

Financial Stability Institute



The 2019 Swiss Deposit Insurance Reform: Operational Considerations

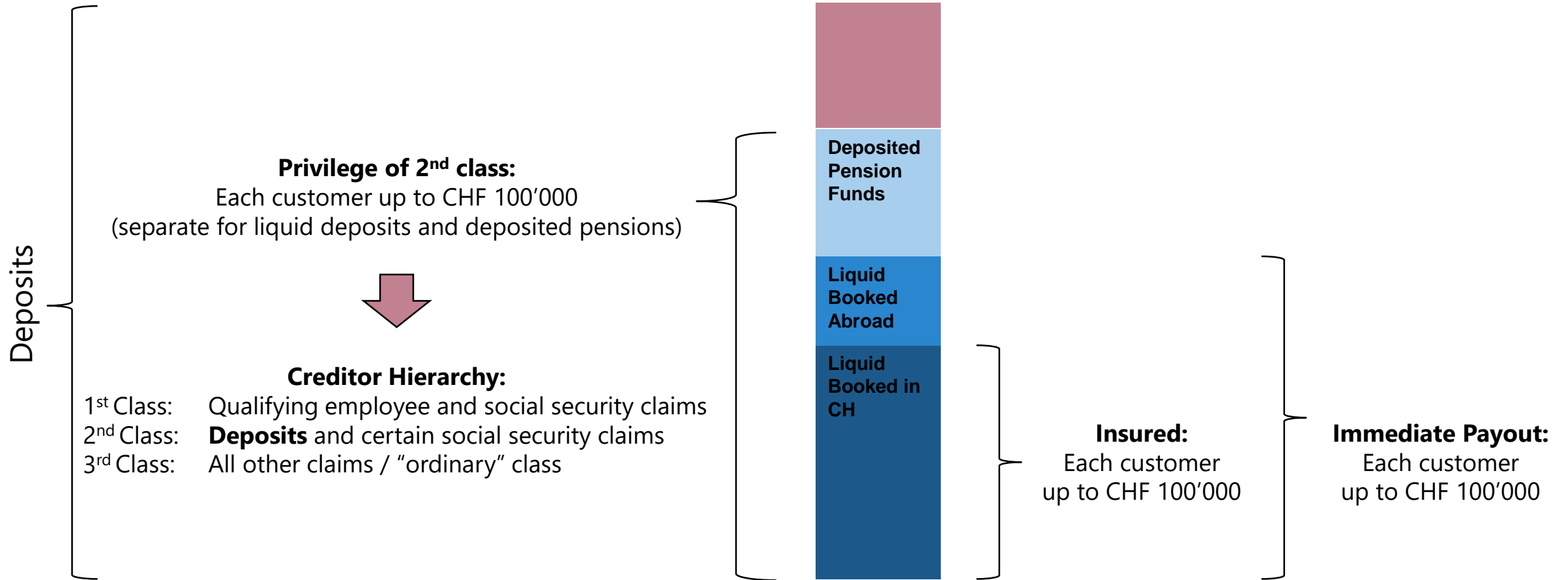
Rastko Vrbaski, Senior Advisor, Financial Stability Institute

Esisuisse / Univ. Zurich / EFDI Symposium 15 November 2019, Zurich

Disclaimer

The views expressed are my own and do not necessarily reflect those of the BIS, its Financial Stability Institute or any of the Basel-based committees.

