

# Ordinance on the Liquidity of Banks

(Liquidity Ordinance, LiqO)

SR 952.06

Status as at 1 January 2015

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## 2 Other Languages

Related German Version: Verordnung vom 1. Januar 2015 über die Liquidität der Banken (Liquiditätsverordnung, LiqV)

Related French Version: Ordonnance du 1er janvier 2015 sur les liquidités des banques (Ordonnance sur les liquidités, OLiq)

Unofficial translation issued in January 2015

# Ordinance on the Liquidity of Banks

952.06

(Liquidity Ordinance, LiqO)

dated 30 November 2012 (as at 1 January 2015)

*The Swiss Federal Council,*  
based on article 4 para. 2, art. 10 para. 4 lit. a and art. 56  
of the Banking Act of 8 November 1934<sup>1</sup>  
*decrees:*

## Chapter 1: General provisions

### Art. 1 Objective

- 1 This ordinance regulates the qualitative and quantitative liquidity requirements for banks as per the Banking Act (BA).
- 2 FINMA enacts the technical implementation provisions.

### Art. 2 Basic principles

- 1 Banks must hold sufficient liquidity to meet their payment obligations at all times, even under times of stress.
- 2 They must hold a sufficiently large and sustainable liquidity reserve for short-term deterioration in its liquidity position and ensures an adequate medium to long-term refinancing.<sup>2</sup>

## Chapter 2: Reporting

### Art. 3 Data collection

- 1 FINMA may require banks to provide information regarding their liquidity as per the Basel Committee on Banking Supervision<sup>3</sup>.
- 2 It is 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>

### Art. 4<sup>5</sup> The audit firm's responsibilities

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

<sup>1</sup> SR 952.0

<sup>2</sup> Version according to section I of V as at 25 June 2014, effective from 1 January 2015 (AS 2014 2321)

<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 V as at 25 June 2014, effective from 1 January 2015 (AS 2014 2321)

<sup>5</sup> Version according to section I of V as at 25 June 2014, effective from 1 January 2015 (AS 2014 2321)

## Chapter 3: Liquidity requirements

### SECTION 1: QUALITATIVE REQUIREMENTS

#### Art. 5 Principle of proportionality

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

#### Art. 6 Government, control and steering functions

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

#### Art. 7 Risk measurement and management systems

- 1 Banks must implement appropriate processes to identify, measure, manage and monitor liquidity risks. Specifically, they must prepare a liquidity overview for different lengths of time which provides insights into the cash inflows and outflows for said periods from balance sheet and off-balance-sheet positions.<sup>6</sup>
- 2 They must identify, manage and monitor the liquidity risks as well as the financing needs of the financial group and those of the business units, business areas and currencies which could have a significant impact on the liquidity risks. In doing so, they consider the legal, regulatory and operational limitations in regard to the transferability of liquidity.<sup>7</sup>
- 3 They must identify, manage and monitor intraday liquidity risks. The liquidity risks taken may not interfere with the bank's payment and settlement operations and systems.
- 4 They 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.

#### Art. 8 Risk mitigation

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

<sup>6</sup> Version according to section I of V as at 25 June 2014, effective from 1 January 2015 (AS 2014 2321)

<sup>7</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)

### **Art. 9 Stress tests**

- 1 Every bank must define a variety of liquidity stress scenarios and using these as a base to perform stress tests for its liquidity position. It takes into account cash flows from off-balance 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 should 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 Banks must regularly re-evaluate their scenario assumptions, specifically those related to cash inflows and outflows and the liquidity value of assets in case of a stress event; this must also take place after a stress event has occurred.<sup>8</sup>
- 4 The impact of the stress test scenarios on the income statement must be analyzed.

### **Art. 10 Contingency funding plan**

- 1 Banks must establish a contingency funding plan which contains effective strategies to address liquidity shortages. The contingency funding plan clearly defines responsibilities, a communication plan and the necessary measures and is documented in internal guidelines and directives.
- 2 When defining a contingency funding plan, the bank must take the stress scenarios as per art. 9 para. 1 as well as the results of the stress tests into consideration.

