

Embargo

26 August 2026, 6.15 pm

Monetary policy and financial stability at the SNB: the role of macroprudential tools

University of Basel

Antoine Martin*

Vice Chairman of the Governing Board

Swiss National Bank

Basel, 26 August 2026

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* The speaker would like to thank Anne Kathrin Funk and Reto Nyffeler for their support in preparing this speech. He also thanks Toni Beutler, Robert Bichsel, Marc Blatter, Matthias Burgert, Laura Felber, Jeannette Henggeler-Müller, Christoph Hirter, Sébastien Kraenzlin, Flore Richard, Stéphane Riederer, Fabio Sonderer and Andreas Wehrli, as well as the SNB Language Services.

Good evening everyone

Monetary policy and financial stability are often viewed as separate issues for central banks. Yet history shows that, especially during periods of profound economic change, they are closely intertwined.

How should central banks navigate the interaction of monetary policy and financial stability?

The way central bankers think about this question has evolved over time. Many policymakers learned from the Global Financial Crisis (GFC) in 2008 that financial stability risks should be mitigated more pro-actively, before a crisis hits.

Tonight, I would like to revisit this lesson and discuss how it applies to Switzerland in practice. I am delighted to be here in Basel and to have the opportunity to engage with you. And I am even happier that we will be continuing to discuss the topic with Sarah Lein and Nikola Tarashev in the panel later.

I will start by arguing that monetary policy and financial stability can go hand in hand. Indeed, they even reinforce each other. For that, policymakers need to have the right tools. What are the right tools and how can these tools evolve to continue strengthening the resilience of the Swiss financial system in the future?

To address these questions, I will first provide some background on how exactly monetary policy and financial stability interact. Then, using some concrete examples from the recent past, I will illustrate how the SNB deals with the interaction in practice.

1. The relationship between monetary policy and financial stability

The SNB has a monetary policy mandate and is also tasked with contributing to the stability of the financial system. The monetary policy mandate is anchored in the Federal Constitution (art. 99). The National Bank Act specifies that the SNB is required to ensure price stability. It further stipulates that within this framework the SNB must also contribute to the stability of the financial system and be responsible for a range of other tasks as well (art. 5 NBA).¹

Unlike monetary policy, which is the sole responsibility of the SNB, we share financial stability tasks with the federal government and the Swiss Financial Market Supervisory Authority (FINMA).² The SNB contributes to financial stability by providing liquidity

¹ The other tasks are providing liquidity, ensuring the supply and distribution of cash, facilitating and securing the operation of cashless payment systems and managing the currency reserves.

² The financial stability tasks of FINMA stem, on the one hand, from the overlap of microprudential and macroprudential supervision: the analysis of risks arising from individual institutions forms the basis for assessing risks at the level of the financial system. On the other hand, FINMA's tasks stem from its duty to protect the functioning of financial markets, as set out in art. 4 of the Financial Market Supervision Act (FINMASA). The federal government (Federal Council) and the Department of Finance (FDF), which have significant regulatory powers, also have an important role to play with regard to financial stability.

support to banks, monitoring systemic risks, and proposing adjustments to the countercyclical capital buffer (CCyB) – which is the only macroprudential tool mandated under the Swiss regulatory framework. In addition, the SNB is responsible for identifying and designating systemically important banks and overseeing systemically important financial market infrastructures. The SNB is not, however, responsible for banking supervision. This power lies with FINMA, which supervises individual financial institutions and is responsible for enforcing banking legislation. Meanwhile, the Federal Council and the Swiss parliament are in charge of the regulatory and legislative framework.

How does financial stability influence monetary policy?

I will first focus on the way financial stability influences monetary policy and then explore how monetary policy, in turn, influences financial stability.

A stable financial system is essential to achieving macroeconomic stability. A stable financial system is able to perform its key functions, such as granting loans, accepting deposits and ensuring payments, even in the face of a shock. Financial instability is harmful to economic growth and price stability, and could require a monetary policy response. Thus, financial instability could be an impediment to achieving price stability.

Let me consider two aspects of this influence.

The first aspect focuses on financial crises and how financial stability is a precondition for price stability. Financial crises are very costly in terms of output loss. There is evidence that economic losses from such crises are deeper and more persistent than those sustained during ‘normal’ recessions. Since World War II, financial crises in advanced and emerging market economies have led on average to negative GDP growth for two years, with a peak loss of GDP per capita of about 1.5%. After five years, GDP has been around four to five percent lower following a financial crisis than it would have been after a recession.³ The severe consequences for economic output have been mirrored by excessively low and even negative inflation, requiring extraordinary monetary policy reactions.

The second aspect focuses on the role of the banking sector in the transmission of monetary policy. The SNB policy rate affects deposit and lending rates, thereby influencing saving and investment decisions (the interest rate channel), as well as banks’ lending behaviour (the credit channel).⁴ Banks, therefore, play a central role in the transmission mechanism.

³ These are average numbers; individual crises can lead to larger losses. Cf. Allen, F., and D. Gale, (2000), ‘Financial Contagion’, *Journal of Political Economy*, vol. 108(1): 1–33; Calvo, G.A. and E.G. Mendoza (1996), ‘Mexico’s balance-of-payments crisis: a chronicle of death foretold’, *International Finance Discussion Paper*, vol. 545: 1–41; Kaminsky, G.L. and C.M. Reinhart (1999), ‘The twin crises: the causes of banking and balance-of-payments problems’, *American Economic Review*, vol. 89(3): 473–500, and, more recently, Taylor, A.M. (2015), ‘Credit, financial stability, and the macroeconomy’, *Annual Review of Economics*, vol. 7: 309–339, which suggests that evidence for advanced and emerging market economies is quite similar.

