



ADVESTRA ALERT



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Too-big-to-fail reforms: Federal Council adopts dispatch and amends the Capital Adequacy Ordinance

In its meeting of 22 April 2026, the Federal Council adopted the dispatch on the revision of the Federal Act on Banks and Saving Banks (SR 952.0) and, in parallel, amended the Capital Adequacy Ordinance (SR 952.03) as part of the "too-big-to-fail" reforms (see the press release of the Federal Council on <https://www.admin.ch/en/newsb/9e8qd5sXEzLww7dK3H9>). The stated objective is to strengthen financial stability by addressing a weakness revealed during the Credit Suisse crisis and to reduce the likelihood of resolution or the need for state intervention.

At statutory level, the Federal Council proposes that systemically important banks, in practice UBS, must fully back (or fully deduct from Common Equity Tier 1, "**CET1**") the carrying value of their participations in foreign subsidiaries with CET1 at the level of UBS AG. The Parliament will debate the legislative proposal from summer 2026. The proposal contemplates that this requirement will be phased in over seven years from the enactment (starting with a deduction of 65% and increasing it by 5 percentage points every year until it reaches 100%).

At the ordinance level, the Federal Council decided to go less far than originally proposed in the consultation draft, in particular by refraining (for now) from requiring a full CET1 deduction for deferred tax assets and activated software. Instead, it introduces a treatment aligned with EU practice for software (a maximum three-year amortisation period) and further changes to the prudential valuation adjustments. Finally, the Federal Council decided not to pursue the proposed changes to Additional Tier 1 (AT1) capital instruments at this stage, pending international developments. These amendments to the ordinance enter into force on 1 January 2027, with a transitional period of two years for the regulatory treatment of software. While this proposal marks some concessions from the initial draft, the official press release explicitly mentions that if Parliament waters down the proposal of the Federal Council, the amendments to the CAO will be revisited.

The proposal will increase the capital requirements for UBS AG and UBS Group AG by approx. USD 20 billion. Based on a press release from UBS, the new amortisation requirements and changes to the prudential valuation will decrease the capital base of UBS by an additional USD 4 billion at the level of UBS Group AG and USD 2 billion at the level of UBS AG. Overall, the Federal Council estimates, on the basis of the Q4 2025 figures, that UBS would have needed to increase its CET1 by USD 9 billion if the requirements had been effective on 1 January 2026. While the Swiss Financial Market Supervisory Authority FINMA backs the proposal of the Federal Council (see the FINMA press release on <https://www.finma.ch/en/news/2026/04/20260422-mm-finma-botschaft-br-tbtf/>), UBS in its own press release rejected the proposed package (see the UBS press release on <https://www.ubs.com/global/en/investor-relations/press-releases/overview-news-display-ndp/en-20260422-regulatory-update.html>).

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