–	–	–	0%
2.	**Public sector entities**									
2.1	Public sector entities	20%	20%	50%	50%	100%	100%	150%	100%	–
2.2	Unrated cantons	–	–	–	–	–	–	–	–	20%
2.3	Unrated public sector entities, where they have tax-collecting powers or where their obligations have a full and unlimited guarantee from a public body	–	–	–	–	–	–	–	–	50%
3.	**Multilateral development banks**									
3.1	Multilateral development banks	20%	20%	30%	50%	100%	100%	150%	50%	–

290 Amended by No II para. 2 of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

	Exposure class	Rating category											
		1	2	3	4	5	6	7	Unrated				Fixed
3.2	Certain multilateral development banks designated by FINMA	–	–	–	–	–	–	–	–				0%
4.	**Banks**								A	B	C	Art. 69 para. 4	
4.1	Banks, original maturity of the receivable ≤ 3 months, but ≤ 6 months in connection with cross-border goods transport	20%	20%	20%	20%	50%	50%	150%	20%	50%	150%	35%	–
4.2	Banks, original maturity of the receivable > 3 months, but > 6 months in connection with cross-border goods transport	20%	20%	30%	50%	100%	100%	150%	40%	75%	150%	60%	–
5.	**Common institutions**												
5.1	Banks' common institutions recognised by FINMA	20%	20%	50%	75%	100%	150%	150%	100%				–
5.2	Payment obligations to the agency of the deposit insurance scheme	–	–	–	–	–	–	–	–				20%
6	**Companies**												
6.1	Companies	20%	20%	50%	75%	100%	150%	150%	100%				–
6.2	SMEs	20%	20%	50%	75%	100%	150%	150%	85%				–
7.	**Special financing vehicles**	20%	20%	50%	75%	100%	150%	150%					–
7.1	Project financing												–
	Non-operative phase								130%				–
	Operative phase								100%				–
	High-value project financing in the operative phase								80%				–
7.2	Asset financing								100%				–

	Exposure class	Rating category								
		1	2	3	4	5	6	7	Unrated	Fixed
7.3	Commodity trade financing								100%	–
8.	**Foreign covered bonds**									
8.1	Foreign covered bonds	10%	10%	20%	20%	50%	50%	100%		–
8.2	Risk weighting of the issuing entity 20%								10%	–
8.3	Risk weighting of the issuing entity 30%								15%	–
8.4	Risk weighting of the issuing entity 40%								20%	–
8.5	Risk weighting of the issuing entity 50%								25%	–
8.6	Risk weighting of the issuing entity 75%								35%	–
8.7	Risk weighting of the issuing entity 100%								50%	–
8.8	Risk weighting of the issuing entity 150%								100%	–

Annex 3[291]
(Art. 49 para. 2 lit. h, 66 para. 2, 66*a* para. 1, 70 para. 5, 71 para. 2, 71*a*, 72*c* para. 1 and 6, and. 72*e* para. 2)

Exposure classes under the BIS SA when not using external ratings and risk weights

	Exposure class	Risk weight
1.	**Retail exposures**	
1.1	Qualifying retail exposures	75%
1.2	Qualifying retail exposures from credit card commitments for which the outstanding amount was fully paid off at each agreed payment date over the last 12 months, or from lines of credit that were not drawn down in the last 12 months	45%
1.3	Other exposures to natural persons	100%
2.	**Domestic Pfandbrief bonds**	10%
3.	**Direct and indirect mortgage-backed exposures**	
3.1	Owner-occupied residential real estate in Switzerland and abroad, with a loan-to-value ratio of:	
	up to 50%	20%
	more than 50% and up to 60%	25%
	more than 60% and up to 80%	35%
	more than 80% and up to 90%	45%
	more than 90% and up to 100%	55%
	more than 100%	75%
3.2	Other residential real estate in Switzerland and abroad, with a loan-to-value ratio of:	
	up to 50%	30%
	more than 50% and up to 60%	35%
	more than 60% and up to 70%	55%