### **Art. 11 The audit firm's responsibilities**

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

## **SECTION 2<sup>9</sup>: QUANTITATIVE REQUIREMENTS**

### **Art. 12 Liquidity Coverage Ratio**

- 1 The Liquidity Coverage Ratio (LCR) ensures that banks have an adequate stock 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. Assumptions concerning cash outflows and outflow rates are based on Appendix 2; cash inflows and inflow rates are based on Appendix 3.
- 2 Fulfilling the LCR requirements does not relieve banks of their duty to maintain sufficient liquidity reserves as per art. 2 para. 2, and in doing so, taking into consideration the results of the stress tests as per art. 9 para. 1.

<sup>8</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>9</sup> Version according to section I of V as at 25 June 2014, effective from 1 January 2015 (AS 2014 2321)

### **Art. 13 Calculation**

The LCR is calculated as the quotient of:

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

### **Art. 14 Fulfillment of LCR requirements**

- 1 A bank fulfills 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. the entirety of positions as per art. 15a, 15b and 16 in all currencies (if necessary, converted into Swiss francs); and
  - b. the entirety of positions as per art. 15a, 15b and 16 in Swiss francs taking into consideration art. 17.
- 3 FINMA determines the following:
  - 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.
- 4 In certain cases, FINMA can:
  - a. issue rules which deviate from the regulatory consolidation requirements in art. 7 of the Capital Adequacy Ordinance (dated 1 June 2012<sup>10</sup>) in order to include investments in entities which are material from a liquidity risk perspective;
  - b. require a bank to meet higher LCR requirements based on the bank's business activities, the liquidity risks taken, the business strategy, the quality of its liquidity risk management or the sophistication of its techniques.
- 5 If the funds of a single entity are mainly provided by foreign branches, FINMA may require the entity to calculate the LCR excluding the expected inflows from these branches. Based on FINMA's risk assessment, the entity may be subject to further LCR requirements.
- 6 Upon the bank's request, FINMA may relieve foreign banks' branches 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 which are comparable to Swiss LCR requirements.

### **Art. 15 HQLA: definition and composition**

- 1 An asset is 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 requirements of art. 15d.
- 2 HQLA include assets with:
  - a. the highest liquidity as defined in art. 15a (Category 1 assets);
  - b. high liquidity as defined in art. 15b (Category 2a and 2b assets);

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<sup>10</sup> SR 952.03

## Art. 15a HQLA: Category 1 assets

- 1 Category 1 assets include the following:
  - a. coins and bank notes;
  - b. central bank reserves, including minimum reserves, provided the central bank reserves can be drawn in times of liquidity stress;
  - c. marketable debt securities representing claims on:
    - 1 a central government,
    - 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;
  - c<sup>bis</sup>. any marketable debt security guaranteed by institutions listed under letter 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 paragraph 53 of the standard approach under Basel II<sup>11</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 paragraph 53 of the standard approach under Basel II.
- 2 The marketable debt securities listed in para. 1 lits. c and c<sup>bis</sup> can only be considered as Category 1 assets if they fulfill the following requirements:
  - a. They are risk-weighted at 0% according to paragraph 53 of the standard approach under Basel II.
  - b. In case of guaranteed debt, the guarantee needs to be explicit, irrevocable and unconditional 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 an obligation of a financial institution listed in Appendix 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 are valued at their current market value.

