SCHWEIZERISCHE NATIONALBANK
BANQUE NATIONALE SUISSE
BANCA NAZIONALE SVIZZERA
BANCA NAZIUNALA SVIZRA
SWISS NATIONAL BANK

Embargo
29 April 2025, 6:30 pm

The Extended Liquidity Facility (ELF): the next step in the SNB's liquidity support to banks

ICMB Public Lecture

Antoine Martin*

Vice Chairman of the Governing Board
Swiss National Bank
Geneva, 29 April 2025

* The speaker would like to thank Marc Blatter and Jacqueline Thomet for their support in preparing this speech. He also thanks Jakob Bosshard, Jan Cuonz, Benjamin Gföhler, Oliver Gloede, Jeannette Henggeler-Müller, Christoph Hirter, Sébastien Kraenzlin, Christian Myohl, Kathrin Scholl and Pascal Towbin, as well as the SNB Language Services.

Good evening everyone

It is an honour to speak to you here tonight at the International Center for Monetary and Banking Studies. The ICMB has long been an important platform for discussing money, banking and finance – all areas central to the Swiss National Bank. Our institutions have built a strong partnership since 1974, and I am delighted to continue this long-standing dialogue.

As a central bank, the SNB plays a crucial role in managing banking system liquidity. We do this to implement monetary policy, ensure the smooth functioning of the payment system, and also to support financial stability. Tonight, I will focus on our role in providing liquidity to fulfil our statutory mandate of contributing to financial stability. As lender of last resort (LOLR for short), the SNB stands ready to step in during crisis situations – when banks' own liquidity buffers are no longer sufficient to cover their needs. A recent example was the liquidity assistance provided to Credit Suisse in March 2023. This event gave rise to renewed interest in how we design and implement liquidity support.

I would first like to examine the evolution of our role in this regard, and how we developed our framework for emergency liquidity assistance (ELA). Looking to the future, I will then describe our new framework for liquidity support, centred on the Extended Liquidity Facility (ELF). The ELF encompasses ELA and brings liquidity support closer to standard operations. I will end with some recommendations for strengthening banks' resilience to liquidity risk more broadly.

1. The evolution of the SNB's LOLR role

Let us start with a historical perspective to understand how past experience has shaped the framework we rely on today. The SNB's role as lender of last resort was acknowledged with the revision of the National Bank Act (NBA) in 2003 as part of its mandate to contribute to financial stability, but its roots go back much further.

The origins of the LOLR role

In fact, central banks have always played a key part in preventing financial crises and banking panics. Traditionally, they have done so by providing loans to solvent but temporarily illiquid banks against collateral. The theoretical foundations for this role were established in the 19th century by economists such as Henry Thornton and Walter Bagehot.[1]

Banks use short-term, demandable liabilities (such as sight deposits) to finance long-term, less liquid assets (such as loans). This transformation makes them inherently vulnerable to liquidity risks. If too many depositors withdraw funds at once, even a fundamentally sound bank may struggle to meet its obligations. Central banks are uniquely positioned to help because they can create liquidity in their own currency.

[1] Thornton, H. (1802), An Enquiry into the Nature and Effects of the Paper Credit of Great Britain and Bagehot, W. (1873), Lombard Street: A Description of the Money Market.

While the SNB's role as LOLR was not explicitly defined when it was established in 1906, it acted in this capacity from an early stage. In 1912, it provided liquidity assistance to stop a run on Thurgauische Hypothekenbank, and it supported banks in Ticino and Uri in 1914. More examples have followed over the decades.[2] One pivotal episode was the real estate and banking crisis of the 1990s. Although no interventions were made in the end, the crisis highlighted the need for clearer liquidity support conditions and a more formalised approach.[3]

Let me briefly reflect on the policy shift that emerged from this experience. Until the 1990s, the SNB – like many other central banks – used a policy of what was known as 'constructive ambiguity'. This meant that banks were kept uncertain about liquidity support to discourage excessive risk-taking. The core idea was to limit moral hazard, i.e. banks taking undue risks in expectation of central bank support in a crisis. The experience in the 1990s prompted a shift towards 'constructive clarity', a term coined by former SNB Vice Chairman Niklaus Blattner.[4] This meant that eligible banks knew the conditions for liquidity assistance in advance, and could adjust their liquidity and crisis management accordingly.

