



# Ordinance on the Liquidity of Banks

(Liquidity Ordinance, LiqO)

SR 952.06

Status as at 1 January 2018

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## 2 Other Languages

DE: [Verordnung vom 1. Januar 2018 über die Liquidität der Banken \(Liquiditätsverordnung, LiqV\)](#)

FR: [Ordonnance du 1er janvier 2018 sur les liquidités des banques \(Ordonnance sur les liquidités, OLiq\)](#)

IT: [Ordinanza sulla liquidità delle banche \(Ordinanza sulla liquidità, OLiq\)](#)

# Ordinance on the Liquidity of Banks

**952.06**

(Liquidity Ordinance, LiqO)

dated 30 November 2012 (version as at 1 January 2018)

*The Swiss Federal Council,*based on Articles 4(2), 10(4)(a) and 56 of the Banking Act of 8 November 1934<sup>1</sup>,  
*decrees:*

## Chapter 1: General Provisions

### ARTICLE 1 Subject

- 1 This ordinance shall regulate the qualitative and quantitative liquidity requirements for banks under the Banking Act (BA).
- 2 FINMA shall enact technical implementing provisions.

### ARTICLE 2 Principles

- 1 Banks shall hold sufficient liquidity to meet their payment obligations at all times, even under times of stress.
- 2 They shall hold sufficiently large and sustainable liquidity reserves to cover any short-term deteriorations in market liquidity and ensure an adequate medium to long-term financing.<sup>2</sup>

## Chapter 2: Reporting

### ARTICLE 3 Data collection

- 1 FINMA may require banks to provide information on their liquidity as per Basel Committee on Banking Supervision<sup>3</sup>.
- 2 It shall be authorized to collect data regarding the Net Stable Funding Ratio (NSFR) and, if necessary, other monitoring metrics at group or stand-alone legal entity level.<sup>4</sup>

### ARTICLE 4<sup>5</sup> Duties of the audit firm

The audit firm shall confirm the accuracy of the NSFR reporting and the other monitoring metrics according to FINMA's implementing provisions.

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<sup>1</sup> SR **952.0**

<sup>2</sup> Version according to Section I of the Ordinance of 22 November 2017, in force since 1 January 2018 (AS **2017** 7635).

<sup>3</sup> Basel Committee on Banking Supervision – Basel III: International framework for liquidity risk measurement, standards and monitoring, December 2010, available under [www.bis.org/bcbs/basel3.htm](http://www.bis.org/bcbs/basel3.htm)

<sup>4</sup> Version according to Section I of the Ordinance of 25 June 2014, in force since 1 January 2015 (AS **2014** 2321).

<sup>5</sup> Version according to Section I of the Ordinance of 25 June 2014, in force since 1 January 2015 (AS **2014** 2321).

## Chapter 3: Liquidity requirements

### Section 1: Qualitative Requirements

#### ARTICLE 5 Principle of proportionality

Banks shall manage their liquidity risks according to their size, the type, scope, complexity and risk content of their business activities, both at the stand-alone entity and group level.

#### ARTICLE 6 Governing, control and steering functions

- 1 Banks shall define the degree to which they are willing to enter into liquidity risks (liquidity risk tolerance).
- 2 The strategies to manage liquidity risks shall be consistent with the liquidity risk tolerance.
- 3 They shall take into account the liquidity-related costs and risks for all significant balance-sheet and off-balance sheet transactions, specifically when setting prices, introducing new products and measuring the generated earnings. They shall ensure a balanced relationship between risk-taking incentives and existing liquidity risks as per the defined liquidity risk tolerance.

#### ARTICLE 7 Risk measurement and management systems

- 1 Banks shall implement appropriate processes to identify, measure, manage and monitor liquidity risks. Specifically, they must prepare a liquidity overview for different time horizons that compares the expected cash inflows and outflows for said periods from balance sheet and off-balance sheet positions.<sup>6</sup>
- 2 They shall identify, manage and monitor the liquidity risks as well as the financing needs of the financial group and those of the legal entities, business units and currencies which could have a significant impact on liquidity risks. In doing so, they shall consider the legal, regulatory and operational restrictions regarding the transferability of liquidity.<sup>7</sup>
- 3 They shall identify, manage and monitor intraday liquidity risks. The liquidity risks entered into may not interfere with the bank's payment and settlement operations and systems.
- 4 They shall monitor the assets which serve to generate liquidity and differentiate between encumbered and unencumbered assets. They must be in a position to show where these assets are held and how they can be mobilized in a timely manner.

<sup>6</sup> Version according to Section I of the Ordinance of 25 June 2014, in force since 1 January 2015 (AS **2014** 2321).

<sup>7</sup> Version according to Section I of the Ordinance of 25 June 2014, in force since 1 January 2015 (AS **2014** 2321).

## ARTICLE 8 Risk mitigation

Banks shall undertake measures to mitigate their liquidity risks. Specifically, they must have a limit system in place and a financing structure with diversified funding sources and maturities.

## ARTICLE 9 Stress tests

- 1 Every bank shall define a variety of liquidity stress scenarios and use them as a basis for performing stress tests for its liquidity position. It shall take into account cash flows from off-balance sheet positions and other contingent liabilities, including those from securitization vehicles and other special purpose entities to which the bank has provided liquidity or is obliged to provide liquidity in the future due to contractual or reputational reasons.
- 2 When defining the stress scenarios, the following shall be taken into account:
  - a. institution-specific, market-wide and combined events and parameters;
  - b. different time horizons;
  - c. different degrees of severity of stress events, including the loss of access to unsecured financing and a restricted access to secured financing.
- 3 Stress scenario assumptions, particularly with regards to cash inflows and outflows and the liquidity value of assets under a stress event, must be reviewed on a regular basis and after a stress event has occurred.<sup>8</sup>
- 4 The impact of the stress test scenarios on the income statement must be analyzed.

## ARTICLE 10 Contingency funding plan

- 1 Banks shall establish a contingency funding plan which contains effective strategies to address liquidity shortages. The contingency funding plan shall clearly define responsibilities, a communication plan and the necessary measures, and shall be documented in internal guidelines and directives.
- 2 When defining a contingency funding plan, the bank must take into account the stress scenarios as per Article 9(1) as well as the results of the stress tests.

