

# The Swiss Pfandbrief®

8050 Zurich, 6 May 2025, 1700, MR

# Agenda

Investors' requests:

Creditworthiness

Active issuer, liquid market, good price

## **The Swiss Pfandbrief® is not a covered bond**

- Cover pool regulated by law, not only a private agreement
- "The Swiss Pfandbrief®" is a registered trademark

## **Swiss Pfandbrief act**

- Special law since 25<sup>th</sup> June 1930
- Only marginally revised, provides legal certainty
- 1mm thick, 52 articles
- Purpose
  - "...to arrange long-term mortgage loans at possibly constant and low interest rates for land owners."

## Issuers

- Only two Pfandbriefinstitutes
  - Pfandbriefbank schweiz. Hypothekar institute AG
  - Pfandbriefzentrale der schweiz. Kantonalbanken AG

## No duopoly

- Pooling makes sense because of the small size of Switzerland
- Every Swiss bank has the right to membership (conditions apply)
- Outsourced, legally independent
  - Bond issuing department
  - Cover pool

## **Pfandbrief institutes**

- Special institutes with limited scope
  - Issuance of Swiss Pfandbriefe®
  - Loans to member banks
  - Investment of own funds
- No currency risk
- No maturity mismatch
- No interest rate risk
- All borrowers (banks) are shareholders

## Cover pool

- Cover value
  - Valuation regulations authorised by Swiss Federal Council
  - Loans against pledge of first-class mortgages in CHF and in Switzerland only
  - Loan to value
    - By law: Max. 2/3 of lending value
    - Actual: Considerably lower
  - Member banks legally obliged to increase coverage in case of insufficient overcollateralisation
  - Only around 15 % of all Swiss mortgages are pledged to the Pfandbrief institutes, but the best ones
  - Mortgages stay on balance sheet of member bank (difference to the USA)
  - Mortgage certificate kept by member bank (segregation obligation)

## Supervision

- Pfandbriefbank
  - Supervises electronic cover pool on a daily basis
  - Cover pool committee reviews substantial mortgages and visits major properties
- Swiss Federal Council
  - Authorises bylaws and valuation regulations
  - Nominates one member of the board of directors
- PwC audits and reports to Swiss Financial Market Supervisory Authority (FINMA) directly
- FINMA is supervisory authority
- Moody's rates Swiss Pfandbriefe<sup>®</sup> with Aaa
- Investors analyse the annual reports
- Capital market values Swiss Pfandbriefe<sup>®</sup> on a daily basis

## Fourfold security

- Pfandbriefinstitute
- Member bank
- House owner
- Property

Assets

Assets

Assets without property

Market value

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## Liquid market

- Outstanding Swiss Pfandbriefe<sup>®</sup>: CHF 184 billion (incl. private placements)
- Largest domestic debtor before Swiss treasuries (CHF 82 billion)
- 36 % of all domestic bonds in CHF quoted at SIX Swiss Exchange are Swiss Pfandbriefe<sup>®</sup>
- Annual issuance considerably higher than Swiss treasuries
- Average size of a public placement: CHF 550 million
- Price and size depend either on demand of investors and member banks
- Market for Swiss Pfandbriefe<sup>®</sup> remained open during financial crisis (both primary and secondary market)

- Pfandbriefbank
  - Regular issuer
    - 2024: 12 different issue dates, 40 placements, CHF 10.6 billion
    - 2025: 4 different issue dates, 15 placements, CHF 4.5 billion
  - Date of issuance
    - Maturity date of a Pfandbrief
    - Issuance slot (good opportunity)
    - Tailor-made on specific demand of member banks or investors
  - Mostly public Pfandbriefe, but private placements as well
  - Major investors: Insurance companies, Asset managers, pension funds and banks

- Secondary market
  - A good and solid two way system (even for bigger tickets)
  - Average traded volume per month > CHF 1.6 billion
- Market makers are UBS, Raiffeisen and GPG (Gruppe der Privat- und Geschäftsbanken)

## Transparency

The Swiss Pfandbrief®

- Is standardised (commodity)
- Is denominated in Swiss Francs only
- Generally has a minimum duration of 3 years (no limitations for longer durations)
- Has a fixed coupon
- Has not changed since its establishment in 1930 (legal certainty)

# The Swiss Pfandbrief®

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