Recap (1/2): Depositor Protection – Components and Coverage



Recap (2/2): 3 Layers of Depositor Protection

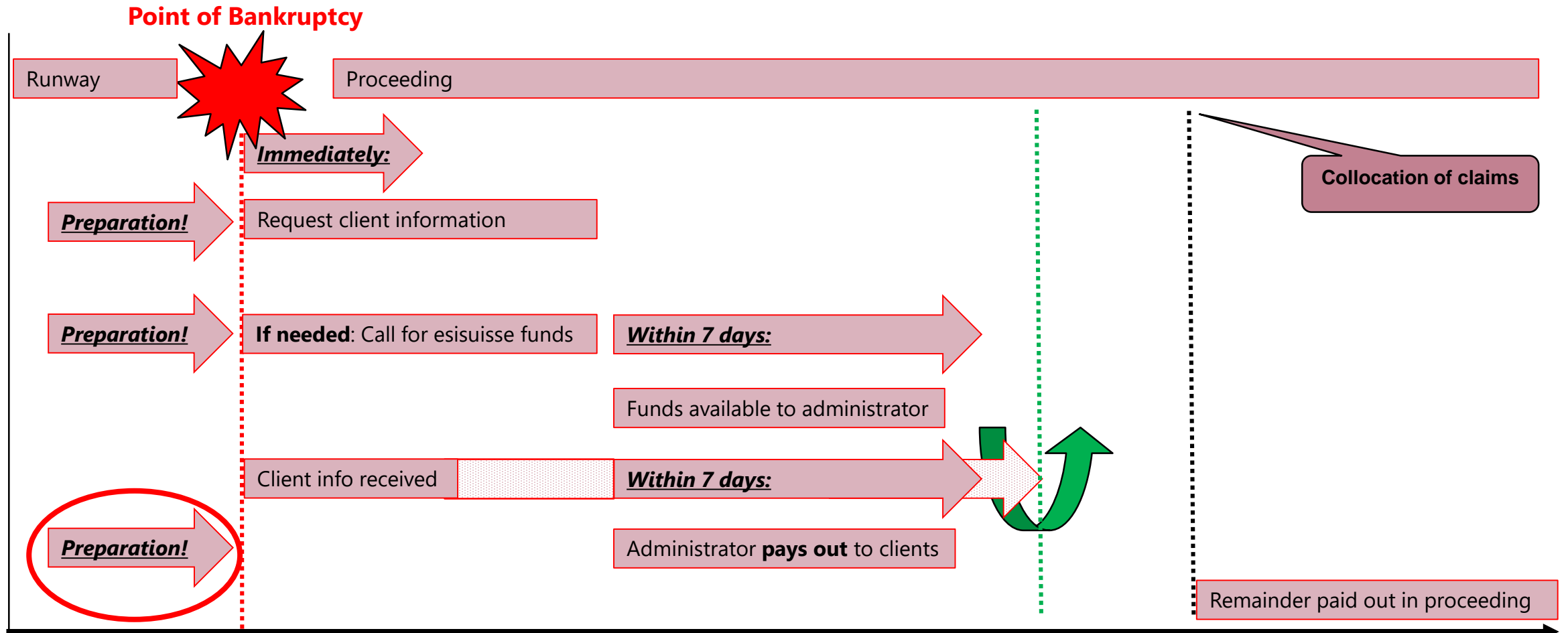
Privilege in Proceedings (2nd Class)
All deposits up to CHF 100'000

Insurance by esisuisse
Not subject to proceeding
Deposits booked in CH, excluding deposited pension funds
Capped at 1.6% of systemwide insured deposits (SID), **floor of CHF 6bn**