<sup>11</sup> Basel Committee on Banking Supervision – Basel II: “International Convergence of Capital Measurement and Capital Standards – A Revised Framework / Comprehensive Version” (Basel Basic Text) online at: [www.bis.org](http://www.bis.org) > Monetary & financial stability > Basel Committee on Banking Supervision > Basel III > Related Information Basel II – Jun 2006 (comprehensive version)

## Art. 15b HQLA: Category 2 assets

- 1 Category 2a assets include the following:
  - a. marketable debt securities representing claims on:
    - 1 a central government,
    - 2 a central bank,
    - 3 a subordinated local authority or another type of public sector entity,
    - 4 the European Financial Stability Facility,
    - 5 the European Stability Mechanism,
    - 6 multilateral development banks;
  - a<sup>bis</sup>. any marketable debt securities guaranteed by an institution listed under letter 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 Appendix 1 either on their own or in connection with other entities; and
  - c. marketable special-law covered bonds not issued by the bank itself or any of its affiliated entities as per Appendix 1. Covered bonds issued by central mortgage bond institutions subject to the mortgage bond law of 25 June 1930<sup>12</sup> are eligible.
- 2 The marketable debt securities listed in para. 1 lits. a and a<sup>bis</sup> may only be considered as Category 2a assets if they fulfill the following requirements:
  - a. They are risk-weighted at a maximum of 20% according to paragraph 53 of the standard approach under Basel II.
  - b. It must not be an obligation of a financial institution listed in Appendix 1 or any of its affiliated entities. Excepted from this are debt securities issued by financial institutions set up by 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 para. 1 lit. b and covered bonds as per para. 1 lit. c may only be considered as Category 2a assets if they:
  - a. at least have a long-term rating that equals rating class 1 or 2 according to Appendix 2 of the Capital Adequacy Ordinance dated 1 June 2012<sup>13</sup>, or, if no such rating is available, have an equivalent short-term rating by a FINMA-recognized rating agency.
  - b. do not have a rating as per lit. a but have been assigned an internal probability of default that equals rating class 1 or 2 according to Appendix 2 of the Capital Adequacy Ordinance.
- 4 Category 2a assets are valued at their current market value with a haircut of 15 percent.
- 5 FINMA is entitled to allow further assets in Category 2 (Category 2b assets), if these:
  - a. have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions; and
  - b. have not been issued by a financial institution listed in Appendix 1 or any of its affiliated entities.
- 6 Category 2b assets are valued at their current market value with a haircut of at least 50 percent.

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<sup>12</sup> SR 211.423.4

<sup>13</sup> SR 952.03

### **Art. 15c HQLA: eligibility criteria**

- 1 Assets can be included in the total HQLA as follows:
  - a. Category 1 assets: unlimited;
  - b. Category 2b assets (stand-alone): up to 15 percent;
  - c. Category 2a and 2b assets (sum): up to 40 percent.
  
- 2 Prior to calculating the limits as per para. 1 lits b and c,
  - a. the haircuts of 15 and 50 percent as per art. 15b paras. 4 and 6 need to be deducted;
  - b. the transactions as per art. 15e need to be unwound; and
  - c. secured financing transactions need to be settled, if they
    - 1 include the exchange of HQLA,
    - 2 are not covered in art. 15e, and
    - 3 have a maturity of maximum 30 calendar days.
  
- 3 The limits apply both on group level and on stand-alone legal entity level.
  
- 4 The FINMA sets the rules for the calculation of the limits.
  
- 5 Category 1 and 2 assets (securities, bonds or debt instruments) issued abroad can only be included in HQLA if:
  - a. they are recognized as HQLA by the relevant foreign regulator; or
  - b. they are denominated in Swiss francs and are repo-eligible with the SNB.
  
- 6 All assets which are being held at the first day of the 30-day time horizon are eligible as HQLA irrespective of the remaining maturity. HQLA which must be unwound according to art. 15e must not be included.
  
- 7 From the point in time a HQLA eligible asset becomes ineligible, a bank is permitted to keep such assets in its HQLA portfolio for an additional 30 calendar days.

### **Art. 15d HQLA: other requirements**

The FINMA determines the following:

- a. characteristics of HQLA in order to consider them as a reliable source of liquidity within the 30-day time horizon under stressed conditions;
- b. operational requirements which the management of HQLA must fulfill in order to consider the assets as a reliable source of liquidity within the 30-day time horizon under stressed conditions;
- c. requirements for an adequate diversification of Category 2 assets.

