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Depositor Protection at Banks and Securities Firms

Switzerland: Swiss Financial Market Supervisory Authority (FINMA)

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Depositor protection at banks and securities firms

Deposit protection is designed to guarantee clients' bank deposits in the event of the insolvency of licensed banks or securities firms. Deposit protection protects deposits up to a maximum of CHF 100,000 per client and per bank or securities firm.

If a bank or securities firm is declared bankrupt or a protective measure is imposed under Article 26 para. 1 lets. e-h of the Banking Act, depositors lose access to the money they have deposited. The deposits fall into the bankruptcy assets and without the deposit protection scheme would at best be repaid only partially when the proceeds of the bankruptcy are distributed. The deposit protection scheme, however, is designed to ensure that deposits are paid out quickly up to the maximum amount of CHF 100,000 per depositor. The aim is to prevent depositors from withdrawing funds from their bank because they fear for its safety, thus triggering a bank run.

How depositor protection works

The Swiss depositor protection scheme is based on a three-tier system.

1. Deposits at Swiss and foreign branches of Swiss banks and securities firms up to a maximum of CHF 100,000 per depositor are classed as privileged deposits (Art. 37a Banking Act). These privileged deposits are first paid out from the available liquid assets of the bankrupt institution and outside of the schedule of claims under bankruptcy law.
2. If the liquid assets are insufficient to cover these deposits, esisuisse, the agency of the deposit protection scheme, funds the disbursement of deposits in Swiss branches up to a maximum of CHF 100,000 per depositor. esisuisse's payment liability is limited by law to CHF 6 billion.
3. If the privileged deposits have not already been paid out to the depositors (tier 1 or 2), they are placed among the second class of bankruptcy claims up to a maximum amount of CHF 100,000. The privileged deposits are at best paid out only partially when the proceeds of the bankruptcy are distributed. Claims on occupational pension schemes (pillar 3a assets) and vested benefits foundations also have preferred status (a total amount of CHF 100,000 per pension fund member is classed as privileged).

The [esisuisse](#) FAQs provide further useful information on depositor protection.

Self-regulation and esisuisse

"esisuisse", which is organised as a private association, is the agency of the deposit protection scheme. "esisuisse" is the self-regulatory organisation of the banks and securities firms and is tasked with deposit protection. It has existed since 2005 (named "Swiss Banks' and Securities Dealers' Depositor Protection Association (ESI)" until 2014). All authorised financial institutions with protected deposits are obliged to join this self-regulatory organisation.