## ARTICLE 11 The audit firm's responsibilities

The audit firm shall confirm that the bank meets the qualitative requirements as defined in Articles 5-10 of the FINMA technical implementation provisions.

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<sup>8</sup> Version according to Section I of the Ordinance of 25 June 2014, in force since 1 January 2015 (AS **2014** 2321).

## Section 2:<sup>9</sup> Quantitative requirements

### ARTICLE 12 Liquidity Coverage Ratio

- 1 The Liquidity Coverage Ratio (LCR) shall ensure that banks have an adequate portfolio of high-quality liquid assets (HQLA) to cover the expected net cash outflow for a 30-calendar-day liquidity stress scenario on an ongoing basis. The assumptions in respect of cash outflows and outflow rates shall be based on Annex 2, those on cash inflows and inflow rates on Annex 3.
- 2 Fulfilling the LCR requirements does not relieve banks of their duty to maintain sufficient liquidity reserves as per Article 2(2), and in doing so, taking into account the results of the stress tests as per Article 9(1).

### ARTICLE 13 Calculation

The LCR shall be equal to the quotient of:

- a. the portfolio of HQLA (numerator); and
- b. the expected net cash outflow for the 30 day stress scenario (denominator).

### ARTICLE 14 Fulfillment of LCR requirements

- 1 A bank shall fulfill the LCR requirements if its LCR quotient (as described in Article 13) is at least 1.
- 2 The LCR must be met at both stand-alone legal entity level and group level for:
  - a.<sup>10</sup> all exposures as per Articles 15a, 15b and 16 across all currencies, converted into Swiss francs; and
  - b. all exposures as per Articles 15a, 15b and 16 denominated in Swiss francs taking into consideration Article 17.
- 3 FINMA shall determine:
  - a. to what extent holding companies with a bank as one of their subsidiaries are relieved of the LCR requirements if the holding company is not subject to the LCR requirements;
  - b. to what extent parent companies of groups with a holding company structure are relieved of the LCR requirements on a stand-alone basis.
  - c.<sup>11</sup> to what extent banks in Categories 4 and 5, pursuant to Annex 3 of the Banking Ordinance of

<sup>9</sup> Version according to Section I of the ordinance of 25 June 2014, in force since 1 Jan. 2015; Article 17e(2) and (3) in force since 1 Jan 2017 (AS **2014** 2321)

<sup>10</sup> Version according to Section I of the Ordinance of 22 November 2017, in force since 1 January 2018 (AS **2017** 7635).

<sup>11</sup> Inserted by Section I of the Ordinance of 22 November 2017, in force since 1 January 2018 (AS **2017** 7635).

30 April 2014<sup>12</sup> (BO), may benefit from alleviations by proving that they fulfill the LCR.

- 4 In certain cases, FINMA may:
  - a.<sup>13</sup> issue rules which deviate from the regulatory consolidation requirements in Article 7 of the Capital Adequacy Ordinance (CAO) dated 1 June 2012<sup>14</sup> if this is necessary to capture additional investments in entities that are material from a liquidity risk perspective;
  - b. require a bank to meet higher LCR requirements based on the bank's business activities, its liquidity risks, business strategy, the quality of its liquidity risk management or the sophistication of techniques applied.
- 5 If the funds of a single entity are mainly provided by foreign branch offices, FINMA may require the entity to calculate the LCR excluding the expected inflows from these branch offices. Based on FINMA's risk appraisal, the entity may be subjected to further LCR requirements.<sup>15</sup>
- 6 Upon the bank's request, FINMA may relieve foreign banks' branch offices in Switzerland of the LCR requirements if the parent company abroad is subject to regulatory supervision and a legal framework which is equivalent to that of Switzerland and if consolidated LCR figures are disclosed that are comparable to Swiss LCR requirements.

## ARTICLE 15 HQLA: definition and composition

- 1 An asset shall be considered to be HQLA, if
  - a. the bank can easily convert it into cash at all times within the next 30 calendar days at little or no loss of value; and
  - b. it fulfills the further requirements of Article 15d.
- 2 HQLA may include assets with:
  - a. the highest liquidity as defined in Article 15a (Category 1 assets);
  - b. high liquidity as defined in Article 15b (Category 2a and 2b assets).

### ARTICLE 15a HQLA: Category 1 assets

- 1 Category 1 assets shall include the following:
  - a. coins and bank notes;

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<sup>12</sup> SR **952.02**

<sup>13</sup> Version according to Section I of the Ordinance of 22 November 2017, in force since 1 January 2018 (AS **2017** 7635).

<sup>14</sup> SR **952.03**

<sup>15</sup> Version according to Section I of the Ordinance of 22 November 2017, in force since 1 January 2018 (AS **2017** 7635).

- b. central bank reserves, including minimum reserves, provided the central bank reserves can be drawn in times of liquidity stress;
- c. marketable debt securities<sup>16</sup> representing receivables from:
  - 1. a sovereign,
  - 2. a central bank,
  - 3. a subordinated but autonomous local authority which has the right to levy taxes or another type of public sector entity,
  - 4. the Bank for International Settlements,
  - 5. the International Monetary Fund,
  - 6. the European Central Bank,
  - 7. the European Union,
  - 8. multilateral development banks;

cbis. any marketable securities security guaranteed by institutions listed under (c);

- d. marketable sovereign or central bank debt securities issued in domestic currencies by the sovereign or central bank in the country in which the liquidity risk is being taken or in the bank's home country, if the sovereign has a risk weight of >0% according to (53) of the standard approach under Basel II<sup>17</sup>; as well as
- e. marketable Swiss Government or Swiss National Bank (SNB) debt securities issued in a foreign currency up to the amount of the bank's stress net cash outflows in that specific foreign currency stemming from the bank's operations in the jurisdiction where the bank's liquidity risk is being taken; this is also applicable if the risk weight of Switzerland is above 0% according to (53) of the standard approach under Basel II.

2 The marketable debt securities listed in (1)(c) and (cbis) may only be considered as Category 1 assets if they fulfill the following prerequisites:

- a. They are risk-weighted at 0% according to (53) of the standard approach under Basel II.
- b. In case of guaranteed debt, the guarantee needs to be explicit, irrevocable and unconditional

<sup>16</sup> Term according to Section I of the ordinance of 22 November 2017, in force since 1 January 2018 (AS **2017** 7635). This amendment has been taken into account throughout the entire enactment.

