

Surety and guarantee risks

Finance Delegation of the Federal Assembly

Key facts

The Finance Delegation of the Federal Assembly instructed the Swiss Federal Audit Office (SFAO) to assess the risks associated with sureties and guarantees. As at 1 January 2017, the recognised contingent liabilities and provisions associated with sureties and guarantees totalled CHF 20.1 billion. The audit showed that, in the current environment, there is a high likelihood that the Confederation will have to make payments of approximately CHF 1.1 billion (5%) associated with sureties and guarantees. In particular, federal sureties in connection with oceangoing vessels continue to be threatened by defaults. As at 31 December 2017, additional provisions were expected to be established for this purpose. Their amount cannot yet be reliably estimated.

For matters in the amount of CHF 4 billion (20%), the probability of risks occurring is classified as "medium". In the majority of cases (CHF 15 billion, or 75%), the probability of occurrence is deemed to be "low".

This assessment is a snapshot and can change. It depends to a large extent on the global and local development of the economy and financial markets. The focus is on sureties and guarantees of around CHF 17.5 billion. If the global or even local development of the financial and economic situation was to be decidedly negative, default risks with severe damage could result for the Confederation. Political decisions could also have an adverse effect.

Sureties and guarantees generally involve an inherent risk of default. These two instruments should be used sparingly as a matter of principle in the case of high inherent risks. Moreover, risk diversification should be taken into account when issuing sureties. The exposure to damage can thereby be reduced as a preventive measure.

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