⁴ The SNB’s monetary policy has further transmission channels, for example via the exchange rate.

A sound banking sector is essential for the effective transmission of monetary policy. For example, lowering the policy rate aims to stimulate bank lending to address downward pressure on inflation, but transmission of monetary policy depends on banks having enough capital to support their lending activity. This became evident in many countries in the years following the GFC, when weakly capitalised banks were reluctant to lend.⁵

To sum up, resilient banks are essential for central banks to fulfil both their financial stability tasks and their monetary policy mandate. A resilient financial sector helps to prevent banking crises and is important for a smooth and effective transmission of monetary policy.⁶

How does monetary policy influence financial stability?

What about the opposite direction? How does monetary policy influence financial stability?

Price stability provides an important foundation for financial stability. Banks benefit from long-term macroeconomic stability. A stable nominal environment facilitates the pricing of financial assets and supports sustainable borrowing and lending decisions. By ensuring price stability, central banks help create the conditions under which the financial sector is able to function well, particularly in terms of lending. Yet low and stable inflation does not preclude the build-up of financial vulnerabilities.

I would like to illustrate this by contrasting the business cycle and the financial cycle. The business cycle, which is important for monetary policy, is typically shorter than the financial cycle. The financial cycle, as measured for instance by credit or asset price dynamics, particularly in housing, has stronger booms and busts.⁷

The differing characteristics of the business and financial cycles imply that the policy rate required to achieve price stability could be one of many factors contributing to the build-up of vulnerabilities. In particular, vulnerabilities in credit and asset markets may build up despite low and stable inflation and may then unwind abruptly, potentially triggering a financial crisis. Financial crises can therefore be understood as the bust phase of the financial cycle.⁸ The GFC is a case in point, when years of rapid credit growth and rising house prices culminated in a sharp correction.⁹

How should the SNB deal with the impact of monetary policy on financial stability? The answer can be found in Switzerland's legislation and is confirmed by scientific research.

⁵ There are multiple factors affecting the monetary policy transmission mechanism, such as the population's trust in the banking system, sound balance sheets, household indebtedness and generally well-functioning financial markets.

⁶ Cf. Shin, H.S. (7 April 2016), 'Bank capital and monetary policy transmission', speech, BIS.

⁷ Cf. IMF (2015), 'Monetary Policy and Financial Stability', IMF Policy Paper, 28 August 2015.

⁸ Borio, C. (2014), 'The financial cycle and macroeconomics: What have we learnt?', *Journal of Banking & Finance*, vol. 45: 182–198.

⁹ Vulnerabilities could also build up as inflation rises. In this scenario, the policy rate increases to stabilise inflation, which also poses financial risks.

The legislator has set out a clear priority for the SNB's monetary policy mandate and the central bank's financial stability task: Price stability takes precedence. The price stability mandate is anchored in the Federal Constitution and specified in the National Bank Act, while the SNB's role in financial stability is defined in the National Bank Act and described as a task within the monetary policy framework. Both the SNB's monetary policy mandate and its task of contributing to financial stability are important and reinforce each other. Nonetheless, this hierarchy guides the SNB in prioritising price stability.

What does the research say? Following the GFC, a large literature has shown that it is optimal for central banks to use their interest rate tools to achieve price stability, while addressing possible negative externalities on financial stability with other tools.¹⁰ This is consistent with the so-called Tinbergen rule or separation principle. In order to achieve their targets, policymakers require at least the same number of instruments as the number of those targets. Research has shown that the cost of so-called 'leaning against the wind', in the sense of setting the interest rate higher than it should be from a price stability perspective to contain financial stability risks, is too high. Instead, central banks should set the policy rate 'clean', focusing only on price stability. At the same time, they also need a different toolkit to address financial stability risks.

The SNB sets its policy rate 'clean'. In Switzerland, vulnerabilities in the financial sector are tackled with macroprudential tools. The federal government, FINMA and the SNB play an active role here.¹¹

The countercyclical capital buffer (CCyB) is the only macroprudential tool mandated under the Swiss regulatory framework.¹² The implementation of other macroprudential measures, such as loan-to-value or loan-to-income restrictions is via self-regulation in Switzerland. The idea behind the CCyB is that banks gradually build up capital as vulnerabilities in credit and real estate markets increase, thereby strengthening banks' resilience. The greater the vulnerabilities, the more capital banks are required to hold. If vulnerabilities materialise, the CCyB is released, freeing up capital that banks can use to absorb losses and continue lending to the real economy. This helps mitigate the risk of a downward spiral of tightening credit conditions.¹³

Switzerland's regulatory framework allows for both a broad and a sectoral application of the CCyB. In 2013, the Federal Council decided to activate a sectoral CCyB, following a

¹⁰ Cf. for example Svensson, L.E.O. (2017), 'Cost-benefit analysis of leaning against the wind', *Journal of Monetary Economics*, vol. 90: 193–213; Habermeier, K., T. Mancini-Griffoli, G. Dell'Ariccia and V. Haksar (2015), 'Monetary policy and financial stability', IMF Policy Paper, 28 August 2015; Gorea, D., O. Kryvtsov and T. Takamura (2016), 'Leaning within a flexible inflation-targeting framework: review of costs and benefits', Bank of Canada Staff Discussion Paper 2016-17; Kockerols, T. and C. Kok (2019), 'Leaning against the wind: macroprudential policy and the financial cycle', ECB working paper series no. 2223.