<sup>17</sup> Basel Committee on Banking Supervision – Basel II: "International Convergence of Capital Measurement and Capital Standards – A Revised Framework / Comprehensive Version" (Basel Basic Text), available online at: [www.bis.org](http://www.bis.org) > Monetary & financial stability > Basel Committee on Banking Supervision > Basel III > Related Information Basel II – June 2006 (comprehensive version)

and provided by a central government or one of its subordinated local authorities, or a joint liability must be provided by multiple local authorities.

- c. It must not be a liability of a financial institution as per Annex 1 or any of its affiliated entities. Exempted from this are debt securities issued by financial institutions set up by a central government or a subordinated local authority and used to fund promotional loans granted on a non-competitive, not-for-profit basis to promote its public policy objectives.

3 Category 1 assets shall be valued at their current carrying value.

### ARTICLE 15b HQLA: Category 2 assets

1 Category 2a assets shall include the following:

a. marketable debt securities representing receivables from:

- 1. a sovereign,
- 2. a central bank,
- 3. a subordinated local authority or another type of public sector entity,
- 4. and 5.<sup>18</sup> ...
- 6. development banks;

a<sup>bis</sup> any marketable debt securities guaranteed by an institution listed under (a);

b. marketable corporate bonds, including money market papers, if these were issued by companies which are not deemed to be financial institutions as per Annex 1 either on their own or in connection with other entities; and

c.<sup>19</sup> marketable, special-law covered bonds not issued by the bank itself or any other financial institution affiliated with it as per Annex 1; covered bonds issued by central mortgage bond institutions (Pfandbriefzentralen) pursuant to the Mortgage Bond Act of 25 June 1930<sup>20</sup> (MBoA) are eligible in this context.

2 The marketable debt securities listed in (1)(a) and (abis) may be considered as Category 2a assets only if they fulfill the following requirements:

a. They are risk-weighted at a maximum of 20% according to (53) of the standard approach under Basel II.

<sup>18</sup> Repealed by Section 1 of the Ordinance dated 22 November 2017 with effect from 1 January 2018

<sup>19</sup> Version according to Section I of the Ordinance of 22 November 2017, in force since 1 January 2018 (AS **2017** 7635)

<sup>20</sup> SR **211.423.4**

- b. It may not be a liability of a financial institution as per Annex 1 or any of its affiliated entities. Exempted from this are debt securities issued by financial institutions set up by a central government or a subordinated local authority and used to fund promotional loans granted on a non-competitive, not-for-profit basis to promote its public policy objectives.
- 3 Corporate bonds as per (1)(b) and covered bonds as per (1)(c) may only be considered as Category 2a assets if they:
  - a. have at least a long-term rating that equals rating class 1 or 2 pursuant to Annex 2 of the CAO<sup>21</sup>;
  - b. if no such rating is available, have an equivalent short-term rating by a FINMA-recognized rating agency;
  - c. if they are used to cover cash outflows abroad and have a rating from a rating agency recognized by the respective national supervisory authority that is equivalent to the rating as per (a) or (b); or
  - d. do not have a rating as per (a)-(c), but have been assigned an internal probability of default that equals rating classes 1 or 2 pursuant to Annex 2 of the CAO.<sup>22</sup>
- 4 Category 2a assets shall be valued at their current market value with a haircut of 15 percent.
- 5 The FINMA shall be entitled to allow further assets in Category 2 (Category 2b assets), provided these:
  - a. have a proven record as a reliable source of liquidity in the repo or spot markets even during stressed market conditions; and
  - b. have not been issued by a financial institution listed in Annex 1 or any of its affiliated entities.
- 6 Category 2b assets shall be valued at their current market value with a haircut of at least 50 percent.

### ARTICLE 15c HQLA: eligibility

- 1 For the calculation of the LCR, assets may be counted toward the total HQLA as follows:
  - a. Category 1 assets: unlimited;
  - b. Category 2b assets (by themselves): up to 15 percent;
  - c. Category 2a and 2b assets together: up to 40 percent.
- 2 Prior to calculating the limits as per (1)(b) and (c):
  - a. the haircuts of 15 and 50 percent as per Article 15b(4) and (6) have to be deducted;

<sup>21</sup> SR 952.03

<sup>22</sup> Version according to Section I of the Ordinance of 22 November 2017, in force since 1 January 2018 (AS 2017 7635)

- b. the transactions as per Article 15e have to be unwound; and
- c. secured financing transactions have to be settled, if they:
  - 1. include the exchange of HQLA,
  - 2. are not covered in Article 15e, and
  - 3. have a maturity of maximum 30 calendar days.
- 3 The ceilings shall apply at both financial group level and on stand-alone legal entity level.
- 4 FINMA shall set the rules for the calculation of the limits.
- 5 Category 1 and 2 assets that constitute securities, bonds or other debt instruments issued abroad can only be included in HQLA, if they:
  - a. are recognized as HQLA by the competent foreign regulator; or
  - b. are deemed to be repo-eligible by the SNB.<sup>23</sup>
- 6 All assets which are being held at the first day of the 30-day time horizon shall be eligible as HQLA irrespective of the remaining maturity. HQLA which must be unwound according to Article 15e may not be included.
- 7 From the point in time an HQLA-eligible asset becomes ineligible, a bank shall be permitted to still keep such assets in its HQLA portfolio for an additional 30 calendar days.

#### **ARTICLE 15d HQLA: other requirements**

FINMA shall determine:

- a. required characteristics for HQLA to be considered as a reliable source of liquidity within the 30-day time horizon during stressed conditions;
- b. operational requirements which the management of HQLA must fulfill in order to be able to obtain sufficient liquidity within the 30-day time horizon during stressed conditions;
- c.<sup>24</sup> the requirements for adequate diversification of HQLA.

#### **ARTICLE 15e HQLA: Unwinding / settlement**

- 1 Secured financing transactions shall be settled if they include the exchange of HQLA and mature within the next 30 calendar days.

<sup>23</sup> Version according to Section I of the Ordinance of 22 November 2017, in force since 1 January 2018 (AS **2017** 7635).

<sup>24</sup> Version according to Section I of the Ordinance of 22 November 2017, in force since 1 January 2018 (AS **2017** 7635).