The policy shift aligned with, or perhaps anticipated, global trends. Central banks worldwide abandoned constructive ambiguity for a more structured approach. This new strategy, still in use today, emphasises clear terms for liquidity support alongside liquidity regulation to reduce moral hazard and, ultimately, the need for LOLR intervention.[5]

The ELA framework

The insights from the 1990s crisis were incorporated in the 2003 revision of the NBA, which formalised and strengthened the SNB's role as lender of last resort as part of its broader mandate to contribute to financial stability.[6] Based on the 2003 revision, the SNB introduced its ELA framework, with three main conditions for liquidity assistance: (i) only against sufficient collateral, (ii) only for solvent banks, and (iii) only for banks or groups of banks relevant for financial system stability.[7]

The first two conditions – collateralisation and solvency – are historically established standards to protect public funds and avoid any overreach by the SNB into fiscal policy. The

---

2 SNB (1932), Die Schweizerische Nationalbank 1907–1932, (in German) pp. 415 et seq.

3 The SNB outlined an intervention strategy, in acknowledgment of its LOLR role. Lusser, M. (16 February 1993), Die Regionalbanken und die Schweizerische Nationalbank – Eine Standortbestimmung [Speech], SNB.

4 Blattner N. (25 May 2004), System stability and security of the systems [Speech], SNB.

5 Cf., for instance, Enoch, C., Stella, P. and Khamis, M. (1997), Transparency and Ambiguity in Central Bank Safety Net Operations, IMF Working Paper 97/138, or Shafik M. (26 February 2015), Goodbye ambiguity, hello clarity: the Bank of England's relationship with financial markets [Speech], Bank of England.

6 According to the Dispatch on the Revision of the NBA (in German, pp. 6184 and 6186–6187), while the term LOLR was deliberately not included in the NBA, the legislator regarded this role as part of the tasks to supply the money market with liquidity and to contribute to financial stability as outlined in art. 5, para. 2, lit. (a) and (e) NBA.

7 The framework was published as part of the 'Guidelines of the SNB on monetary policy instruments'. The current version is available online: https://www.snb.ch/en/the-snb/organisation/legal-framework#richtlinien.

SNB is required by law to ensure that liquidity support is secured by sufficient collateral.[8] The solvency requirement means that only viable banks receive support, preventing the SNB from artificially prolonging the life of unsound banks.[9] The third condition – limiting support to banks or groups of banks of systemic importance – was introduced with a pragmatic focus on making ELA operational for Switzerland's two largest banks at the time, UBS and Credit Suisse. In addition to these conditions, a formal approval by the SNB's Governing Board is required on a case-by-case basis.

The SNB made liquidity assistance operational for UBS and Credit Suisse in 2004. Mortgages were used as collateral, given that they are especially suitable for banks for this purpose: They make up a large part of Switzerland's domestic credit volume and are inherently illiquid.

Over time, the SNB extended the scope of liquidity assistance in three phases.[10] First, in 2015, the range of eligible collateral was widened to include securities such as bonds and equities in various currencies. Second, from 2015 to 2019, preparations were extended to include PostFinance, Raiffeisen Group and Zürcher Kantonalbank, following their designation as systemically important. Finally, starting in 2019, work began on broadening liquidity support to cover all banks in Switzerland. In 2023 and 2024, the SNB publicly announced that liquidity support against mortgages and securities as collateral would be available to all banks. As I'll describe in a moment, the SNB is currently working on making this fully operational.

Looking back, the SNB's preparations for liquidity assistance were essential in safeguarding financial stability in Switzerland. In March 2023, Credit Suisse received liquidity support totalling CHF 168 billion, including ELA and additional support under emergency law.[11] This represented the largest amount of liquidity support ever provided to a single bank anywhere in the world. It was delivered with same-day execution in three currencies – Swiss francs, US dollars and euros. This was only possible thanks to the preparations and regular testing of the SNB operations including ELA. Yet, the scope of this support was limited by Credit Suisse's insufficient collateral preparation. I will return to lessons learned from the Credit Suisse crisis later.

2. The Extended Liquidity Facility (ELF)

This takes us to the present. The SNB is currently working on introducing a new framework for liquidity support for financial stability purposes, centred on the Extended Liquidity

[8] The law stipulates that the SNB must have 'sufficient collateral', leaving the SNB to decide what qualifies as sufficient, cf. art. 9, para. 1 (e) NBA, and the Dispatch on the Revision of the NBA (in German, pp. 6198 et seq.). In practice, the SNB applies risk-based discounts (haircuts) to the collateral received.

[9] Banks must be solvent, or there must be a credible plan to restore solvency. In practice, the SNB requires a solvency confirmation by the bank and an assessment thereof by FINMA.

[10] Cf. the report on the conduct of federal authorities in the context of the Credit Suisse crisis, a report by the Parliamentary Investigation Committee of 17 December 2024, table 11 (available in German, French and Italian).

[11] Cf. SNB (2023), Financial Stability Report 2023, pp. 24–25, 38.

Facility (ELF). The ELF encompasses ELA and brings the support closer to standard operations. It builds on the announcements made in recent years to extend liquidity support to all banks in Switzerland and makes drawing conditions more flexible. Let me walk you through its key features and explain why we have designed it this way.