### **Art. 15e HQLA: unwinding /settlement**

- 1 Secured financing transactions are unwound/settled if they include the exchange of HQLA and mature within the next 30 calendar days.
  
- 2 Collateral swaps, repos and secured securities financing are considered secured financing transactions.



- 3 Liquidity-absorbing transactions with the SNB are unwound/settled irrespective of the type of collateral if they mature within the next 30 calendar days. Liquidity-generating financial transactions with the SNB are only unwound/settled if they have been collateralised 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 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 is relevant when determining the remaining maturity.

#### **Art. 16 Net cash outflow**

- 1 The net cash outflow is 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 the net cash outflow, the expected cash inflows may only be considered up to an aggregate cap of 75 percent of the expected cash outflows.
- 3 Cash outflows are calculated by multiplying the on- and off-balance sheet positions by the respective run off or draw down rate depending on their outflow category as per Appendix 2.
- 4 If a position can be allocated to various outflow categories, the one with the highest outflow rate applies.
- 5 Cash inflows are calculated by multiplying the on-balance sheet positions by the respective inflow rate depending on their inflow category as per Appendix 3.
- 6 If a position can be allocated to various inflow categories, the one with the lowest inflow rate applies.
- 7 No cash inflows or outflows are to be considered for positions which are unwound/settled according to art. 15e.
- 8 On- and off-balance sheet positions must not be recorded twice. In particular, assets included in HQLA must not be shown as cash inflows at the same time.
- 9 In deviation from Appendix 2, FINMA is entitled to
  - 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 on derivative and other transactions.

### **Art. 17 Fulfillment of LCR in Swiss francs**

- 1 FINMA determines under which conditions and to what extent banks can include assets in foreign currencies in HQLA in order to fulfill the LCR requirements according to art. 14 para. 2 lit. b.
- 2 For banks which, due to operational reasons, do not hold any HQLA in foreign currencies, FINMA defines under which conditions and to what extent Category 2a in excess of the 40 percent limit (art. 15c para. 1 lit. c) can be included in HQLA.

### **Art. 17a LCR by significant foreign currencies**

- 1 The LCR must be calculated and monitored in all significant foreign currencies.
- 2 The 15 percent and 40 percent limits (art. 15c para 1 lits. b and c) must be taken into consideration when calculating the LCR in significant foreign currencies. The 75 percent limit for cash inflows as per art. 16 para. 2 can be ignored.
- 3 FINMA determines the following:
  - a. the consolidation level at which calculations and monitoring must take place;
  - b. the portion of liabilities in a specific foreign currency in relation to the bank's total liabilities, from which a foreign currency is considered significant.
- 4 In justified individual cases, FINMA is entitled to determine lower thresholds for the LCR by significant foreign currencies if the bank is exposed to excessive foreign currency risk.
- 5 Moreover, it can impose requirements with regards to the LCR by significant foreign currency if this is necessary for the implementation of recognized international standards.
- 6 HQLA in foreign currencies which are used to cover net cash outflows in Swiss francs according to art. 17 must not be used to cover net cash outflows in that specific foreign currency.

### **Art. 17b Breaching the LCR minimum requirements**

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

### **Art. 17c Liquidity statement**

- 1 FINMA defines the form and content of the reporting templates to be used for the LCR.
- 2 Banks are to 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 statement.
- 3 Banks which are not systemically relevant must submit their liquidity statement to the SNB on a monthly basis by the 20th calendar day of the following month.
- 4 Banks which are systemically relevant must submit their liquidity statement to the SNB on a monthly basis by the 15th calendar day of the following month.
- 5 The report's cut-off date is the last calendar day of the month.
- 6 Upon request by a bank and if justified, FINMA is entitled to determine a reporting frequency which deviates from para. 3 and is lower.
- 7 It defines specific reporting duties for banks which:
  - a. hold positions in significant foreign currencies as per art. 17a para. 1;
  - b. are refinanced to a significant part through foreign branches as described in art. 14 para. 5.
- 8 Through the liquidity statement, FINMA is entitled to request additional information on highly liquid assets which are not considered to be HQLA.