¹¹ Danthine, J.-P. (24 January 2012), 'Reconciling price and financial stability', speech, SNB; Jordan, T. (9 November 2017), 'Central bank independence since the financial crisis: the Swiss perspective', speech, SNB; Zurbrugg, F. (29 March 2022), 'Macroprudential policy beyond the pandemic: taking stock and looking ahead', speech, SNB.

¹² At the international level, the CCyB is the only macroprudential tool embedded in the Basel III framework.

¹³ Zurbrugg, F. (31 August 2021), 'Mortgage and real estate markets: current developments pose risks to financial stability', speech, SNB; Zurbrugg, F. (29 March 2022), 'Macroprudential policy beyond the pandemic: taking stock and looking ahead', speech, SNB.

proposal by the SNB. The SNB deemed it the most cost-effective response, given that vulnerabilities at the time – as now – were concentrated in the residential real estate and mortgage markets. The sectoral CCyB increases capital requirements associated with domestic residential mortgage loans while leaving those for other exposures unchanged. The sectoral focus therefore helps to avoid slowing down credit dynamics in other segments. At the same time, it ensures an increase in overall banking sector resilience, since mortgage claims are the largest asset class on Swiss banks' balance sheets.

After its activation in 2013, the sectoral CCyB was increased in 2014. In 2020, with the outbreak of the coronavirus pandemic, the sectoral CCyB was deactivated. In 2022, it was reactivated and set to its legal maximum level of 2.5%.¹⁴ This strict legal cap, which is unique to Switzerland, represents a constraint on the use of the CCyB. I will return to this issue later. First, however, I would like to discuss an important lesson for the design of an effective macroprudential toolkit that emerged from the deactivation of the sectoral CCyB during the pandemic.

Although vulnerabilities in the Swiss mortgage and real estate markets remained elevated throughout the pandemic, the sectoral CCyB was released to support continued lending during a period of exceptional uncertainty. However, the vulnerabilities in the domestic mortgage and residential real estate markets persisted and increased. Through the deactivation of the sectoral CCyB, the amount of capital reserved to absorb losses from a potential real estate crisis was reduced.

This illustrates that the sectoral CCyB has been used to serve two distinct objectives: first, to build resilience against the materialisation of vulnerabilities in mortgage and real estate markets; and second, to provide releasable capital in response to shocks, even if they are unrelated to those vulnerabilities. This double role can be problematic and strengthen the case for a separate releasable capital buffer specifically designed to absorb the impact of shocks unrelated to vulnerabilities on the credit and real estate markets.

Drawing on the lessons from the pandemic, many countries introduced just such a buffer after the pandemic.¹⁵ To date, Switzerland has not incorporated this enhancement into its regulatory framework. The Swiss experience gained during the pandemic and the experience of other countries offer a good opportunity to learn. Both can inform further development of the Swiss macroprudential framework.

¹⁴ Cf. 'Financial stability' on the SNB website: <https://www.snb.ch/en/the-snb/mandates-goals/financial-stability>

¹⁵ Many countries introduced a so-called positive cycle-neutral CCyB: cf. among others Behn, M., A. Pereira, M. Pirovano and A. Testa (2023), 'A positive neutral rate for the countercyclical capital buffer: state of play in the banking union', *Macroprudential Bulletin*, no. 21, ECB, April.

2. The interaction of monetary policy and financial stability in Switzerland: some concrete examples

We have had a look at the way monetary policy and financial stability interact. Now what does this imply in practice for Switzerland? I would like to illustrate this with three examples from the recent past: the crisis at Credit Suisse, the phase of low interest rates between 2009 and 2021, and the monetary policy tightening cycle from 2022 until 2023. Each example reflects different dimensions of the interaction of monetary policy and financial stability and supplies the policy perspective in practical situations.

The crisis at Credit Suisse: financial stability as a precondition for price stability

The crisis at Credit Suisse began unfolding in the course of 2022. Credit Suisse had long struggled to cope with a loss of confidence and with outflows of client funds, because investors and clients deemed its business model no longer viable. The collapse of Silicon Valley Bank in the US triggered a swift deterioration of the situation in mid-March 2023. The Federal Council, FINMA and the SNB worked together under high-pressure conditions to find a solution to safeguard financial stability and protect the Swiss economy. You are all familiar with the solution that was ultimately adopted, namely the acquisition of Credit Suisse by UBS, accompanied by a package of measures from the Federal Council. The SNB's central role in managing the crisis entailed providing an unprecedented amount of liquidity.¹⁶

The crisis at Credit Suisse illustrates three points. First, that financial stability is a precondition for price stability. Second, how important sufficient buffers are for absorbing shocks and ensuring smooth monetary policy transmission. Third, the importance of sound regulation to make the financial system more resilient. Let's have a look at these three points in more detail.

Financial stability is a precondition for price stability. A disorderly failure of Credit Suisse – a global systemically important bank, or G-SIB – would have had severe consequences for financial stability and the economy.¹⁷ Due to Credit Suisse's international linkages, the consequences would likely have reached beyond Switzerland. The collapse of Credit Suisse would have sent a shockwave through the global financial system and would have had dramatic consequences for the real economy.

For example, as noted by Thomas Jordan in a speech in 2023, if Credit Suisse had collapsed, and the government had not intervened, many Swiss households and small and medium-sized enterprises (SMEs) would no longer have had access to their deposits. Payments via

¹⁶ For an overview of the crisis at Credit Suisse and the SNB's role, cf. the SNB Annual Report 2023 and Financial Stability Report 2023 and 2024.

¹⁷ Cf. Jordan, T. (28 April 2023), 'Price and financial stability – a demanding year for the Swiss National Bank', speech, SNB.