291 Amended by No II para. 2 of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

	Exposure class	Risk weight
	more than 70% and up to 80%	60%
	more than 80% and up to 90%	75%
	more than 90% and up to 100%	85%
	more than 100%	110%
3.3	Owner-occupied commercial real estate in Switzerland and abroad, with a loan-to-value ratio of: up to 60%	60% or the counterparty's risk weight, if this is lower
	more than 60%	Counterparty's risk weight
3.4	Other commercial real estate in Switzerland and abroad, with a loan-to-value ratio of:	
	up to 60%	70%
	more than 60% and up to 80%	100%
	more than 80%	115%
4.	**Subordinated exposures**	150%
5.	**Defaulted exposures**	
5.1	The exposures under 3.1 above, corrected for individual value adjustments	100%
5.2	The unsecured or not guaranteed exposure components, corrected for individual value adjustments, where the individual value adjustments amount to at least 20% of the outstanding amount	100%
5.3	The unsecured or not guaranteed exposure components, corrected for individual value adjustments, where the individual value adjustments amount to less than 20% of the outstanding amount	150%

	Exposure class	Risk weight
6.	**Other exposures**	
6.1	Gold which is held in own treasury or, if held in collective custody at another bank, is backed by corresponding gold liabilities of the other bank	0%
6.2	Asset balance of compensation account	0%
6.3	Cash and cash equivalents subject to collection proceedings	20%
6.4	Liquid assets, excluding exposures under 6.3 above	0%
6.5	Amounts of the three items under Article 38 paragraph 2 and Article 39 paragraph 1 that are below threshold 3	250%
6.6	Other exposures	100%

Annex 4[292]
(Art. 32 para. 4, 66 para. 3, 73, 148*c* and 148*g*)

Risk weights of equity securities and other equity-like instruments according to the BIS SA

	Exposure class	Risk weight
1.	As part of the individual entity calculation: the net long exposure of direct or indirect participations calculated in accordance with Article 52, in entities operating in the financial sector and subject to consolidation with their registered office:	in Switzerland: 250% abroad: 400%
2.	As part of the individual entity calculation: the net long exposure of direct or indirect regulatory capital instruments calculated in accordance with Article 52, in entities operating in the financial sector and subject to consolidation with their registered office:	in Switzerland: 250% abroad: 400%
3.	Equity-like instruments of non-exchange-traded companies that are held for short-term resale, as well as risk capital and similar assets whose value fluctuates and which were invested in the expectation of future gains.	400%
4.	Other equity-like instruments	250%
5.	The portion of equity-like instruments that exceeds a ceiling under Article 4 paragraph 4 of the Banking Act (Art. 13 let. c)	1,250%

292 Amended by No II para. 2 of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

Annex 4a[293]
(Art. 77*d* para. 2)

Minimum capital for contributions to the default fund of qualifying central counterparties

The minimum capital for a bank's contributions to the default fund as a clearing member of a qualifying central counterparty shall be calculated according to the following formula:

$$\max\left(K_{CCP} \cdot \frac{DF}{DF_{CCP} + DF_{CM}}; 8\% \cdot 2\% \cdot DF\right)$$

Formula key:

K_{CCP}: the qualifying central counterparty's hypothetical minimum capital corresponding to the counterparty credit risk exposure to all clearing members and arising from its clearing clients;

DF_{CCP}: the qualifying central counterparty's prefinanced own funds, such as capital contributions to the default fund or retained earnings, which must be used by the central counterparty to cover losses from the default of clearing members, and which are equal or subordinate to the clearing members' prefinanced contributions to the default fund;

DF_{CM}: the total prefinanced contributions of all clearing members to the default fund;

DF: the bank's prefinanced contribution to the default fund;

K_{CCP}, DF_{CCP} and DF_{CM}: amounts calculated according to paragraphs 54.24 to 54.39 CRE[294] by the qualifying central counterparty or a responsible authority.

293 Inserted by No II para. 3 of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
294 The CRE is listed in Annex 1 No 4.

Annex 5[295]
(Art. 84 para. 1)

Rates for calculating the minimum capital requirement for specific interest rate risk according to the simplified standardised approach for market risk

Category	Rating category	Term to maturity	Rate
Central governments and central banks	1 or 2		0.00%
	3 or 4	≤ 6 months	0.25%
		> 6 months and ≤ 24 months	1.00%
		> 24 months	1.60%
	5 or 6		8.00%
	7		12.00%
	Unrated		8.00%
Qualifying interest rate instruments		≤ 6 months	0.25%
		> 6 months and ≤ 24 months	1.00%
		> 24 months	1.60%
Other	5		8.00%
	6 or 7		12.00%
	Unrated		8.00%

295 Amended by No II para. 2 of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

Annex 5a[296]
(Art. 92 para. 2–4 and 92*d* para. 1)

Operational risk: calculation approach

The overline indicates that the corresponding subcomponent is to be calculated as the average of the previous three years. Absolute amounts (Abs) shall first be calculated individually for each year, and then as a three-year average.