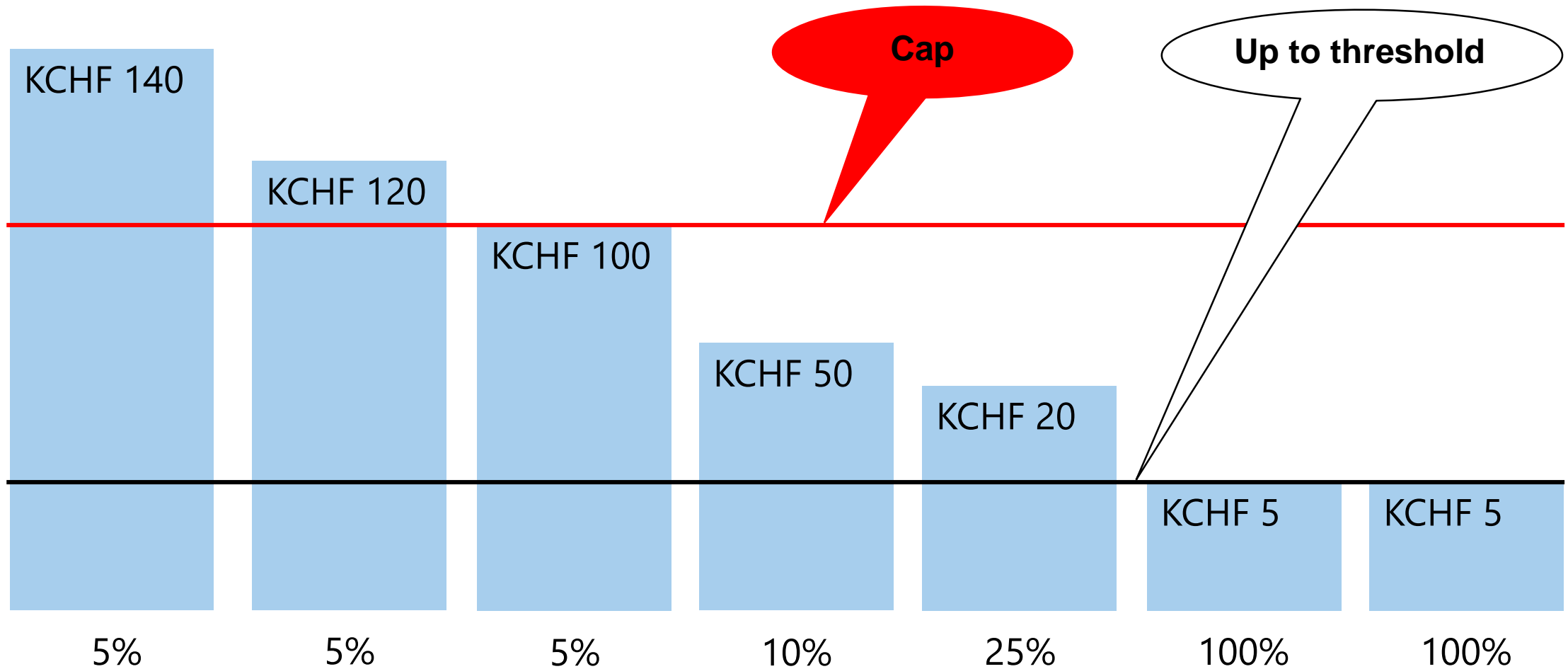
Immediate payout **within 7 days**, using failed bank's COLA*
Not subject to proceeding
Deposits booked in CH and abroad, excluding deposited pension funds

* COLA = cash and other liquid assets

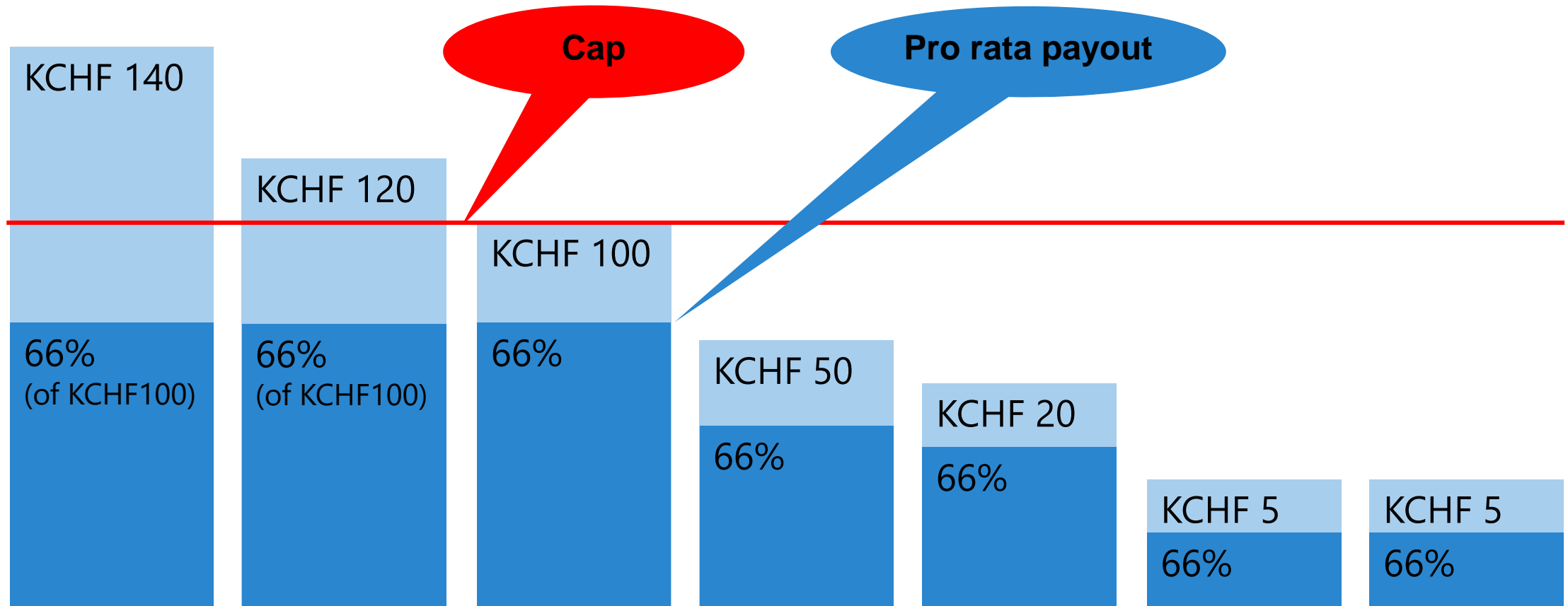
Reimbursement Process: Major Milestones and Timelines