Credit Suisse would no longer have been executed. Furthermore, SMEs in particular would no longer have been able to benefit from existing credit limits at Credit Suisse and maturing loans would not have been renewed. The economic fallout in Switzerland would likely have been enormous. According to macroeconomic theory, this would also have impacted price stability.

Fortunately, Credit Suisse did not collapse in a disorderly fashion, but was instead acquired by UBS. Nonetheless, the acquisition changed the Swiss credit market environment significantly and could have had implications for monetary policy transmission.¹⁸

This brings me to the second point, the importance of sufficient capital and liquidity buffers to absorb shocks and ensure smooth monetary policy transmission. The structure of the Swiss credit market changed profoundly when UBS took over Credit Suisse's clients. After the acquisition, many companies and households previously served by UBS and Credit Suisse sought new credit relationships with other banks in the name of diversification.¹⁹ As a consequence, lending by UBS and Credit Suisse decreased markedly. Thankfully, this was more than offset by credit growth at domestically focused banks and in the 'Other banks' category. 'Other banks' include more specialised domestic banks, most of them with a focus on wealth management, as well as branches and subsidiaries of foreign banks. On aggregate, credit volumes continued to increase robustly, and monetary policy transmission worked smoothly. There were no signs of a credit crunch.

This was possible because domestically focused banks and the 'Other banks' had sufficient lending capacity to meet the increased demand.²⁰ The banks' substantial capital and liquidity buffers have played a key role in enabling the banking system to absorb the structural shift without having an impact on the availability of credit. This reconfirms that both proper regulation and sufficient buffers help to absorb shocks, irrespective of the nature of the shock. They enhance monetary policy transmission and hence the achievement of price stability.

Now for my third point. The crisis at Credit Suisse revealed several weaknesses in the current regulatory framework, especially in the area of capital requirement and collateral preparation. It is all the more important that Switzerland implement sound 'too big to fail' (TBTF) regulations and address these weaknesses, given the increased concentration and size of the Swiss banking sector relative to Swiss GDP.²¹ The TBTF measures proposed by the Federal

¹⁸ A tightening of regulatory requirements (Basel III Final, more stringent liquidity requirements for systemically important banks) as well as rising interest rates for the first time in 15 years meant further changes in the Swiss credit market.

¹⁹ Cf. Baeriswyl, R., A. Freitag and M. Ganarin (2025), 'Robust bank lending in a changing credit market environment', SNB Economic Note, issue 2025-13, and Maurer, C., R. Schinner and P. Christen (2025), 'Finanzdienstleistungen in der Schweiz nach dem Wegfall der Credit Suisse – Eine Analyse der Marktveränderungen und Eintrittshürden', Grundlagen für die Wirtschaftspolitik Nr. 61, Staatssekretariat für Wirtschaft SECO.

²⁰ While credit supply to the Swiss economy has been resilient overall, the changing environment occasioned certain adjustment costs for individual companies, households and banks.

²¹ Cf. chart 3.7 in the SNB's Financial Stability Report 2026 for an international comparison of banks' size relative to GDP. UBS's share in the domestic deposit and loan market increased to around a quarter in 2024 compared to 14% (loans) and 16% (deposits) in 2022 (Financial Stability Report 2025, table 1; Financial Stability Report 2023, charts 21 and 22).

Council, in particular the full backing of foreign participations with ‘hard capital’ (Common Equity Tier 1 or CET1 capital), would make the Swiss financial market more resilient.²²

Phase of low interest rates from 2009 until 2021: vulnerabilities in the financial sector and the role of macroprudential tools

Let me now go back a bit in time. The second example zooms in on the build-up of vulnerabilities in the financial sector in the phase of globally low interest rates from 2009 to 2021. This episode illustrates the potential impact of monetary policy on financial stability, demonstrates how implications for financial stability can emerge and shows how the SNB has responded to them.

After the GFC, the level of interest rates fell markedly worldwide, for two main reasons: First, the global equilibrium interest rate had fallen over the course of several decades. An ageing population and lower productivity growth shifted the supply and demand of savings and investments, resulting in lower equilibrium real rates globally.²³ Second, monetary policy worldwide had been expansionary because of low inflation and weak economic recovery after the GFC.²⁴

Switzerland was no exception, with both these factors at play here too. The global long-term downward trend in interest rates was also reflected in the Swiss equilibrium interest rate. Downward pressure on inflation for more than a decade required accommodative monetary policy, including a negative policy rate to fulfil the SNB’s price stability mandate.

Globally low interest rates had implications for financial stability by encouraging greater risk-taking across the financial system. In Switzerland, despite the negative policy rate, retail deposit rates remained at zero, as banks were reluctant to pass negative rates on to retail depositors. At the same time, after initially increasing when the policy rate turned negative, lending rates continued to decline, compressing net interest margins and putting pressure on banks’ profitability. This, in turn, strengthened incentives to expand lending and take on greater maturity and credit risk.²⁵

For investors, persistently low returns on safe assets fuelled the search for yield, increasing demand for real estate and compressing risk premia. Mortgage rates fell to historically low levels, contributing to sustained growth in mortgage lending. Paired with tight supply and

²² The SNB welcomes the proposed measures by the Federal Council, in particular: (i) the quantitative minimum requirement for central bank eligible collateral for systemically important banks, (ii) the introduction of a public liquidity backstop and (iii) the full deduction of foreign participations. The full capital backing of foreign participations is a targeted and proportionate measure. Cf. box ‘Swiss TBTF capital framework – the SNB supports full capital backing of foreign participations’ in the Financial Stability Report 2026.

