

## Swiss Parliament adopts motion on dividend and executive pay rules at systemically important banks

*On 8 September 2025, after prior approval by the Council of States, the National Council of the Swiss Parliament approved a revised version of the Stark motion, a parliamentary motion aimed at regulating compensation received by senior managers of Swiss banks. While the motion's original purpose was to set a maximum remuneration of 3–5 million Swiss francs, the revised motion adopted by Parliament abandoned this cap. It now solely requires that compensation systems do not create adverse incentives and that variable compensation, as well as dividend distributions, are linked to actual positive results.*

### Context and developments

As it currently stands, the Swiss Financial Market Supervisory Authority FINMA ("FINMA") has already set several standards on remuneration for financial institutions in its Circular 2010/1 on remuneration schemes. Accordingly, remuneration schemes must be simple, transparent, implementable, and oriented towards the long term. While the Board of Directors is ultimately responsible for determining the financial institution's remuneration policy, the firm's independent control functions and experts must be involved in its design and application. Furthermore, publicly listed banks must establish a remuneration committee, which is also required for systemically important banks ("SIBs") under FINMA Circular 2017/1 on corporate governance for banks.

However, even though variable remuneration is also regulated under these standards, this has not prevented controversies on the subject from arising, as FINMA's standards are not directly enforceable, making them an insufficient supervisory instrument. The Stark motion in fact finds its origin in the aftermath of the Credit Suisse crisis, which saw one of Switzerland's global systemically important banks disappear through a merger with its main competitor. Following the merger of UBS and Credit Suisse, the ad hoc Parliamentary Investigation Commission ("PIC") issued a series of recommendations on how to amend Switzerland's regime for SIBs. More specifically, the PIC and FINMA found that the latter had made appropriate use of its supervisory instruments in attempting to positively influence Credit Suisse's remuneration policy.

Nevertheless, this did not prevent Credit Suisse from distributing excessive bonuses despite its recurring losses, as FINMA's supervisory instruments in this regard were insufficiently binding. As such, in its report of 10 April 2024 on banking stability, the Swiss Federal Council spoke in favour of creating formal legislation on remuneration systems.

Furthermore, according to the Federal Council, a stronger correlation between remuneration and accountability of senior managers is necessary.

In a similar fashion, the PIC recommended that SIBs implement remuneration policies that do not produce adverse incentives and discourage excessive risk-taking. In particular, variable remunerations must not be granted in the absence of positive commercial results.

### Evolution of the parliamentary motion

In this context, Mr Jakob Stark (Swiss People's Party) filed a parliamentary motion seeking to modify the Federal Act on Banks and Savings Banks ("BA") to limit compensation in the banking sector to CHF 3–5 million, arguing that the level of this amount was necessary to uphold the competitiveness of Switzerland's financial sector.

The Federal Council was against the initial motion, recommending that Parliament reject it, which likely led to the amendment thereof by the National Council. Indeed, upon internal discussions, the National Council decided that rejecting the motion would suggest that there was no need for action. Nevertheless, the National Council found that this motion was too restrictive and that it should be adapted to align with the recommendations issued by the PIC. Consequently, the motion's scope of application was limited to SIBs and it was decided that it should prohibit variable remuneration and dividend distributions in the absence of commercial success, as well as remuneration policies that create adverse incentives. As such, the initially planned maximum amount for compensation of CHF 3–5 million was abolished and the amended motion was accepted and submitted to the Federal Council, which is now in charge of preparing an amendment to the BA and other legislation.

## **Comparative analysis – the United Kingdom's regulatory remuneration regime**

If Switzerland were to adopt such a regime for senior managers of SIBs, it would certainly not be the first jurisdiction to impose restrictions on the remuneration of senior managers. The United Kingdom has, for example, already adopted a regulatory remuneration regime, most notably in the PRA rule book and in the supervisory statement (SS) 2/17 – Remuneration.

However, the UK regulators are concerned that firms are not consistently applying remuneration adjustments to accountable individuals in the management chain who may have indirect responsibility for failure or misconduct. Consequently, the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA") are currently amending their regulatory framework to find ways to strengthen individual accountability, particularly for senior managers, by better aligning the regulatory remuneration regime with the Senior Managers and Certification Regime ("SMCR").

This reform follows another amendment to the UK's remuneration regime adopted in October 2023, in which the bonus cap for senior managers of banks was abolished. The reason for this modification was the observed increase in the proportion of the fixed component of bankers' remuneration.

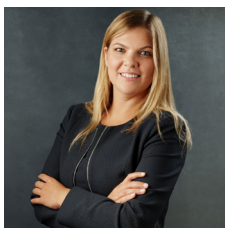
By abolishing the bonus cap, the regulators aimed to permit more flexibility in order to better align financial incentives and monetary rewards with prudent risk management and improved market conduct.

The comparison reveals that while both jurisdictions are evolving their remuneration frameworks, they are at very different stages of maturity. The UK has already established comprehensive individual accountability mechanisms through the SMCR and is now fine-tuning the alignment between remuneration and accountability. Switzerland, by contrast, is taking its first formal legislative steps to establish such a link following the Credit Suisse crisis. Nevertheless, both jurisdictions share a common approach of shying away from rigid remuneration caps, instead favoring performance-based systems that seek to establish stronger links between commercial success and the amount of remuneration received.

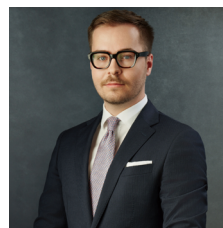
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Overall, the Swiss and UK regimes illustrate the global tendency to strengthen the requirements for good corporate governance in banks and financial institutions. Ultimately, the Swiss parliamentary motion reflects a broader effort to restore trust and resilience in the Swiss banking sector after the Credit Suisse crisis.

Should you require any further information on this subject, please do not hesitate to contact the authors or your usual contact person at Borel & Barbey. Our specialists will be pleased to assist you.



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