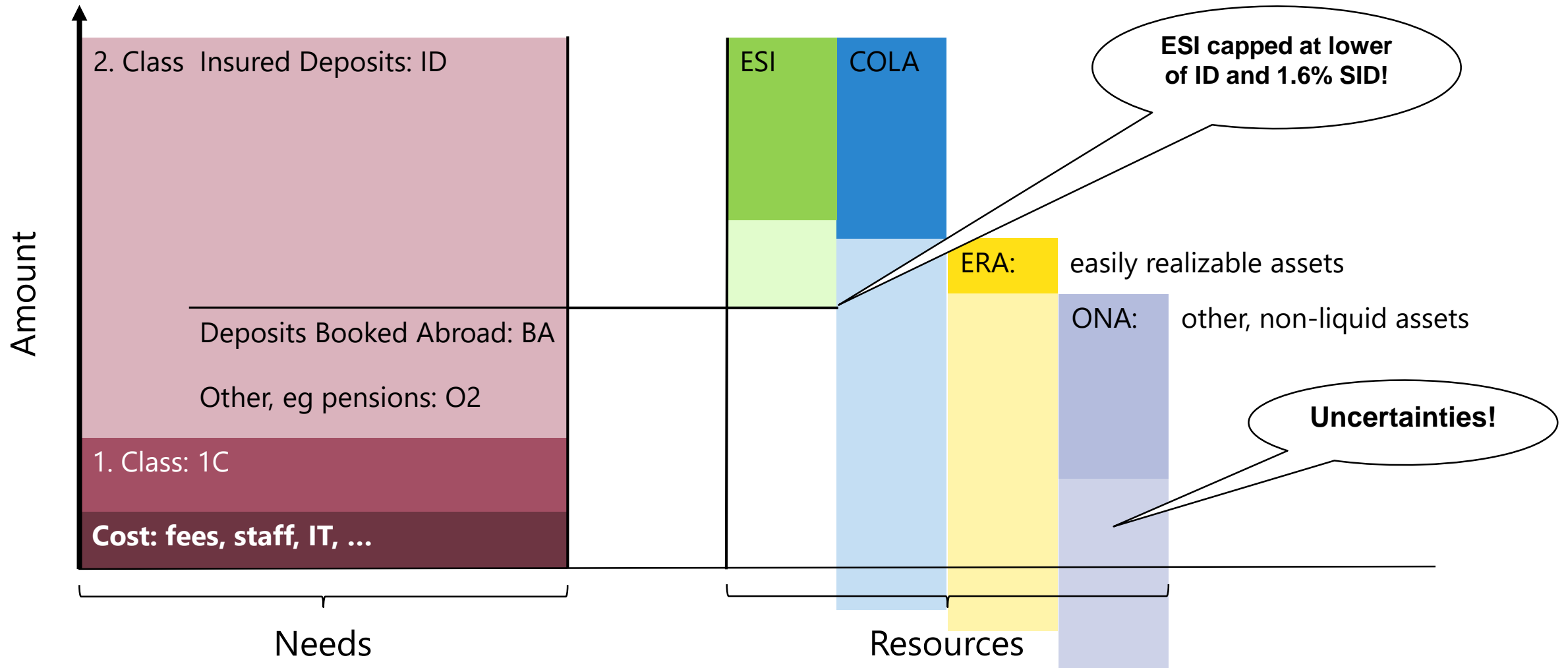
Pay out 100% up to threshold, anything above afterwards – *if funds sufficient*