- 2 Secured financing transactions shall encompass collateral swaps and securities financing, such as repo transactions, securities lending transactions, and margin loans.<sup>25</sup>
- 3 Liquidity-absorbing transactions with the SNB shall be unwound/settled irrespective of the type of collateral if they mature within the next 30 calendar days. Liquidity-generating financial transactions with the SNB shall only be unwound/settled if they have been collateralized with HQLA and mature within the next 30 calendar days.
- 4 Transactions which include the exchange of Category 2b assets as well as secured financing transactions are not unwound/settled if the assets received are used to cover short positions with a maturity of more than 30 calendar days. Short positions shall include uncovered lending as well as the uncovered sale of an asset.
- 5 For transactions with the SNB which include a contractual termination provision, the notice period shall be relevant when determining the remaining maturity.
- 6 FINMA shall issue technical implementation provisions for secured financing transactions in foreign currencies where the bank has no account with the corresponding foreign central bank.<sup>26</sup>

## ARTICLE 16 Net cash outflow

- 1 The net cash outflow shall be defined as the total expected cash outflows under the specified stress scenario for the subsequent 30 calendar days minus the total expected cash inflows in the same time period.
- 2 When calculating net cash outflow, only up a maximum of 75% of the expected cash inflows may be considered.
- 3 Cash outflows shall be calculated by multiplying the balance-sheet and off-balance sheet positions by the respective run off or draw down rate, depending on their outflow category as per Annex 2.
- 4 If a position can be allocated to various outflow categories, the one with the highest outflow rate shall apply.
- 5 Cash inflows shall be calculated by multiplying the balance sheet positions by the respective inflow rate depending on their inflow category as per Annex 3.
- 6 If a position can be allocated to various inflow categories, the one with the lowest inflow rate shall apply.
- 7 No cash inflows or outflows shall be considered for positions which are unwound/settled in accordance with Article 15e.
- 8 Balance-sheet and off-balance sheet positions may not be recorded twice. In particular, assets

<sup>25</sup> Version according to Section I of the Ordinance of 22 November 2017, in force since 1 January 2018 (AS **2017** 7635).

<sup>26</sup> Inserted by Sect. I of the Ordinance of 22 November 2017, in force since 1 January 2018 (AS **2017** 7635).

included in the HQLA portfolio must not be shown as cash inflows at the same time.

- 9 In deviation from Annex 2, FINMA may:
  - a. define lower outflow rates for stable deposits in foreign jurisdictions which are subject to a highly effective deposit insurance scheme;
  - b. recognize an internal model approach for the calculation of increased liquidity needs due to market valuation changes for derivative and other transactions.

### **ARTICLE 17 Fulfillment of LCR in Swiss francs**

- 1 FINMA shall determine under which conditions and to what extent banks may include assets in foreign currencies in the HQLA portfolio in order to fulfill the LCR requirements according to Article 14(2)(b).
- 2 For banks that do not hold any HQLA in foreign currencies due to operational reasons, FINMA shall define under which conditions and to what extent Category 2a assets in excess of the 40 percent limit (Article 15c(1)(c)) may be included in the HQLA portfolio.

### **ARTICLE 17a LCR in significant foreign currencies**

- 1 The LCR shall be calculated and monitored in all significant foreign currencies.
- 2 The ceilings of 15 percent and 40 percent as per (Article 15c(1)(b) and (c)) shall be taken into account when calculating the LCR in significant foreign currencies. The 75 percent ceiling for cash inflows as per Article 16(2) does not apply.
- 3 FINMA shall determine:
  - a. the consolidation level at which the calculation and monitoring duties apply;
  - b. how large the portion of liabilities in a specific foreign currency has to be, measured against the bank's total liabilities, for that foreign currency to be considered significant.
- 4 In justified individual cases, FINMA may define lower LCR thresholds for significant foreign currencies if the bank is exposed to excessive foreign currency risk.
- 5 Moreover, it can impose requirements with regard to the LCR for significant foreign currencies if this is necessary for the implementation of recognized international standards.
- 6 HQLA in foreign currencies used to cover net cash outflows in Swiss francs according to Article 17 may not be used to cover net cash outflows in that specific foreign currency.

## ARTICLE 17b Breaching the LCR minimum requirements

- 1 Should extraordinary events cause a drastic liquidity shortfall, the minimum requirement may temporarily be breached.
- 2 Banks shall inform FINMA immediately if the minimum requirement cannot be met or if a shortfall is imminent.
- 3 They shall immediately present a plan to FINMA that shows which measures are taken in which time frame to regain the minimum requirements.
- 4 If the plan does not ensure that the minimum requirements are complied with within an adequate timeframe, FINMA may take appropriate measures.
- 5 For banks which do not fulfill the minimum requirements, the FINMA may request LCR reports during the month with a timely delivery deadline and additional reports on the bank's liquidity situation which are adequate in view of the length and extent of LCR non-compliance.

## ARTICLE 17c<sup>27</sup> Liquidity report

- 1 FINMA shall define the form and content of the reporting templates to be used for the LCR (liquidity report). It may envisage alleviations for banks of Categories 4 and 5 pursuant to Annex 3 BO<sup>28</sup>.
- 2 Banks shall use the financial statements prepared in accordance with the applicable accounting standards as the basis for the valuation of the positions listed in their liquidity report.
- 3 Banks that are not systemically important shall submit their liquidity report to the SNB on a monthly basis within 20 calendar days of the last calendar day of the month. Upon request and in justified cases, FINMA may grant a bank a lower reporting frequency.
- 4 Systemically important banks shall submit their liquidity report to the SNB on a monthly basis within 15 calendar days of the last calendar day of the month.
- 5 FINMA shall define specific reporting obligations for banks that:
  - a. hold exposures in significant foreign currencies as per Article 17a(1);
  - b. are refinanced to a significant extent through foreign branch offices pursuant to Article 14(5).
- 6 In the liquidity report, FINMA may require additional information on highly liquid assets that are not HQLA.

<sup>27</sup> Version according to Section I of the Ordinance of 22 November 2017, in force since 1 January 2018 (AS **2017** 7635).

