The Swiss Deposit Insurance Scheme today: in brief

This information document is part of a series covering the 2020/21 revision of deposit insurance legislation (see overview at the end of this document).

General information

Deposits are balances that customers hold in bank accounts.[1] The deposit insurance scheme is based on two pillars: banking regulation and deposit insurance. A key requirement of banking regulation is that banks must always hold sufficient capital and liquidity. In the event that a bank is closed down, deposit insurance helps to ensure that customers receive their money back quickly. Deposits are insured by the deposit insurance scheme up to CHF 100,000 per customer and per bank. This strengthens confidence in the financial system and helps to prevent a bank run should a crisis arise. All banks with a branch in Switzerland are required to be member of the independent esisuisse association. esisuisse is the statutory institution of deposit insurance.

How deposit insurance works

The Swiss Financial Market Supervisory Authority (FINMA) may close a bank if, for example, it does not have sufficient capital, is experiencing financing difficulties or is unable to provide a guarantee of proper business conduct. In such cases, FINMA will appoint a liquidator. The liquidator must pay out the insured deposits to customers quickly, using the bank's available liquidity in the first instance. esisuisse only becomes involved (so-called application) if the bank's available liquidity is not sufficient to pay out the insured deposits quickly. In this unlikely event, esisuisse advances the necessary funds to the liquidator. esisuisse can collect these additional necessary funds from all banks at any time via direct debit. The banks are required to keep their shares available for esisuisse.

Strong deposit insurance scheme stabilises the financial system

The banks make a maximum amount of CHF 6 billion available to esisuisse for such applications at any time. This limit stops institutions suffering from disproportionate joint and several liability and safeguards their own financial stability (preventing a domino effect). If it is called upon and the institution's liquidity is insufficient, esisuisse guarantees the payment to the bank's customers using the maximum of CHF 6 billion. The outstanding amount will be repaid to esisuisse in the course of the liquidation through the sale of bank assets, thus making it available for further use. The Federal Council is authorised to increase the CHF 6 billion figure if necessary.

To guarantee payment of the insured deposits, each bank must hold, as additional collateral, assets in Switzerland whose value is at least 125% of the sum of the privileged deposits (secured deposits plus vested benefits accounts, pillar 3a deposits and deposits of Swiss banks at branches abroad) held with it.

Information documents on the 2020/21 revision of deposit insurance legislation

Details of the 2020/21 revision of deposit insurance legislation can be found in the following information documents:

- *The Swiss Deposit Insurance Scheme today: in brief (document in hand)*
- Overview of the reform of the deposit insurance scheme
- Financing of the deposit insurance scheme
- Payment of protected deposits
- Swiss Deposit Insurance Scheme in comparison with EU and IADI
- State guarantee and deposit insurance
- Reform of the Swiss deposit insurance scheme – key points

Further information on deposit insurance and esisuisse can be found at www.esisuisse.ch

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[1] Banks and securities firms are collectively referred to as "banks" here and in the other information documents on the 2020/21 revision of the legislation.