²³ Cf. Jordan, T. (30 May 2024), ‘The natural rate of interest (r^*) as a reference point for monetary policy - a practitioner’s view’, speech, SNB, or Burgert, M., T. Cwik, J. Molleyres and B. Rudolf (2025), ‘The natural rate of interest in Switzerland’, SNB Economic Studies 2025-14

²⁴ Jordan, T. (24 October 2016), ‘Monetary policy using negative interest rates: a status report’, speech, SNB.

²⁵ Cf. Zurbrugg, F. (1 October 2015), ‘A new premise for SNB monetary policy?’, speech, SNB, for a discussion how the monetary policy transmission changed with negative interest rates.

high demand for housing, this led to rising residential property prices. Vulnerabilities in the Swiss mortgage and residential real estate markets built up gradually. Property valuations increasingly diverged from underlying fundamentals such as household income and rental income.²⁶

As discussed earlier, the SNB responded to the build-up of vulnerabilities by proposing that the Federal Council activate, and subsequently increase, the sectoral CCyB. By requiring banks to build up additional capital, the CCyB strengthened the resilience of the banking sector.²⁷ In the event of a correction in these markets, the buffer can be released, allowing banks to absorb losses while continuing to lend to households and firms. In addition to the activation of the sectoral CCyB, FINMA recognised new requirements for mortgage financing drawn up by the banking sector in its self-regulation guidelines as minimum regulatory standards.²⁸

At the outset of my remarks I asked: How can macroprudential policy continue to strengthen the resilience of the financial system in the future? As already mentioned, the introduction of an additional releasable capital buffer would be an option. The release of such a buffer would support bank lending in the case of shocks unrelated to vulnerabilities in the credit and real estate markets, as happened during the pandemic. Furthermore, increasing the maximum level of the sectoral CCyB could be an important step. This option was viewed as important by the International Monetary Fund (IMF) in its Financial Sector Assessment Program for Switzerland last year.²⁹ Currently, the sectoral CCyB stands at its legal maximum of 2.5%. This implies that there is no more macroprudential room for manoeuvre to deal with a further build-up of risk in the credit and real estate markets.

This is not to say that the CCyB should be increased at the moment. Let me be clear, our assessment is that it currently should not. However, experience shows that the situation can change and that being able to react when it does is key. This is particularly important in the current environment in Switzerland, characterised as it is by low interest rates and high demand for housing.

²⁶ Danton, J. and T. Jokipii, (2024), 'A decade of low interest rates: impact on Swiss bank profitability', SNB Working Paper 10/2024; Fuster, A., T. Schelling and P. Towbin (2024), 'Tiers of joy? Reserve tiering and bank behavior in a negative-rate environment', *Journal of Monetary Economics*; Schelling, T. and P. Towbin (2020), 'Negative interest rates, deposit funding and bank lending', SNB Working Paper 5/2020.

²⁷ Behncke, S. (2020), 'Effects of macroprudential policies on bank lending and credit risks', SNB Working Paper 6/2020.

²⁸ These comprised: i) for owner-occupied properties: a minimum down payment of 10% and linear amortisation over 15 years of the portion of the loan exceeding a 66% loan-to-value (LTV) ratio; ii) for investment properties: a minimum down payment of 25% and linear amortisation over 10 years of the portion of the loan exceeding a 66% LTV ratio. At the beginning of 2025, the requirements applicable to investment properties were aligned with those for owner-occupied properties.

²⁹ Cf. [Switzerland: Financial Sector Assessment Program-Technical Note on Macroprudential Policy and Real Estate Risks, IMF Country Report no. 25/298, 13 November 2025](#).

Monetary policy tightening cycle from 2022 until 2023

The phase of low interest rates ended with the monetary policy tightening cycle from 2022 until 2023. This is the topic of my third example. It will show us that there are situations in which the measures required from a monetary policy perspective align with those required from a financial stability perspective.

Towards the end of the pandemic, inflation increased markedly in many advanced economies, Switzerland among them. Pent-up demand, supply chain disruptions and a tight labour market, together with rising energy prices following the outbreak of the conflict in Ukraine, all fuelled inflationary pressure. The SNB tightened its monetary policy with a dual approach. We deliberately let the Swiss franc appreciate in the second half of 2021 by restraining our foreign currency purchases; then we began to raise the policy rate in mid-2022 and subsequently increased it by 250 bps within a year. We accompanied the policy rate increases with the sale of foreign currency, which caused a further appreciation of the Swiss franc and successfully reduced inflation.

The measures required from the price stability and financial stability perspectives were aligned. From the price stability perspective, decisive action was needed to anchor inflation expectations, limit second-round effects, and allow inflation to return to the price stability range. The policy mix of policy rate increases and foreign currency sales, together with early action, prevented a late-stage, possibly stronger tightening of the policy rate – with potentially negative consequences for the economy.

From a financial stability perspective, the same logic applied. It was preferable to raise the policy rate decisively and early so that inflation would return to the price stability range in short order. A late-stage tightening with a possibly stronger tightening of the policy rate could have strained balance sheets and asset prices more.

Conclusion: key takeaways

Allow me to conclude. I began today by asking how central banks should navigate the interaction of monetary policy and financial stability. A key part of the answer is that, because the SNB does not lean against the wind, it needs the right tools to address financial stability risks.

The interaction of monetary policy and financial stability underscores the importance of a resilient financial system. It also highlights the need for the ability to strengthen resilience in the system in a targeted manner when vulnerabilities are building up. Banks can and will lend only if they have sufficient capital. A sound macroprudential policy can ensure just that.