<sup>28</sup> SR **952.02**

### ARTICLE 17d Group-internal cash outflows and inflows

For cash outflows and inflows between a parent company and subsidiaries within the same group, FINMA may define outflow and inflow rates that deviate from those defined in Annexes 2 and 3.

### ARTICLE 17e Disclosure

- 1 Banks must provide regular and appropriate information to the public in respect of their liquidity situation and their LCR.<sup>29</sup>
- 2 Systemically important banks shall disclose their LCR as a daily average over the last 90 days. If the regulation requires a disclosure only every six months, the daily average is to be calculated for the last 180 days.
- 3 FINMA may demand from other banks the disclosure of their LCR as a daily average if it considers this to be appropriate in view of its risk assessment or the public's information requirements.
- 4 FINMA shall define the details of the disclosure. Specifically, it defines what LCR-relevant information is to be disclosed apart from the LCR.

### ARTICLE 17f Audit firms

The audit firm shall confirm the correctness of the reported data in the liquidity report and the institution's compliance with the LCR as defined in the standards on auditing.

## Section 3: Quantitative requirements for privileged deposits

### ARTICLE 18<sup>30</sup>

- 1 When submitting other reports to the FINMA, banks shall also inform the FINMA of the following totals:
  - a.<sup>31</sup> the deposits disclosed in the balance sheet items as at the close of the financial year defined in Annex 1 Sections 2.3 and 2.7 BO<sup>32</sup>;
  - b. deposits in accordance with (a) which are privileged as per Article 37a of the Banking Act;
  - c. deposits in accordance with (b), which are insured as per Article 37h of the Banking Act.

<sup>29</sup> Version according to Section I of the Ordinance of 22 November 2017, in force since 1 January 2018 (AS **2017** 7635).

<sup>30</sup> Version according to Section I of the Ordinance of 25 June 2014, in force since 1 January 2015 (AS **2014** 2321).

<sup>31</sup> Version according to Section I of the Ordinance of 22 November 2017, in force since 1 January 2018 (AS **2017** 7635).

<sup>32</sup> SR **952.02**

- 2 Based on the amounts reported in (1)(c), FINMA shall determine the bank's share in the maximum amount of deposit protection scheme as per Article 37h(3)(b) of the Banking Act and inform each bank of this share accordingly.
- 3 When calculating the LCR, banks shall include their share in the maximum amount as "undrawn committed credit or liquidity facilities provided to the Swiss deposit protection scheme" as per Annex 2 Sect. 8.1.5.
- 4 Exceptionally, FINMA may require certain banks to disclose the amount reported as per (1)(c) if this is deemed necessary to protect the non-privileged deposit holders.

## Chapter 4: Special provisions for systemically important banks

### Section 1: General aspects

#### ARTICLE 19 Purpose

- 1 Systemically important banks shall be in a position to fulfill their payments even under extraordinary stress situations.
- 2 Apart from the general requirements applicable to all banks, they must also comply with specific quantitative liquidity requirements as stipulated in this chapter.<sup>33</sup>

#### ARTICLE 20 Scope of consolidation

Systemically important banks shall meet the requirements at both the group level and the stand-alone legal entity level, including all branch offices.

### Section 2: Quantitative requirements

#### ARTICLE 21 Special liquidity requirements

- 1 Systemically important banks must be in a position to cover all cash outflows to be expected in a period of severe stress as set out in Article 22 for at least 30 days.
- 2 They may never show a liquidity gap in a 7-day horizon or in a 30-day horizon.

#### ARTICLE 22 Stress scenarios

- 1 A stress scenario shall include a simultaneous bank-specific and a market-wide stress event.

<sup>33</sup> Version according to Section I of the Ordinance of 25 June 2014, in force since 1 January 2015 (AS **2014** 2321).

- 2 The stress scenario must be based on the assumption that:
  - a. the bank loses its access to secured and non-secured funding in the capital and money markets; and
  - b. deposits are withdrawn on a large scale.
- 3 FINMA shall specify the stress scenario in more detail.

### **ARTICLE 23** Liquidity gap

- 1 A liquidity gap shall exist in a 7-day period if cash outflows as per Article 24(2) are greater than the sum of the following positions:
  - a. cash inflows as per Article 24(1);
  - b. the amount which could be realized if all assets held in the regulatory liquidity buffer (Article 25) were to be sold;
  - c. unused committed central bank facilities.
- 2 In the 30-day horizon to be covered, the bank may, in addition to the three positions stated in (1), also include the emergency liquidity facility of the SNB up to the unused amount.

### **ARTICLE 24** Cash inflows and outflows

- 1 In the stress scenario, the liquidity inflows shall be calculated by multiplying the different types of balance sheet receivables with the relevant inflow rates. Assets included in the regulatory liquidity buffer as per Article 25 may not be included in the cash inflows.
- 2 Cash outflows shall be calculated by multiplying the different types of payables and off-balance sheet liabilities with the relevant outflow rates.
- 3 FINMA shall define the classification of receivables and payables, as well as the maximum inflow and minimum outflow rates.
- 4 The bank shall define inflow and outflow rates that have not been defined by the FINMA in consistency with the stress scenario according to Article 22.

### **ARTICLE 25** Regulatory liquidity buffer

- 1 Systemically important banks shall hold a liquidity buffer consisting of liquid, unencumbered and freely available assets which can be sold immediately. This buffer shall consist of a primary and a secondary component.
- 2 The primary component shall consist of the following:

- a.<sup>34</sup> debt instruments issued by sovereigns or central banks, the Bank for International Settlements, the International Monetary Fund and multilateral development banks, which have a risk-weight of 0% according to capital adequacy requirements.
  - b. covered bonds issued by the central mortgage bond institution of Swiss cantonal banks (Pfandbriefzentrale der schweizerischen Kantonalbanken AG) or the central mortgage bond institution of Swiss mortgage institutions (Pfandbriefbank schweizerischer Hypothekarinstitute AG).
  - c. central bank reserves and cash.
- 3 The secondary component may contain the following marketable assets:
- a. corporate bonds with a good credit rating;
  - b. debt issued by public sector entities not already included in (2)(a);
  - c. exchange-listed equities;
  - d. money-market instruments;
  - e. asset-backed securities.
- 4 FINMA may add or remove assets to or from the list of assets eligible for the primary and secondary components of the liquidity buffer.
- 5 FINMA shall define the minimum haircuts applicable to the assets included in the primary and secondary components of the liquidity buffer which are used to calculate the realizable value. These haircuts shall apply to a well-diversified portfolio of assets.
- 6 Over the 7-day horizon, the liquidity which could potentially be realized upon the sale of assets in the regulatory liquidity buffer shall consist of at least 75 percent in assets from the primary component of this liquidity buffer.
- 7 For the 30-day horizon, this liquidity shall consist of at least 50 percent in assets from the primary component.