### **Art. 17d Group internal cash outflows and inflows**

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

### **Art. 17e Disclosure**

- 1 Banks must regularly and adequately inform the public on their LCR.
- 2 and 3 ...<sup>14</sup>
- 4 FINMA defines the details of the disclosure requirements. Specifically, it defines what LCR-relevant information is to be disclosed apart from the LCR.

### **Art. 17f Audit firms**

The audit firm must confirm the accuracy of the reported data in the liquidity statement and the compliance with the LCR minimum requirement, as defined in the standards on auditing.

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<sup>14</sup> Effective from 1 January 2017

## SECTION 3: QUANTITATIVE REQUIREMENTS FOR PRIVILEGED DEPOSITS

### Art. 18<sup>15</sup>

- 1 Banks must inform FINMA of the total of:
  - a. deposits disclosed in the balance sheet positions defined in Appendix 1 Sections 2.3 and 2.7 of the Banking Ordinance dated 30 April 2014<sup>16</sup>;
  - b. deposits in lit. a which are privileged as per art. 37a of the Banking Act;
  - c. deposits in lit. b which are protected as per art. 37h of the Banking Act.
- 2 Based on the amounts reported in para. 1 lit. c, FINMA determines the bank's share in the maximum deposit protection amount as per art. 37h para. 3 lit. b of the Banking Act and informs each bank of this share.
- 3 When calculating the LCR, banks must include their share in the maximum amount as "undrawn committed credit or liquidity facilities provided to the Swiss deposit protection scheme" as per Appendix 2 Sect. 8.1.5.
- 4 Exceptionally, FINMA is entitled to demand that certain banks disclose the amount reported as per para. 1 lit. c. if this is deemed necessary to protect the non-privileged creditors.

## Chapter 4: Special Provisions for Systemically Relevant Banks

### SECTION 1: GENERAL

#### Art. 19 Purpose

- 1 Systemically relevant banks must be in a position to meet their payment obligations even under extraordinary stress situations.
- 2 Apart from the overall requirements applicable to all banks, they must also comply with specific quantitative liquidity requirements as stipulated in this chapter.<sup>17</sup>

#### Art. 20 Scope of consolidation

Systemically relevant banks must meet the requirements at both the group level and the stand-alone legal entity level, including all branches.

<sup>15</sup> Version according to section I of V as at 25 June 2014, effective from 1 January 2015 (AS 2014 2321)

<sup>16</sup> SR 952.02

<sup>17</sup> Version according to section I of V as at 25 June 2014, effective from 1 January 2015 (AS 2014 2321)

## SECTION 2: QUANTITATIVE REQUIREMENTS

### Art. 21 Special liquidity requirements

- 1 Systemically relevant banks must be in a position to cover all expected cash outflows resulting from a period of severe stress as set out in art. 22 for at least 30 days.
- 2 There must not be a liquidity gap at any point in time during the 7-day and 30-day time horizon.

### Art. 22 Stress scenario

- 1 A stress scenario must assume simultaneous bank-specific and market-wide stress events.
- 2 The stress scenario must assume that:
  - a. the bank loses its access to secured and non-secured funding in the capital and money markets, and
  - b. there is a large run-off of deposits.
- 3 FINMA defines the stress scenario.