Greater flexibility and reduced stigma

The primary purpose of the ELF is to provide liquidity support when banks deem their own liquidity buffers no longer sufficient. A key feature of the ELF is simplified access to limited-volume liquidity support. Banks can draw liquidity up to a predefined limit without the need to confirm their solvency, and without additional preconditions such as having exhausted market funding. Removing the solvency confirmation for sound banks should not be viewed as a deviation from the solvency requirement outlined earlier. If there are concerns about solvency, the SNB can suspend this simplified access.

For liquidity needs exceeding the predefined limit, a more rigorous process applies, similar to the ELA framework. This includes confirmation of solvency from FINMA and a formal decision by the SNB's Governing Board. This case-by-case assessment remains crucial, as large-scale liquidity support often requires additional, coordinated efforts from both the bank and the authorities to address underlying issues and maintain stability.

A key goal of the more flexible drawing conditions is to reduce the stigma that can be associated with liquidity support. Banks may hesitate to use liquidity support for fear of signalling financial distress to the market. With the simplified access to limited volumes of liquidity, the ELF brings liquidity support closer to standard operations and reduces its 'emergency' nature. Thus, the ELF encourages banks to seek liquidity support at an early stage if they need it, without hesitation.

At the same time, the ELF is designed as a backstop facility. This means that the ELF's pricing will be set above market rates during normal times, ensuring it remains unattractive when markets are not stressed. The ELF should thus not serve as a primary source of funding for banks under normal conditions and should not interfere with or undermine banks' primary responsibility to manage their liquidity risk.

Our efforts are in line with global trends. Central banks around the world are rethinking the design of liquidity facilities for financial stability purposes, with a view to reducing stigma.[12] The challenge lies in balancing two competing considerations: too much accessibility could make banks overly dependent on central bank support, while being too restrictive could increase stigma and discourage banks from seeking support when needed. The ELF strikes a

[12] Cf., for instance, Coelho, R. et al. (2024), Navigating liquidity stress: operational readiness for central bank support, FSI Insights, or Arseneau, D. et al. (2025), Central bank liquidity around the world, FEDS Notes. Efforts of the SNB to reduce stigma are not new. For example, during the Global Financial Crisis, the SNB reduced the special-rate surcharge on the liquidity-shortage financing facility to ease access. Further examples are the modification of disclosures of monetary policy data in 2008 as well as the extension of the SNB COVID-19 refinancing facility in March 2020 for systemically important banks to include mortgages and securities as collateral in addition to COVID loans.

balance by allowing easier access to smaller amounts while keeping a formal evaluation in place for larger interventions. The SNB will monitor and reassess the conditions of the ELF, ensuring that it evolves to maintain the right balance over time.

A broad collateral framework

As mentioned, the ELF builds on the announcements made in 2023 and 2024 to extend liquidity support to all banks, using mortgages and securities as collateral. The range of collateral accepted includes mortgage claims on both residential and commercial properties, provided the underlying real estate is in Switzerland. Notably, this also covers most Swiss business loans. The eligible collateral also includes securities such as bonds issued by borrowers with lower credit ratings, as well as securitisations and shares in various currencies.

This broad collateral framework ensures the SNB can offer liquidity support under diverse market conditions and to banks with different business models. As in the past, the range of eligible collateral will continue to evolve, including through ongoing dialogue with the banks, to ensure its relevance and effectiveness.

An important prerequisite is that it must be possible to legally transfer or pledge the collateral to the SNB. Banks' preparations remain key in this regard: For the ELF to function effectively, banks must ensure they have sufficient collateral prepared ready for transfer to the SNB. This involves addressing legal aspects, such as amending transfer clauses in mortgage contracts.

Looking ahead: implementing the ELF and beyond

The SNB is currently working with the banks and SIX, Switzerland's largest financial market infrastructure provider, to make the ELF operational on a large scale – a process that will take some time. The aim is to achieve a high level of standardisation and automation close to the handling of open market operations such as repos and SNB Bills. We will keep the public informed of our progress and share further details on pricing and borrowing limits with banks in due course.

While our focus here today is on the ELF, it is worth mentioning that the SNB is also making changes to its facilities that support the payment system. These facilities are designed for managing liquidity under normal market conditions. Specifically, the SNB has recently set out plans to consolidate its intraday facility and liquidity-shortage financing facility into a new 'Payment System Support Facility' (PSSF).[13] Together, the PSSF and the ELF will form a comprehensive liquidity framework, allowing the SNB to address a wide range of liquidity needs – from routine payment flows to unexpected liquidity shortages and, in extreme cases, financial stability crises.

---

[13] Tschudin P. and Moser T. (10 April 2025), Fast and available round the clock: What instant payments mean for households, companies and financial institutions [Speech], SNB.