## Section 3: Other requirements

### ARTICLE 26 Temporary relief

- 1 In the case of a liquidity shock, a bank may temporarily fall below the liquidity requirements stipulated in Article 21.
- 2 FINMA and the SNB must be informed immediately if a bank falls below the requirements stipulated

<sup>34</sup> Version according to Section I of the Ordinance of 22 November 2017, in force since 1 January 2018 (AS **2017** 7635).

in Article 21 or is expected to do so due to extraordinary liquidity outflows.

- 3 Upon notification, FINMA shall set a deadline by which the bank must provide a plan to remediate the liquidity gaps. The plan must be approved by FINMA.
- 4 If the plan is inadequate, FINMA shall take suitable measures.

### ARTICLE 27 Inadequate liquidity risk management

If a systemically important bank fails to comply with the requirements of Articles 5-10, FINMA shall impose an add-on to the balance sheet and off-balance sheet cash outflows. This add-on shall correspond to the degree to which the bank has failed to comply with the requirements, but shall be at most 10% of the outflows.

### ARTICLE 28 Reporting duties

- 1 Systemically important banks shall report their liquidity situation (Articles 23-25) on a monthly basis. They shall submit their reports to FINMA and the SNB by the last calendar day of the following month, stating the following:
  - a. the liquidity situation based on the defined stress scenario at the consolidated group level;
  - b. the liquidity situation based on the defined stress scenario at the stand-alone entity level, including all branch offices;
  - c. the liquidity situation based on the defined stress scenario at the stand-alone entity level, excluding all foreign branch offices;
  - d. a break-down of liquid, unencumbered and freely available securities according to ISIN country code at the level of the stand-alone entity excluding foreign branch offices;
  - e.<sup>35</sup> the liquidity situation as defined in (a)-(c) under a stress scenario where secured financing via the repo market is still possible.
- 2 Systemically important banks shall in addition submit a description of significant changes in their liquidity situation compared to the previous month, together with the respective reasons. This explanation must be submitted to the FINMA and the SNB for each month and by the last calendar day of the following month.
- 3 FINMA shall provide a respective reporting form.

### ARTICLE 28a<sup>36</sup> Intraday liquidity

FINMA may collect information on intraday liquidity.

<sup>35</sup> Version according to Section I of the Ordinance of 22 November 2017, in force since 1 January 2018 (AS **2017** 7635).

<sup>36</sup> Inserted by Section I of the Ordinance of 22 November 2017, in force since 1 January 2018 (AS **2017** 7635).

## ARTICLE 29 The audit firm's responsibilities

The audit firm shall confirm the reporting and compliance concerning the quantitative liquidity requirements for systemically important banks, as defined in the standards on auditing.

## Chapter 5: Involving the SNB

### ARTICLE 30

FINMA shall enlist the SNB's consultative support to enforce this Ordinance.

## Chapter 6: Transitional and Final Provisions

### ARTICLE 31 Transitional provisions

- 1 FINMA may require reporting from all banks during the monitoring periods defined by the Basel Committee.
- 2 The monitoring period shall end in accordance with the requirements of the Basel Committee<sup>37</sup>, or at the latest upon the implementation of the NSFR<sup>38</sup>.

### ARTICLE 31a<sup>39</sup> Transitional provisions for the amendment of 25 June 2014

- 1 Banks that are not systemically relevant shall fulfill the LCR as per Article 14(1) and (2) for the year:
  - a. 2015 by at least 60 percent;
  - b. 2016 by at least 70 percent;
  - c. 2017 by at least 80 percent;
  - d. 2018 by at least 90 percent.
- 2 In 2015, banks that are not systemically relevant shall submit their liquidity report as per Article 17c to the SNB for the first time on 2 March and for the other months of the year by the 30th calendar day of the subsequent month.

<sup>37</sup> Basel Committee on Banking Supervision – Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools; online at: [www.bis.org](http://www.bis.org) > Monetary & financial stability > Basel Committee on Banking Supervision > Basel III > Basel III: Liquidity (January 2013)

<sup>38</sup> Version according to Section I of the Ordinance of 25 June 2014, in force since 1 January 2015 (AS **2014** 2321).

<sup>39</sup> Version according to Section I of the Ordinance of 25 June 2014, in force since 1 January 2015 (AS **2014** 2321).

## ARTICLE 32 Amendments to the previous law

...<sup>40</sup>

## ARTICLE 33 Entry into force

- 1 This Ordinance shall enter into force on 1 January 2013, with the exception of (2) and (3).
- 2 The provisions of Articles 5-10 shall enter into force on 1 January 2014 for banks that are not systemically relevant.
- 3 The provisions of Chapter IV shall enter into force on the fifteenth day of the month following the approval by the Swiss Federal Assembly.

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<sup>40</sup> Amendments may be seen in AS **2012** 7251.

## Annex 1<sup>41</sup> (Articles 15a(2)(c) and 15b(2)(b))

### Financial institutions

- A. Companies providing one or several of the following services shall be considered to be financial institutions:
1. Insurance services and insurance-related services
    - 1.1 Direct insurance companies, including co-insurance companies
      - 1.1.1 Life insurance companies
      - 1.1.2 Non-life insurance companies
    - 1.2 Reinsurance and retrocession companies
  2. Banking and other financial services
    - 2.1 Acceptance of deposits and other repayable funds from clients
    - 2.2 Granting of loans of all types, including consumer credits, mortgage loans, factoring and financing of commercial transactions
    - 2.3 Finance leases
    - 2.4 Any payments and transfer services, including credit cards, charge cards, debit cards, travelers' checks and bank checks
    - 2.5 Guarantees and credit commitments
    - 2.6 Proprietary trading or trading on behalf of clients at stock exchanges, OTC markets or in another form using:
      - 2.6.1 Money market instruments (including checks, bills of exchange, certificate of deposits)
      - 2.6.2 Foreign currencies
      - 2.6.3 Derivatives, including futures and options
      - 2.6.4 Exchange rate and interest-rate instruments, including swaps and forward rate agreements
      - 2.6.5 Transferable securities
      - 2.6.6 Other tradable instruments and financial investments, including precious metals
    - 2.7 Participations in issuances of all types of securities and provision of services related to such issuance;
    - 2.8 Activities as financial broker
    - 2.9 Safekeeping and administration of securities; or
    - 2.10 Private equity and similar vehicles aiming at the acquisition of investments.
- B. Holding structures consolidating service providers listed under (A) are also considered to be financial institutions.
- C. Subsidiaries of non-financial institutions that do not have a banking license and which provide one or several services listed above exclusively for their own corporate group companies are not considered to be financial institutions.

