

Current developments in the residential investment property market - SBA considering amendments to self-regulation

Basel, March 20, 2019 – The authorities have expressed a need for action in the residential investment property segment. This is due to their market analyses, their supervisory activities and lastly on the basis of a stress test. The Swiss Bankers Association (SBA) is closely collaborating with the authorities in order to gain an in-depth understanding of the analysis. If the conclusion reached by the SBA is the same as that of the authorities, the SBA will consider making amendments to its self-regulation for the mortgage market.

The Swiss Bankers Association (SBA) is in close collaboration with the State Secretariat for International Financial Matters (SIF), the Swiss Financial Market Supervisory Authority (FINMA) and the Swiss National Bank (SNB) with regard to the current developments in the residential investment property market. The authorities have emphasised that precautionary measures are necessary in the residential investment real estate market. The SBA takes these concerns seriously and has therefore mandated the responsible working group to gain a thorough understanding of the analysis and assessment of the authorities and if appropriate, develop measures to amend self-regulation in the real estate market. Amending the self-regulation would be the measure with the broadest impact: it has both a targeted and rapid effect for as long as there is a need for action, and can be expanded to include additional stakeholders. Should the SBA also confirm the need for action, the appropriate instruments to ensure market stability would be to shorten the amortisation period and reduce the loan-to-value ratio.

The authorities have expressed a need for action in the residential investment property segment. This is due to market observations and analyses, supervisory activities and lastly on the basis of the results of a mortgage stress test by FINMA. The SBA takes the assessment of the authorities seriously and therefore took corresponding measures. “In a first step, we must now understand the authorities’ assessment of the residential investment property market in detail. Should the need for action be confirmed, we will amend our self-regulation as a precautionary measure”, says Philipp Halbherr, a member of the Executive Board of the SBA. A working group mandated by the SBA will be responsible for presenting its findings and measures to the Board of Directors in the second quarter of 2019.

Philipp Halbherr adds: “Amendments to the self-regulation would have a very targeted and effective impact. In contrast to a state regulation, amendments to the self-regulation can be applied in a targeted manner and for as long as the situation requires.” The authorities and the sector agree that a compelling amendment of the self-regulation is preferable to a state regulation.

Amendments to self-regulation

The self-regulation in question is “Richtlinien betreffend Mindestanforderungen bei Hypothekendarfinanzierungen” (guidelines concerning minimum requirements for mortgage financing). After all of the open issues have been clarified, an SBA working group will begin to develop concrete amendments in close collaboration with the authorities. Halbherr explains the focus on shortening the amortisation period and reducing the loan-to-value ratio: “Both instruments are aimed at new mortgages, are easy to implement and do not put pressure on low-risk loans. In addition, the higher capital requirements have a dampening effect on prices and therefore stabilise the market.”

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