The SNB's monetary policy mandate is to ensure price stability. Because the monetary policy actions required to achieve this do not always ensure financial stability, dedicated macroprudential tools are needed as a complement. The CCyB constitutes such an instrument.

Switzerland was one of the first countries globally to introduce the CCyB in its regulatory framework in 2012. Other countries have since caught up and developed the instrument further, enabling a more flexible and effective macroprudential policy. The experience gained since the introduction of this tool, including during the pandemic, provides a valuable opportunity to learn and to reflect on the CCyB framework in Switzerland.

Monetary policy and financial stability at the SNB: the role of macroprudential tools

Antoine Martin
Vice Chairman of the Governing Board

University of Basel, WWZ
26 August 2026

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How should central banks navigate the interaction of monetary policy and financial stability?

1 The relationship between monetary policy and financial stability



2 The interaction of monetary policy and financial stability in Switzerland in practice: some concrete examples

Federal Constitution of the Swiss Confederation, art. 99

² The Swiss National Bank, as an independent central bank, shall pursue a monetary policy that serves the overall interests of the country; [...]

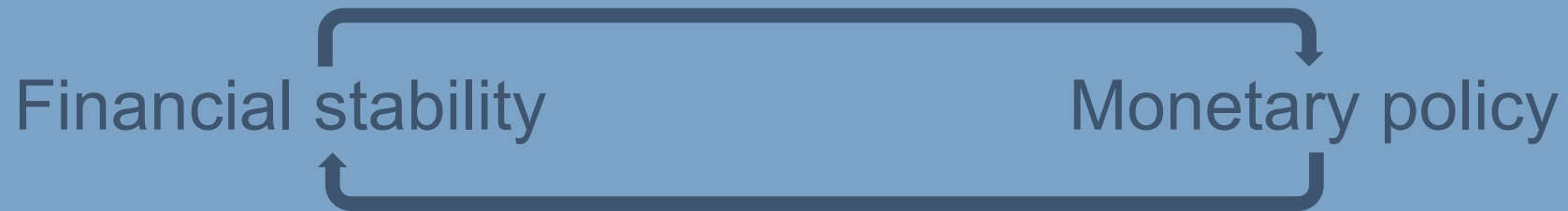
National Bank Act, art. 5

¹ [...] It shall ensure price stability. In so doing, it shall take due account of economic developments.

² Within this framework, it shall have the following tasks:

- a. It shall provide the Swiss franc money market with liquidity.*
- b. It shall ensure the supply and distribution of cash.*
- c. It shall facilitate and secure the operation of cashless payment systems.*
- d. It shall manage the currency reserves.*
- e. It shall contribute to the stability of the financial system.*

1 The relationship between monetary policy and financial stability



2 The interaction of monetary policy and financial stability in Switzerland in practice: some concrete examples

Financial stability is a precondition for price stability

Financial crises

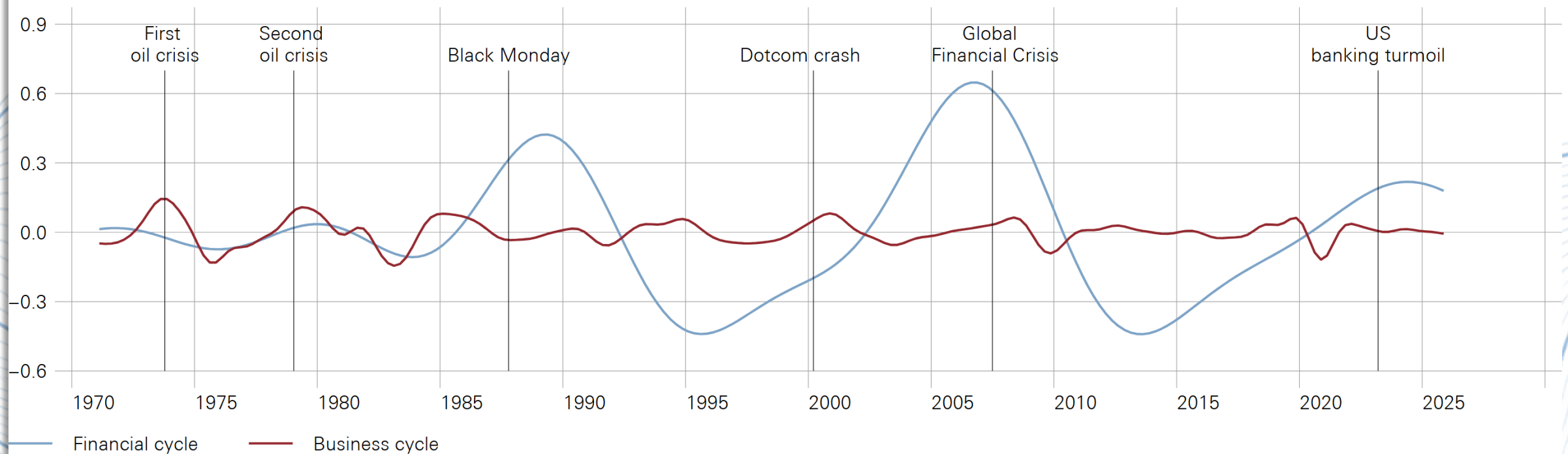
Might require extraordinary
monetary policy reactions

Sound banking sector

Key for the effective
transmission of monetary policy

Business and financial cycles have different characteristics

US: BUSINESS AND FINANCIAL CYCLES



The financial cycle is based on credit, the credit to GDP ratio and house prices.

Source(s): BEA, BIS, FRED, based on Drehmann (2012)

How should the SNB deal with the impact of monetary policy on financial stability?