### Art. 23 Liquidity gap

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

### Art. 24 Cash inflows and outflows

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

### **Art. 25 Regulatory liquidity buffer**

- 1 Systemically relevant banks must hold a liquidity buffer consisting of liquid, unencumbered and freely available assets which can be sold immediately. This buffer consists of a primary and a secondary component.
- 2 The primary component contains the following
  - a. debt instruments issued by sovereigns or central banks, the Bank for International Settlements, the International Monetary Fund and multilateral development banks, which have a 0% risk-weight;
  - 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 paragraph 2 lit. 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 defines 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 apply to a well-diversified portfolio of assets.
- 6 For the 7-day period, the liquidity which could hypothetically be realized upon the sale of assets in the regulatory liquidity buffer must consist of at least 75 percent of assets from the primary component.
- 7 For the 30-day period, this liquidity must consist of at least 50 percent of assets from the primary component.

## **SECTION 3: OTHER REQUIREMENTS**

### **Art. 26 Temporary relief**

- 1 In the case of a liquidity shock, a bank may temporarily fall below the liquidity requirements stipulated in art. 21.
- 2 FINMA and the SNB must be informed immediately if a bank falls below the requirements stipulated in art. 21 or is expected to do so because of extraordinary liquidity outflows.

- 3 Upon notification, FINMA sets 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 is entitled to take suitable measures.

### **Art. 27 Insufficient liquidity risk management**

If a systemically relevant bank fails to comply with the requirements of art 5-10, FINMA will impose an add-on to the on- and off-balance sheet cash outflows. This add-on will consider the degree to which the bank has failed to comply with the requirements, but is at most 10% of the outflows.

### **Art. 28 Reporting duties**

- 1 Systemically relevant banks must report their liquidity position (art. 23-25) on a monthly basis. They must submit their reports to FINMA and the SNB by the last calendar day of the following month, stating the following:
  - a. the liquidity position based on the defined stress scenario at the consolidated group level;
  - b. the liquidity position based on the defined stress scenario at the stand-alone entity level, including all branches;
  - c. the liquidity position based on the defined stress scenario at the stand-alone entity level, excluding all foreign branches;
  - 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 branches;
  - e. the liquidity positions as defined in letters a-c under a stress scenario where secured financing via the repo market is still possible.
- 2 Systemically relevant banks must also comment on significant changes in their liquidity position compared to the previous month. This explanation must be submitted for each month and by the last calendar day of the following month.
- 3 FINMA provides a respective reporting form.

### **Art. 29 The audit firm's responsibilities**

The audit firm must confirm the reporting and compliance with regards to the quantitative liquidity requirements for systemically relevant banks, as defined in the standards on auditing.

## **Chapter 5: Involving the SNB**

### **Art. 30**

FINMA enlists the SNB's consultative support to enforce this ordinance.

## Chapter 6: Transitional and final provisions

### Art. 31 Transitional provisions

- 1 FINMA may require reporting from all banks during the monitoring periods defined by the Basel Committee.
- 2 The monitoring period will end in accordance with the requirements of the Basel Committee<sup>18</sup>, or at the latest upon the implementation of the NSFR.<sup>19</sup>

### Art. 31a<sup>20</sup> Transitional provisions for the amendment dated 20 June 2014

- 1 Banks which are not systemically relevant must comply with the following LCR minimum requirement as per art. 14 paras. 1 and 2 for the year:
  - a. 2015 of at least 60 percent;
  - b. 2016 of at least 70 percent;
  - c. 2017 of at least 80 percent;
  - d. 2018 of at least 90 percent.
- 2 In 2015, banks which are not systemically relevant must submit their liquidity statements as per art. 17c to the SNB for the first time on 2 March and for the other months of the year 2015 by the 30th calendar day of the following month.

### Art. 32 Amendments to previous law

...<sup>21</sup>

### Art. 33 Entry into force

- 1 This ordinance enters into force on 1 January 2013, subject to paragraphs 2 and 3.
- 2 The provisions of art. 5-10 will enter into force on 1 January 2014 for banks that are not systemically relevant.
- 3 The provisions of Chapter 4 will enter into force on the fifteenth day of the month following the approval by the Swiss Federal Assembly.

