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Press Release: TBTF Capital Regime

BAK study quantifies macroeconomic effects of full equity capital deduction for foreign participations as part of the TBTF measures

BAK Economics, 16 April 2026 (Basel) – On behalf of UBS, BAK Economics presents the first quantitative assessment of the macroeconomic effects of the proposed full deduction of foreign subsidiaries from Common Equity Tier 1 (CET1) capital. The study shows: This specific regulatory adjustment for systemically important banks could have lasting consequences for growth, investment, employment, and tax revenues in Switzerland – the economy would be permanently weakened. Depending on the impact pathway, the simulations over ten years show a range of cumulative GDP losses from CHF 11 billion to CHF 34 billion. The study does not address the potential macroeconomic consequences of the other TBTF measures proposed by the Federal Council.

In the context of the consultations on the amendment to the capital rules, only partial analyses have been available to date: Alvarez & Marsal (2025) estimates the consequences of the full deduction of foreign subsidiaries from CET1 capital for UBS; BSS (2025) assesses the regulatory objectives without considering costs; Zimmermann (2025) examines capital cost effects. A regulatory impact assessment that specifically quantifies the macroeconomic effects of fully capitalizing foreign subsidiaries with CET1 capital has not been available to date. The present BAK study supplements the existing analyses with these macroeconomic considerations. This is intended to create an additional fact-based foundation for political and regulatory decisions.

Precise forecasts are not possible – hence scenarios

The reactions of banks and borrowers to higher capital requirements cannot be clearly determined in advance. Accordingly, the Federal Council notes that the costs of the bill “cannot be attributed to specific business activities” (FDF 2025). The study therefore employs a scenario-based approach that maps out a plausible range of possible adjustment paths and consistently quantifies their macroeconomic consequences. Where possible, the assumptions are deliberately conservative, i.e. chosen as a lower bound : The starting point is the annual additional costs of USD 1.3 billion estimated by Alvarez & Marsal (2025) as a result of the higher capital requirements, which are below UBS’s own estimate (USD 1.7 billion).

Three transmission channels – simulated using the BAK macro model

The analysis distinguishes three complementary channels through which higher capital requirements are transmitted to the economy. Scenario 1 models the price effect through the pass-through of additional costs to lending rates. Scenario 2 depicts the quantity effect in the form of a regulatory-induced contraction in the supply of credit. Scenario 3 addresses the location effect, in which the structural Swiss interest rate advantage is gradually eroded as interest rates converge toward EU levels.

These primary effects are fed into the BAK macro model as exogenous shocks – an econometric structural model with over 1,000 equations that integrates goods, labor, capital,

and financial markets. In a second step, the individual effects are combined into integrated impact pathways, as they operate simultaneously in reality.

Results: Noticeable, lasting economic losses

The dominant transmission channel runs through investment activity. Unlike a cyclical interest rate shock, the regulation-induced credit effect operates independently of the economic situation and therefore cannot be offset by monetary policy measures. The combined impact pathways show cumulative GDP losses over ten years ranging from CHF 11 billion in the mild scenario (1.3% of annual gross domestic product), CHF 28 billion in the pronounced scenario (3.2%), and CHF 34 billion in the stress scenario (3.9%).

In addition to the effects on growth, there are also impacts on employment and public finances. In the mild scenario, approximately 2,200 fewer people are employed after ten years; in the stress scenario, approximately 6,300. Tax revenues for the federal government, cantons, and municipalities will decline cumulatively over ten years by an amount ranging from CHF 2.1 billion (mild) to CHF 6.4 billion (stress). For comparison: The Relief Package 27 (EP27) provides savings of approximately CHF 5.3 billion over the next three years.

Particularly affected: productive, internationally active companies

Specialized large-bank services – such as those for international payments – are primarily used by medium-sized and large, internationally active companies. These firms are often exceptionally productive and innovative, as demonstrated by a combination of AI analysis, a CFO survey of approximately 1,100 Swiss companies, and patent data. Such sector-specific consequences are only partially reflected in the model. This suggests that the model's average analysis systematically underestimates the actual economic consequences.

The client who commissioned this study defined the topic, while BAK Economics was solely responsible for the scientific implementation.

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