3. Strengthening banks' resilience to liquidity risks

So far, I have focused on the SNB's liquidity support to banks. When reflecting on this support, it is essential to view it within the broader context of banks' resilience to liquidity risk. This resilience relies on three lines of defence: first, banks' own liquidity provisions; second, the SNB's liquidity support; and third, a potential Public Liquidity Backstop (PLB). Let me give you some takeaways on the Federal Council's current efforts to strengthen liquidity regulation across these three lines of defence, which the SNB supports.[14]

Strengthening banks' liquidity provisions

First and foremost, it is the responsibility of banks to maintain sufficient liquidity to manage their risks. This is the first line of defence.

A key lesson from the crisis at Credit Suisse has been that banks' liquidity provisions should be strengthened further. An important regulatory requirement in this regard is the Liquidity Coverage Ratio (LCR), which measures a bank's ability to withstand liquidity shocks.[15] In the case of Credit Suisse, the outflows were significantly larger and occurred much more rapidly than assumed in the LCR framework, particularly for high-value retail deposits. Looking ahead, the SNB supports an internationally coordinated review of the LCR by the Basel Committee on Banking Supervision to reassess the underlying stress scenarios.

The goal of this review is not to require banks to self-insure against every potential liquidity risk. It would not be efficient for them to maintain liquidity reserves to cover all conceivable scenarios of liquidity stress. This is precisely why central bank liquidity support, secured by collateral, remains essential.

Introducing a minimum collateral requirement

This brings me to the second line of defence: our liquidity support under the ELF. As mentioned, the effectiveness of this support depends on banks ensuring the transferability of assets to the SNB. Another key lesson from the Credit Suisse crisis has been that the bank's preparations in this regard were inadequate. A substantial proportion of Credit Suisse's eligible assets was not readily available to obtain liquidity assistance from the SNB.

To address this issue, the Federal Council has proposed the introduction of a requirement for banks to prepare a minimum amount of eligible collateral to ensure access to central bank liquidity when needed. The SNB fully supports this proposal. This not only encompasses liquidity support from the SNB, but also potentially from foreign central banks. Banks that

[14] The Federal Council is currently working on a package of measures to strengthen banking regulation based on the gaps identified in its report on banking stability of 10 April 2024. A formal public consultation is scheduled to begin in the first half of 2025 for some of these measures.

[15] Under the LCR, banks must hold enough high-quality liquid assets to cover potential outflows for 30 days. For systemically important banks, the Liquidity Ordinance additionally requires them to maintain sufficient liquidity to cover a 90-day liquidity crisis.

operate internationally can also face the risk of liquidity shortfalls in foreign currencies and in different jurisdictions.

Anchoring the PLB in law

Despite these two first lines of defence, situations may arise where outflows exceed a bank's liquid assets and its collateral available for central bank liquidity support. In such cases, additional government-backed liquidity support under the PLB can serve as a third line of defence as part of a restructuring of the affected bank. In the UK, the US, the EU and elsewhere, a PLB or a similar instrument forms part of the financial stability toolkit.[16] The case of Credit Suisse, where a PLB was implemented under emergency law, has highlighted the need for such a mechanism in Switzerland as well.

The Federal Council and Swiss Parliament are working to embed a PLB for systemically important banks into ordinary law. The SNB supports this, as it reinforces the established division of responsibilities among authorities. The SNB can provide liquidity only against sufficient collateral; any further support must be decided by Parliament and the government.

Given the significant financial risks the PLB may pose for taxpayers, it is important to minimise the likelihood of this instrument needing to be used, as well as the potential scope when it is used. Strengthening banks' own liquidity buffers and ensuring they have a sufficient volume of prepared collateral for central bank liquidity support are key measures to reduce reliance on the PLB.

Closing remarks

Let me conclude with two reflections on the SNB's evolving role in providing liquidity support to banks.

First, fulfilling this role will continue to be of the utmost importance to the SNB. The extensive liquidity support we provided to Credit Suisse two years ago was crucial for maintaining financial stability. Looking ahead, we must keep evolving our framework to stay prepared for future challenges. The ELF is an important step in this direction. It builds on earlier announcements to extend liquidity support to all banks in Switzerland, and makes drawing conditions more flexible with the goal of reducing stigma. This will allow us to respond to a variety of situations.

Second, safeguarding financial stability will continue to require close collaboration between the SNB, other authorities including FINMA and the Federal Department of Finance, and the banks. By strengthening banks' liquidity provisions, adding a new requirement for banks to prepare a certain amount of collateral, and anchoring the PLB for systemically important banks in the law, we can collectively enhance the resilience of the financial system.

---

[16] For an international overview of PLB frameworks, cf. the Federal Council's dispatch on the introduction of a PLB of 6 September 2023, chapter 3.

Thank you.