Price stability takes precedence over financial stability



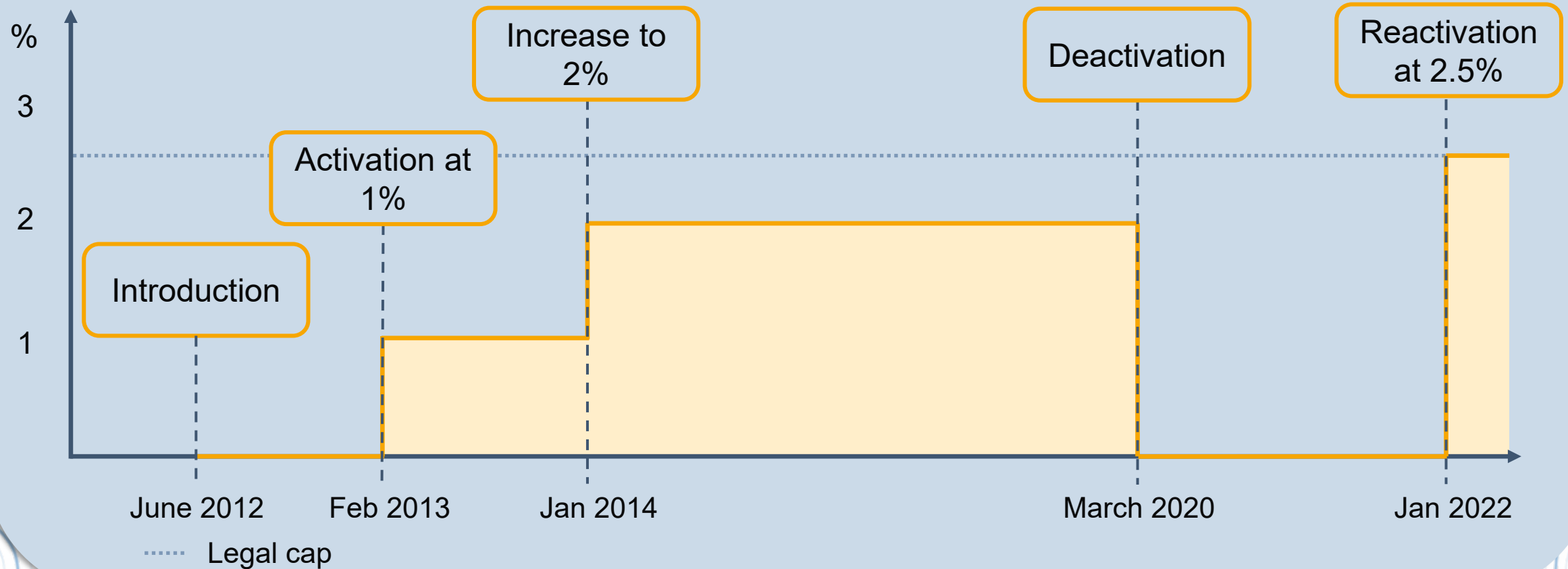
A specific instrument must be assigned to each distinct objective (Tinbergen rule or separation principle)



No leaning against the wind: vulnerabilities in the financial sector are tackled with macroprudential tools



The sectoral countercyclical capital buffer (sCCyB)



1 The relationship between monetary policy and financial stability



2 The interaction of monetary policy and financial stability in Switzerland in practice: some concrete examples

1

**The crisis at Credit
Suisse**

2

**Phase of low
interest rates
2009–2021**

3

**Monetary policy
tightening cycle
2022–2023**

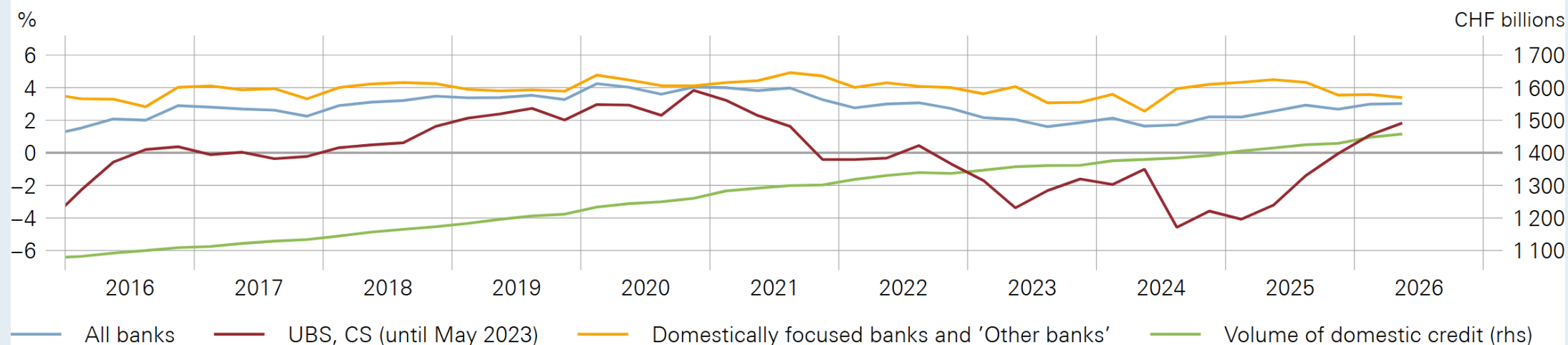
The crisis at Credit Suisse

- Financial stability is a precondition for price stability
- Sufficient buffers are key to absorbing shocks and ensuring smooth transmission of monetary policy
- Sound regulations are needed to enhance the resilience of the financial system

The crisis at Credit Suisse

TOTAL DOMESTIC CREDIT

Nominal year-on-year growth rate and volume



Note: Data for different bank categories until May 2023 from SNB data portal. From June 2023 onwards, data for UBS stems from its IFRS quarterly public reporting. The series have been corrected for structural shifts.

