

IMPACT OF CRD VI ON SWISS BANKS: STRATEGIC IMPLICATIONS AND MARKET POSITIONING



Massimiliano Marini
Chief Risk Officer

The upcoming implementation of the European Union's Capital Requirements Directive VI (CRD VI) is set to reshape the operating landscape for Swiss banks with cross-border activities in the EU. While Switzerland is not a member of the EU, the directive introduces significant regulatory requirements that will directly impact Swiss banking groups serving EU clients or operating branches within the block.

CRD VI, part of the EU's broader banking package aligned with Basel III reforms, aims to strengthen prudential supervision, harmonise banking regulations, and enhance financial stability across member states. For Swiss institutions, the directive's extraterritorial provisions represent a material shift in how cross-border banking services must be structured and governed.

"One of the most significant developments under CRD VI is the introduction of stricter rules governing third-country branches (TCBs)."

Swiss banks operating in the EU through branches will face enhanced supervisory oversight, including potential requirements to establish fully capitalised subsidiaries within the EU if their activities are deemed systemic or large-scale.

This "subsidiarisation" requirement could result in increased capital, liquidity, and governance obligations for Swiss banking groups. Institutions may need to reassess their European operating models, particularly those relying heavily on cross-border provision of services from Switzerland.

Additionally, CRD VI enhances cooperation between EU and third-country regulators, which could lead to greater transparency

obligations and closer scrutiny of Swiss banks' risk management frameworks, governance, and compliance standards.

STRATEGIC AND FINANCIAL IMPLICATIONS

The directive is expected to have several strategic implications:

- **Operational restructuring:** Swiss banks may need to reorganise their EU presence by converting branches into subsidiaries, increasing operational complexity and cost.
- **Capital allocation:** The requirement to hold capital locally within the EU could reduce capital fungibility and negatively impact return on equity.
- **Client servicing models:** Cross-border services provided from Switzerland into the EU may become more restricted, potentially affecting private banking and wealth management activities.
- **Compliance costs:** Enhanced reporting, governance, and supervisory engagement will increase the regulatory burden for affected institutions.

At the same time, the directive may create opportunities for well-capitalised Swiss banks to reinforce their credibility with European regulators and clients by demonstrating robust compliance and governance standards.

"CRD VI could alter the competitive dynamics between EU-based banks and Swiss institutions."

EU banks may benefit from a more level playing field as third-country competitors face stricter local requirements. Conversely, Swiss banks with established EU subsidiaries and strong regulatory track records may leverage their experience to adapt more quickly and maintain market share.

"At the core of CRD VI's impact is the increased scrutiny of cross-border services."

Swiss private banks have historically relied on servicing EU clients from Switzerland, particularly in advisory, discretionary portfolio management, and Lombard lending. Under the new framework, such models face heightened regulatory constraints and enforcement.

As a result, the long-standing offshore servicing model becomes more complex, less scalable, and potentially subject to licensing requirements or restrictions in certain EU jurisdictions.

CRD VI is expected to drive a structural shift toward localisation of client relationships, with EU-based subsidiaries playing a central role. Swiss banks with significant EU client bases may need to migrate assets and relationships to their European entities to remain compliant.

This evolution will lead to a multi-booking center approach, where EU clients are increasingly served from within the EU, while Switzerland remains a hub for international and non-EU clients.

Swiss banks and industry bodies are actively engaging with EU regulators and policy-makers to clarify implementation timelines, proportionality thresholds, and the treatment of cross-border services. Transitional arrangements are expected, but institutions are already initiating internal impact assessments and strategic reviews.

Experts anticipate that CRD VI will accelerate the trend towards localisation of banking activities within the EU, reducing reliance on cross-border business models. For Swiss banks, this underscores the importance of strategic agility, regulatory alignment, and operational resilience.

"CRD VI forces Swiss banks to rethink how they access and serve the EU market."

While CRD VI presents challenges for Swiss banks, particularly in terms of cost and structural adjustments, it also offers an opportunity to strengthen governance frameworks and reinforce long-term access to EU markets. Institutions that proactively adapt their business models and engage constructively with regulators will be best positioned to navigate the evolving regulatory landscape.



REYL
INTESA SANPAOLO

IMPORTANT INFORMATION - This content is being provided by REYL & Cie Ltd or/and its affiliates (hereinafter referred to as "REYL") solely for information purposes and is not intended to be a solicitation or offer, recommendation or advice to buy or sell interests in any financial instrument mentioned in it, to effect any transaction, or to conclude any transaction of any kind whatsoever, in particular to any recipient who is not a qualified, accredited, eligible professional or institutional investor. It is intended for the sole use of the recipient and may not be forwarded, printed, downloaded, used or reproduced for any other purpose. It is not intended for distribution/offering to, or use by, natural or legal persons that are nationals of a country or subject to a jurisdiction of which the laws or regulations would prohibit such distribution/offering or use. Whilst REYL shall use reasonable efforts to obtain information from sources which it believes to be reliable, REYL, its directors, officers, employees, agents or shareholders assume no liability regarding this content and give no warranty as to the accuracy, completeness or reliability of any mentioned data and thus assume no liability for losses arising from the use of this content. The information, opinions and assessments contained in the present document shall apply at the time of publication and may be revoked or changed without prior notice. This content is intended only for recipients who understand and are capable of assuming all risks involved. Before entering into any transaction, recipients should determine if the relevant financial instrument mentioned in the content suits particular circumstances and should ensure that they independently assess (together with their professional advisers) the specific risks, the legal, tax, accounting consequences and eligibility requirements of any purchase, holding or sale of financial instruments mentioned in the content. REYL, its directors, officers, employees, agents or shareholders may from time to time have interests and/or underwriting commitments in the financial instruments described herein. REYL makes no representation as to the suitability of the mentioned information, opinions or securities and financial instruments. Historical data on the performance of the financial instruments or on the underlying assets are no indication for future performance. The present content has been compiled by a department of REYL which is not an organisational unit responsible for financial research. REYL is subject to distinct regulatory requirements and certain services and/or financial instruments may not be available in all jurisdictions or to all recipient types. Recipients are therefore responsible to comply with all applicable laws and regulations. There is no intention to offer services and/or financial instruments in countries or jurisdictions where such offer would be unlawful under the relevant laws and regulations.



SUCCESS. TOGETHER.