# Philipp Hildebrand: Financial stability

Summary of a speech by Mr Philipp Hildebrand, Vice-Chairman of the Governing Board of the Swiss National Bank, at the Institut des Hautes Etudes Commerciales de Lausanne, Lausanne, 16 September 2008.

*The complete speech can be found in French on the Swiss National Bank's website (www.snb.ch).*

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During the period of financial market turbulence, central banks have gone far with their interventions to stabilize the financial system, taking into account the high costs that can be imposed by a banking crisis onto the real economy.

Central banks by themselves, however, cannot guarantee financial stability in the long term. In particular, we cannot exclude that their interventions create incentives for banks to be less cautious in the future. The first line of defence therefore consists of banks having sound risk management practices and holding appropriate levels of capital and liquidity. The Financial Stability Forum has made a series of recommendations in this respect.

Given the size of the big Swiss banks in relation to our national economy, we should be especially prudent. For this reason, the Swiss National Bank supports the project undertaken by the Swiss Federal Banking Commission (SFBC) to strengthen capital adequacy requirements and to revise the liquidity requirements for the big banks. As the SFBC has pointed out on several occasions, these measures have to be implemented gradually – to ensure that banks have sufficient time to adapt. These measures will contribute to the solidity and credibility of the Swiss financial centre. This will strengthen its position as a global leader in wealth management.