1. Interest, leases and dividend component (ILDC)

ILDC = Min [Abs(interest income – interest expenses); 2.25% x interest-bearing assets] + dividend revenue

2. Services component (SC)

SC

= Max [other business revenue; other business expenses]

+ Max [revenue from commission business and services; expenses from commission business and services]

3. Financial component (FC)

FC = Abs(net profit/loss on trading book) + Abs(net profit/loss on banking book)

4. Internal loss multiplier (ILM)

$$ILM = ln\left(e^1 - 1 + \left(\frac{LC}{BIC}\right)^{0.8}\right)$$

296 Inserted by No II para. 3 of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

Formula key:
LC: Loss component
BIC: Business indicator component

Annex 6
(Art. 150)

Amendment of existing legislation

...[297]

297 The amendment may be consulted under AS **2012** 5441.

Annex 7[298]
(Art. 44 para. 2 and 148*e*)

Countercyclical buffer

1. The banks are obliged to hold a countercyclical buffer in the form of CET 1 capital for direct and indirect mortgage-backed exposures in residential real estate in Switzerland under Article 72.

2. The buffer shall be 2.5% of the risk-weighted credit exposures under No 1. For banks that use the IRB to calculate minimum capital for credit risk, the risk-weighted credit exposures correspond to the credit exposures calculated according to the IRB, but at least 72.5% of the corresponding credit exposures according to the BIS SA.

[298] Inserted by No. I of the O of 13 Feb. 2013 (AS **2013** 693). Amended by No II para. 2 of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).

Annex 8[299]
(Art. 20 para. 4 lit. a and 43 para. 1)

Minimum capital and capital buffer

in % of all risk-weighted assets under Article 42*b*

Category under Annex 3 BankO[300]	1 and 2	3	4	5
Minimum capital		8.0%		
– of which, CET1 capital		4.5%		
– of which, AT1 capital or higher		1.5%		
– of which, Tier 2 capital or higher		2.0%		
Capital buffer	4.8%	4.0%	3.2%	2.5%
– of which, CET1 capital	3.7%	3.3%	2.9%	2.5%
– of which, AT1 capital or higher	0.5%	0.3%	0.1%	–
– of which, Tier 2 capital or higher	0.6%	0.4%	0.2%	–
Minimum capital + capital buffer	12.8%	12.0%	11.2%	10.5%

299 Inserted by No. II of the O of 11 May 2016 (AS **2016** 1725). Amended by No II para. 2 of the O of 29 Nov. 2023, in force since 1 Jan. 2025 (AS **2024** 13).
300 SR **952.02**

Annex 9[301]
(Art. 129)

Surcharges

1 Surcharges for market share

1.1 Market share of up to 27%

Bucket	Market share	LR surcharge	RWA ratio surcharge
M1	< 12%	0%	0%
M2	< 17%	0.125%	0.36%
M3	< 22%	0.25%	0.72%
M4	< 27%	0.375%	1.08%

1.2 Market share of 27% or more

For every additional 5 percentage points of market share, the requirement increases by 0.125 percentage points for the leverage ratio and by 0.36 percentage points for the RWA ratio.

2 Surcharges for total exposure

2.1 Total exposure of up to CHF 1,341 billion

Bucket	Total exposure	LR surcharge	RWA ratio surcharge
G1	< CHF 697 billion	0%	0%
G2	< CHF 912 billion	0.125%	0.36%
G3	< CHF 1,127 billion	0.25%	0.72%
G4	< CHF 1,341 billion	0.375%	1.08%

2.2 Total exposure exceeding CHF 1,341 billion

For every additional CHF 215 billion of total exposure, the requirement increases by 0.125 percentage points for the leverage ratio and by 0.36 percentage points for the RWA ratio.

301 Inserted by No. II of the O of 11 May 2016 (AS **2016** 1725). Revised by No II of the O of 27 Nov. 2019, in force since 1 Jan. 2020 (AS **2019** 4623).