Source(s): SNB, UBS

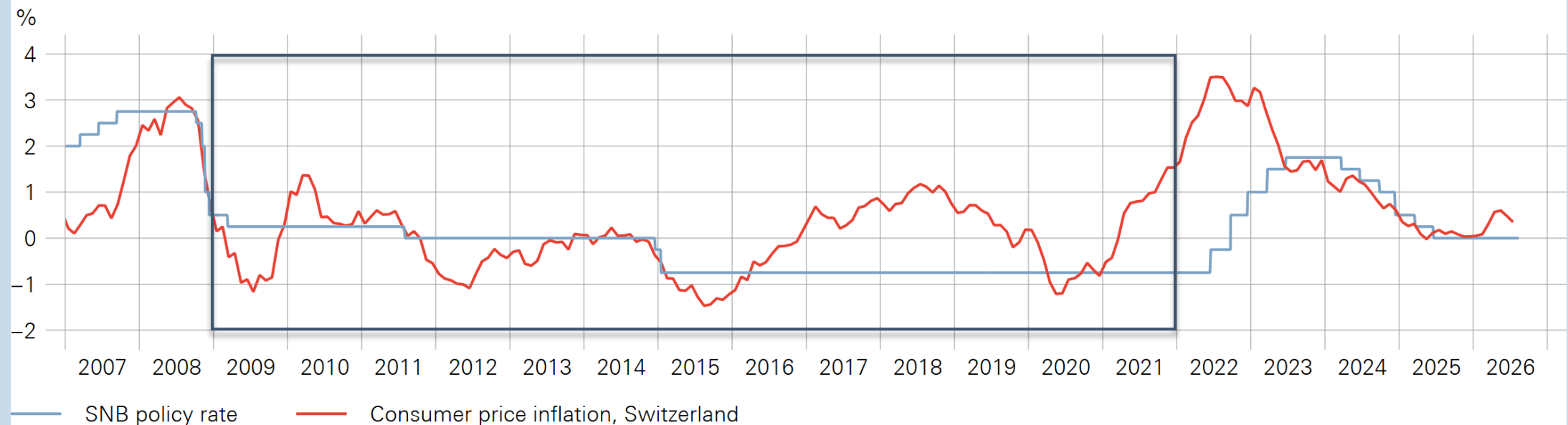
The crisis at Credit Suisse

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Phase of low interest rates from 2009 until 2021

Vulnerabilities in the financial sector & the role of macroprudential tools

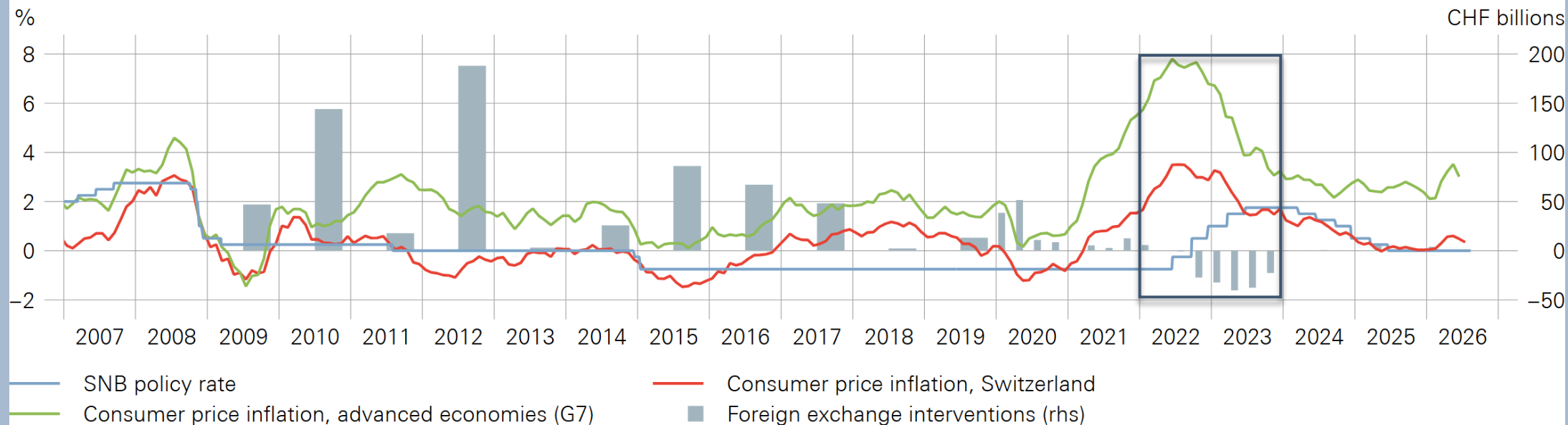
MONETARY CONDITIONS AND INFLATION



Source(s): Bloomberg, SFSO, SNB

Monetary policy tightening cycle from 2022 until 2023

MONETARY CONDITIONS AND INFLATION



Source(s): Bloomberg, LSEG Datastream, SFSO, SNB

How should central banks navigate the interaction of monetary policy and financial stability?

How should central banks navigate the interaction of monetary policy and financial stability?

- The interaction of monetary policy and financial stability underscores the need for appropriate macroprudential tools
- The CCyB constitutes such an instrument
- The experience gained since its introduction provides a valuable opportunity to learn and to reflect on the CCyB framework in Switzerland

Thank you for your attention!

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