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<sup>41</sup> Inserted with Section II of the Ordinance of 25 June 2014, in force since 1 January 2015

## Annex 2<sup>42</sup> (Article 16(3))

### Cash outflows and outflow rates

	<b>Outflow category</b>	<b>Outflow rate (in percent)</b>
<b>1.</b>	<b>Retail deposits</b>	
1.1	Retail deposits include all demand and term deposits with a remaining maturity or cancellation period of up to 30 calendar days. Term deposits with a remaining maturity of more than 30 calendar days do not have to be considered.	
1.1.1	Stable deposits	5
1.1.2	Less stable deposits	10
1.2	Demand and term deposits provided by retail clients with deposits greater than CHF 1.5m. These include all demand and term deposits with a remaining maturity or cancellation periods of up to 30 calendar days	20
<b>2.</b>	<b>Unsecured funding provided by corporate or wholesale clients</b>	
2.1	Demand and term deposits provided by small business customers with a remaining maturity or cancellation period of up to 30 calendar days	
2.1.1	Stable deposits	5
2.1.2	Less stable deposits	10
2.2	Operational deposits generated by clearing, custody and cash management activities	
2.2.1	Operational deposits provided by all counterparties fully covered by deposit insurance	5
2.2.2	Operational deposits provided by all counterparties not fully covered by deposit insurance	25
2.3	Eligible deposits with the central institution by members of a financial group	25
2.4	Deposits of non-financial corporates, sovereigns, central banks, subordinated local authorities and other public sector entities and multilateral development banks, if:	
2.4.1	the entire amount is fully covered by an effective deposit insurance scheme	20
2.4.2	not the entire amount is fully covered by an effective deposit insurance scheme	40
2.4.3	These were invested by vesting benefits foundation, bank foundations or investment foundations which bundle deposits from vested benefit accounts and	40

<sup>42</sup> Inserted with Section II of the Ordinance of 25 June 2014 (AS **2014** 2321). Adjusted according to Section II of the Ordinance of 22 November 2017, effective as at 1 January 2018 (AS **2017** 7635).

<b>Outflow category</b>	<b>Outflow rate (in percent)</b>
2.5 Demand and term deposits provided by financial institutions as per Annex 1, including affiliated entities, by all other legal entities and business clients, such as pension funds, with a remaining maturity or cancellation period of up to 30 calendar days	100
2.6 Unsecured debt instruments	100
2.7 Additional balances required for central bank reserves	100
<b>3. Secured transactions and collateral swaps maturing within 30 calendar days and where the collateral is not used to cover short positions</b>	
3.1 Secured funding transactions conducted with the SNB backed by Category 2b assets or non-HQLA and collateral swaps where assets of the same category are exchanged and which are not unwound/settled	0
3.2 Secured funding transactions backed by Category 2b assets or non-HQLA conducted with: <ul style="list-style-type: none"> <li>– the domestic sovereign or multilateral development banks; or</li> <li>– domestic, subordinated local authorities or other public-law entities risk-weighted at a maximum of 20 percent</li> </ul>	25
3.3 Collateral swaps which include the exchange of assets in Category 2b against assets in Category 2a	35
3.4 Secured funding transactions backed by Category 2b assets not conducted with the domestic sovereign, multilateral development banks or domestic, public sector entities as counterparty risk-weighted at 20 percent	50
3.5 Collateral swaps which include the exchange of Category 2b assets against Category 1 assets or non-HQLA against Category 2b assets	50
3.6 Collateral swaps which include the exchange of non-HQLA assets against assets in category 2a	85
3.7 All other secured financing transactions backed by non-HQLA and collateral swaps which include the exchange of non-HQLA against Category 1 assets	100
<b>4. Collateral swaps if collateral is used to cover short positions</b>	
4.1 Collateral swaps which include the exchange of assets of the same category	0
4.2 Collateral swaps which include the exchange of Category 2a assets against Category 1 assets	15
4.3 Collateral swaps which include the exchange of Category 2b assets against Category 2a assets	35
4.4 Collateral swaps which include the exchange of Category 2b assets against Category 1 assets or non-HQLA against Category 2b assets	50
4.5 Collateral swaps which include the exchange of non-HQLA assets against Category 2a assets	85

	<b>Outflow category</b>	<b>Outflow rate (in percent)</b>
4.6	Collateral swaps which include the exchange of non-HQLA assets against Category 1 assets	100
<b>5.</b>	<b>Derivative and other transactions</b>	
5.1	Net cash outflow from derivative transactions	100
5.2	Increased liquidity requirements due to downgrade triggers in derivatives, financing transactions and other contracts	100
5.3	Increased liquidity requirements due to excess collateral held by the bank that could contractually be called at any time by the counterparty	100
5.4	Increased liquidity requirements due to collateral for derivative and other transactions contractually owed by the bank subject to notification duties	100
5.5	Increased liquidity requirements due to derivative and other transactions, which allow a substitution of collateral by the counterparty with non-HQLA assets	100
5.6	Increased liquidity requirements due to changes in market value of derivative and other transactions	100 percent of the largest absolute net cash outflow of collateral within 30 calendar days in the last 24 months or 100 percent based on the internal model approach
5.7	Increased liquidity requirements due to changes in the value of posted collateral securing derivative and other transactions which are not Category 1 assets	20
<b>6.</b>	<b>Loss of funding on asset-backed securities (ABS), covered bonds and other structured financing instruments</b> (applicable to all debt maturing and assets returned within 30 calendar days)	<b>100</b>
<b>7.</b>	<b>Loss of funding on asset-backed commercial papers (ABCP), special purpose entities (conduits), securities investment vehicles and other similar financing facilities</b>	
7.1	Debt maturing within 30 calendar days	100
7.2	Other potential loss of such funding	100
7.3	Embedded options in financing agreements that allow for the return of assets or potential liquidity support within 30 calendar days	100
<b>8.</b>	<b>Credit and liquidity facilities</b>	
8.1	Non-used part of conditionally revocable and irrevocable credit and liquidity facilities as well as synthetically constructed, comparable transactions:	
8.1.1	to retail clients and small business customers	5