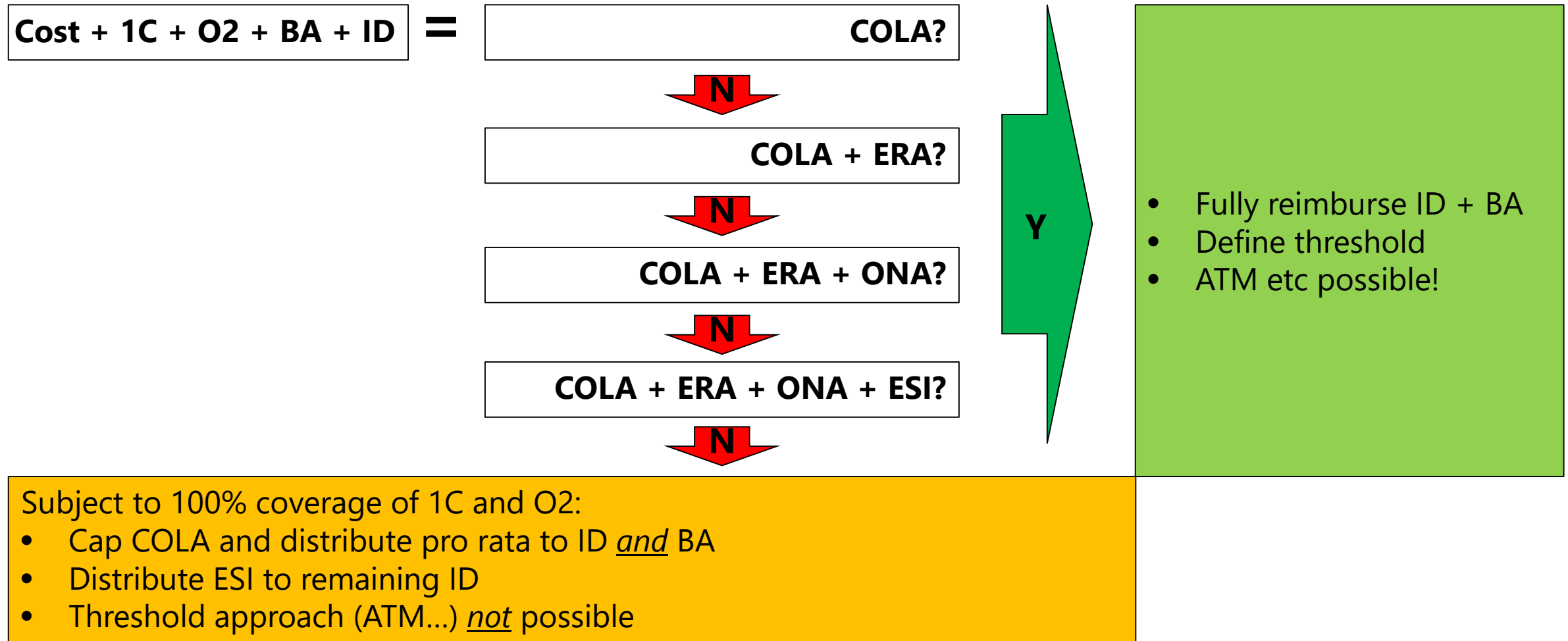
Pay out pro rata, in one or more steps – *if funds insufficient*



Funding needs are fixed – resources must/can be organized to match them



A process for matching funding needs with available resources



Preparatory Work – during runway to bankruptcy

- **Devise payout strategy**

- Check SCV-file
- Calculate variables prior to PoB, including FINMA guidance
- Prepare “reimbursement plan”

- **Conclude as to prorated or full reimbursement**

- Consider operational enhancements of threshold
- Decide if threshold approach possible and useful

- **Consider means of payment**

- ATM, online banking, bank transfer, etc
- Define client instruction to be requested after PoB

Preparatory Work – in Business as Usual Times

- “Masterfile” – what specifications?
 - Single customer view (SCV)...
 - Differences between level 1 and 2
 - Swiss pensioner living abroad with deposits in CH and foreign branch
 - Differences between level 1 and 3
 - Client with liquid deposits and deposited pension funds
- Multiple ownership accounts (legislative clarification useful?)
- Allow comparison to resolution funding (legislative clarification useful?)
- Regularly reviewed or subject to regulatory audit?

Conclusions

- Establish common understanding of process and critical decision points
- Consider options other than payout during runway
- Design payout strategy during runway
- Determine variables, needs and available resources during runway
- Realize significant upside by optimizing operational preparedness
- Consider allowing uninterrupted cash provision, including via ATM
- Consider regular regulatory audit of state of preparedness, including SCV-file
- Hold simulation exercises to test operational capabilities

Thank you!