<sup>18</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>19</sup> Version according to section I of V as at 25 June 2014, effective from 1 January 2015 (AS 2014 2321)

<sup>20</sup> Inserted through section I of V as at 25 June 2014, effective from 1 January 2015 (AS 2014 2321)

<sup>21</sup> Amendments may be seen in AS 2012 7251.



Appendix 1<sup>22</sup>  
(art. 15a para.2 lit. c and art. 15b para. 2 lit. b)

## Financial institutions

### **A. Companies providing one or several of the following services are considered to be financial institutions:**

- 1 Insurance services and insurance-related services
  - 1.1 Direct insurance companies, including co-insurance companies
    - 1.1.9 Life insurance companies;
    - 1.1.2 Non-life insurance companies;
  - 1.2 Reinsurance and retrocession;
- 2 Bank 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 the like using:
    - 2.6.1 Money market instruments (including checks, bills of exchange, certificates of deposit);
    - 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 issuances;
  - 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 participating interests.

### **B. Holding structures consolidating service providers listed under letter 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.**

<sup>22</sup> Inserted through section II of V as at 25 June 2014, effective from 1 January 2015 (AS 2014 2321)

Appendix 2<sup>23</sup>  
(art. 16 para. 3)

## Cash outflows and outflow rates

Outflow category	outflow rate (Percentage)
<b>1 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. Time deposits with a remaining maturity of more than 30 calendar days are excluded.	
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 and a remaining maturity or cancellation period of up to 30 calendar days.	20
<b>2 Unsecured wholesale funding</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 which are fully covered by deposit insurance	5
2.2.2 Operational deposits provided by all counterparties which are not covered by deposit insurance	25
2.3 Qualifying non-operational deposits with the centralized institution provided by members of an institutional network of cooperative banks	25
2.4 Non-operational 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

<sup>23</sup> Inserted through section II of V as at 25 June 2014, effective from 1 January 2015 (AS 2014 2321)

Outflow category	outflow rate (Percentage)
2.4.2 the entire amount is not fully covered by an effective deposit insurance scheme	40
2.4.3 the deposits are invested in or held by a vested benefit fund, pillar 3a deposits, trusts or a comparable domicile company related to retirement plans	40
2.5 Demand and term deposits provided by financial institutions as per Appendix 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 issuance	100
2.7 Additional balances required to be installed in 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: - the domestic sovereign or multilateral development banks; or - domestic, subordinated local authorities or other public sector entities risk-weighted at a maximum of 20 percent	25
3.3 Collateral swaps which include the exchange of Category 2b assets against Category 2a assets	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

Outflow category	outflow rate (Percentage)
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 against Category 2a assets	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 where the 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 against Category 2a assets	85
4.6 Collateral swaps which include the exchange of non-HQLA against Category 1 assets	100
<b>5 Derivative and other transactions</b>	
5.1 Net cash outflow from derivative transactions	100
5.2 Increased liquidity needs related to downgrade triggers in derivatives, financing transactions and other contracts	100
5.3 Increased liquidity needs related to excess collateral held by the bank that could contractually be called at any time by the counterparty	100

Outflow category	outflow rate (Percentage)
5.4 Increased liquidity needs related to contractually required collateral on transactions for which the counterparty has not yet demanded the collateral to be posted	100
5.5 Increased liquidity needs related to derivative and other transactions which allow collateral substitution to non-HQLA	100
5.6 Increased liquidity needs related to market valuation changes on derivatives and other transactions	100 percent of the largest net cash outflow of collateral during 30 calendar days within the last 24 months or 100 percent according to an internal model
5.7 Increased liquidity needs related to valuation changes on posted collateral securing derivative and other transactions which are not Category 1 assets	20
<b>6 Loss of funding on asset backed securities (ABS), covered bonds and other structured financing instruments (applicable for all amounts maturing and assets returned within 30 calendar days)</b>	100
<b>7 Loss of funding on asset backed commercial papers (ABCP), special purpose entities (conduits), securities investment vehicles and other such financing facilities</b>	
7.1 Debt maturing within 30 calendar days	100
7.2 Other potential loss of such funding	100