<b>Outflow category</b>	<b>Outflow rate (in percent)</b>
8.1.2 to non-financial corporates, sovereigns, central banks, subordinated local authorities and other public sector entities and multilateral development banks	
8.1.2.1 Credit facilities	10
8.1.2.2 Liquidity facilities	30
8.1.3 to banks subject to FINMA supervision or a foreign LCR regime	40
8.1.4 to all other types of financial institutions as per Annex 1 (including foreign banks if these are not subject to a foreign LCR regime, securities firms, insurance companies, fiduciaries and beneficiaries)	
8.1.4.1 Credit facilities	40
8.1.4.2 Liquidity facilities	100
8.1.5 to the Swiss deposit protection scheme	50
8.1.6 to all other legal entities and business clients, including companies associated with financial institutions	100
8.2 Commitments arising from unconditionally revocable, undrawn and not firmly committed credit and liquidity facilities	0
<b>9. Other contingent liabilities for the provision of funds such as guarantees, documentary credits, revocable credit and liquidity facilities</b>	
9.1 Trade financing (empirical approach)	100 percent of the average net cash outflow across the entire portfolio over 30 calendar days within the last 24 months or 5 percent of the outstanding nominal amount
9.2 Guarantees and letters of credit not connected to trade-financing (historical approach)	100 percent of the average net cash outflow across the entire portfolio over 30 calendar days within the last 24 months or 5 percent of the outstanding nominal amount
9.3 Non-contractual obligations, such as:	
9.3.1 Potential liquidity draws from joint ventures or minority investments in companies	0
9.3.2 Potential requests for debt repurchases for the bank's own debt securities	0

<b>Outflow category</b>	<b>Outflow rate (in percent)</b>
9.3.3 Potential requests to repurchase debt securities of special purpose entities affiliated with the bank, securities financing vehicles, and of similar financing facilities that transfer liquidity risk to the bank due to their structuring	20 percent of the amount due in financing after 30 calendar days
9.3.4 Structured products as well as synthetic and comparable products with special liquidity requirements, in particular products for which the bank pledges to ensure ready marketability. Products which do not generate any funding and which can be unwound in a liquidity-neutral way are excluded	5 percent of the issue volume
9.3.5 Managed money market funds that are marketed with the objective of maintaining a stable value, such as Constant-Net-Asset-Value money market funds	5 percent of the issue volume
9.3.6 Other non-contractual obligations	0
<b>10. Potential requests for repurchases of the bank's own debt with remaining maturities of more than 30 days using affiliated securities dealers or market makers</b>	0
<b>11. Clients' short positions, covered by collateral of other clients, which are not HQLA</b>	50
<b>12. The bank's short positions covered by secured financial transactions</b>	0
<b>13. Other contractual cash outflows within 30 days (such as outflows to cover unsecured collateral borrowing, uncovered short positions, dividends or contractual interest payments)</b>	100
<b>14. Contractual obligations to extend funds if they have not yet been covered in other outflow categories:</b>	
14.1 provided to retail clients, small business customers, non-financial corporates and other clients, including affiliated entities of	100 percent if the difference between the outflows in accordance with 14.1 and half of the inflows in accordance with Annex 3, Section 5.1 and 5.2 is positive. 0 percent if the difference between the outflows and half of the inflows in accordance with Annex 3, Section 5.1 and 5.2 is negative.
14.2 Provided to financial institutions	100
<b>15. Group-internal cash outflows (only on stand-alone legal entity level)</b>	100

## Annex 3<sup>43</sup> (Article 16(5))

### Cash inflows and inflow rates

	Inflow categories	Inflow rate (In percent)
<b>1.</b>	<b>Secured lending transactions and collateral swaps maturing within 30 calendar days backed by collateral stated in Sect. 1.1-1.6 if this collateral is not used to cover short positions</b>	
1.1	Collateral swaps that include the exchange of assets of the same category and which are not unwound/settled	0
1.2	Collateral swaps which include the exchange of Category 2a assets against Category 2b assets in	35
1.3	Secured financing transactions backed by Category 2b assets and collateral swaps which include the exchange of Category 1 assets against Category 2b assets or Category 2b assets against non-HQLA assets	50
1.4	Margin lending backed by non-HQLA	50
1.5	Collateral swaps which include the exchange of assets in Category 2a against non-HQLA assets	85
1.6	All other secured financing transactions backed by non-HQLA and collateral swaps which include the exchange of Category 1 assets against non-HQLA assets	100
<b>2.</b>	<b>Secured financing transactions, margin lending and collateral swaps maturing within 30 calendar days if this collateral is used to cover short positions</b>	<b>0</b>
<b>3.</b>	<b>Credit and liquidity facilities granted to the reporting bank</b>	<b>0</b>
<b>4.</b>	<b>Operational deposits with other financial institutions, including deposits with the central institution of a financial network</b>	<b>0</b>
<b>5.</b>	<b>Other inflows by counterparty</b>	
5.1	Contractual receivables from private clients and small companies	50
5.2	Contractual receivables from non-financial institutions and all other legal entities from transactions other than those listed in the inflow categories above	50
5.3	Contractual receivables from financial institutions and central banks from transactions other than those listed in the inflow categories above	100
<b>6.</b>	<b>Other contractual cash inflows within 30 calendar days</b>	
<b>7.</b>	<b>Intragroup cash inflows within 30 calendar days (stand-alone institutions only)</b>	<b>100</b>

<sup>43</sup> Inserted with Section II of the Ordinance of 25 June 2014 (AS 2014 2321). Adjusted according to Section II of the Ordinance of 22 November 2017, effective as at 1 January 2018 (AS 2017 7635).





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