Outflow category	outflow rate (Percentage)
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 Credit and liquidity facilities</b>	
8.1 Undrawn committed credit and liquidity facilities:	
8.1.1 to retail and small business customers	5
8.1.2 to non-financial corporates, sovereigns, central banks, subordinated local authorities, 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 Appendix 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 affiliated entities of financial institutions	100
8.2 Undrawn unconditionally revocable uncommitted credit and liquidity facilities	0

Outflow category	outflow rate (Percentage)
<b>9 Other contingent funding obligations, such as guarantees, letters of credit</b>	
9.1 Trade finance-related obligations (historic approach)	100 percent of the average net cash outflow across the entire portfolio during 30 calendar days within the last 24 months or 5 percent of the outstanding volume
9.2 Guarantees and letters of credit unrelated to trade finance-related obligations	100 percent of the average net cash outflow across the entire portfolio during 30 calendar days over the last 24 months or 5 percent of the outstanding volume
9.3 Non-contractual obligations, such as:	
9.3.1 Potential liquidity draws from joint ventures or minority investments in entities	0
9.3.2 Potential requests for debt repurchases of the bank's own debt	0 percent of the outstanding volume
9.3.3 Potential requests for repurchases of debt of related conduits, securities investment vehicles or other such financing facilities which, due to their structure, are transferring a liquidity risk to the bank	20 percent of the debt maturing after 30 calendar days
9.3.4 Structured products with special liquidity requirements or with the commitment of the bank 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

Outflow category	outflow rate (Percentage)
<b>10 Potential requests for repurchases of the bank's own debt with remaining maturities of more than 30 days using affiliated dealer or market makers</b>	0
<b>11 Customer short positions which are covered by other customers' collateral which are not HQLA</b>	50
<b>12 The bank's short positions covered by secured financing 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 financial institutions	100 percent if the difference between the outflows as per 14.1 and half of the contractual inflows as per Appendix 3, Sect. 5.1 and 5.2 is positive.
	0 percent if the difference between the outflows as per 14.1 and half of the contractual inflows as per Appendix 3, Sect. 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



Appendix 3<sup>24</sup>  
(art. 16 para. 5)

## Cash inflows and inflow rates

Inflow category	Inflow rate (Percentage)
<b>1 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 which include the exchange of assets of the same category which are not unwound/settled	0
1.2 Collateral swaps which include the exchange of Category 2a assets against Category 2b assets	35
1.2 Secured lending 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	50
1.4 Margin lending backed by non-HQLA	50
1.5 Collateral swaps which include the exchange of Category 2a assets against non-HQLA	85
1.6 All other secured lending transactions backed by non-HQLA and collateral swaps which include the exchange of Category 1 assets against non-HQLA	100
<b>2 Secured lending transactions, margin lending and collateral swaps maturing within 30 calendar days if this collateral is used to cover short positions</b>	0
<b>3 Credit and liquidity facilities granted to the reporting bank</b>	0
<b>4 Operational deposits placed with other financial institutions (including deposits placed to the centralized institution of an institutional network of cooperative banks)</b>	0

<sup>24</sup> Inserted through section II of V as at 25 June 2014, effective from 1 January 2015 (AS 2014 2321)

Inflow category	Inflow rate (Percentage)
<b>5 Other inflows by counterparty</b>	
5.1 Receivables from retail and small business customers	50
5.2 Receivables from non-financial corporate and all other legal entities from other transactions not included anywhere above	50
5.3 Receivables from financial institutions and central banks from other transactions not included anywhere above	100
<b>6 Other contractual inflows</b>	
6.1 Net cash inflows from derivative transactions	100
6.2 Contractual inflows from securities maturing within 30 calendar days which are not HQLA and not included anywhere above	100
6.3 Contractually agreed, irrevocable cash inflows within 30 calendar days not included anywhere above	100
<b>7 Group-internal cash inflows (only on stand-alone legal entity level)</b>	100

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