



INFORMATION
FACTORY

The Swiss Senior Management Regime (SMR)



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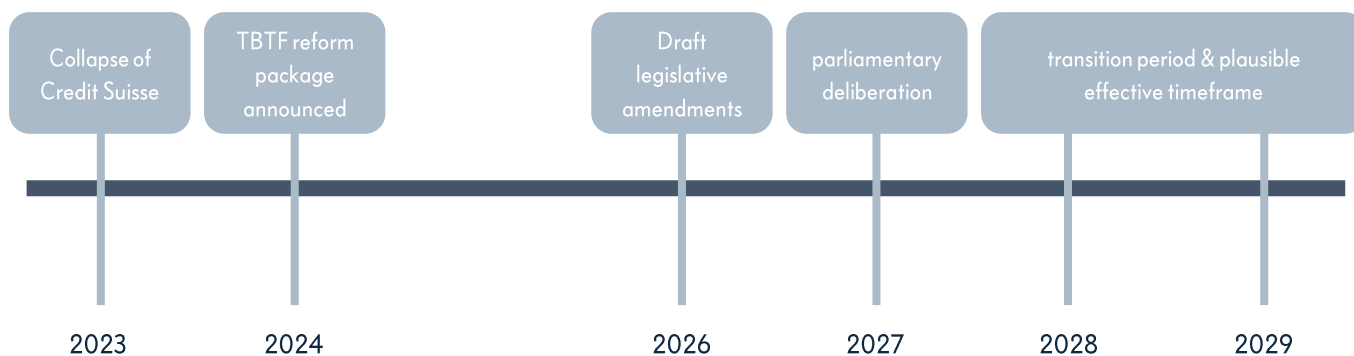
Executive Summary

Switzerland is moving toward the introduction of a Senior Management Regime (SMR) as part of the Federal Council's broader reform package addressing the too-big-to-fail (TBTF) framework following the 2023 collapse of Credit Suisse^{1,2}. The regime aims to strengthen individual accountability by requiring banks to formally allocate responsibilities to identifiable senior managers and maintain clear documentation of governance and decision-making structures.

While the details remain under development, Swiss banks will need to map responsibilities across governance structures, link them to fit-and-proper assessments, and ensure supervisors can identify accountability for key decisions.

International experience shows that impact depends on calibration. The United Kingdom and Ireland impose statutory "duty of responsibility" obligations, while Hong Kong relies on supervisory accountability. Switzerland's design choices will determine its position along this spectrum.

Although final implementation is unlikely before 2028, institutions that begin clarifying responsibility structures now will be better positioned. Fundamentally, SMR shifts the focus from static governance to traceable decision-making, requiring institutions to demonstrate not only who is responsible, but how decisions are taken in practice.



1. Federal Council draws lessons from Credit Suisse crisis and defines measures for banking stability, <https://www.babs.admin.ch/en/newsb/ty6FlsBuspE-AXC9CILJt>

2. Table with parameters for amendments to legislation TBTF <https://cms.news.admin.ch/dam/en/der-schweizerische-bundesrat/cYxquSiwptQM/tbtf-eckwerte-en.pdf>

1. The Swiss Senior Management Regime (SMR)

The Swiss SMR is a governance reform emerging from the reassessment of financial stability following the collapse of Credit Suisse in 2023. As part of the TBTF reform package, it aims to strengthen individual accountability and enhance supervisory enforceability.

The regime will require banks to allocate responsibility for key business areas and risk functions to identifiable individuals, supported by clear documentation of governance structures and decision-making authority.

More broadly, SMR reflects a policy shift toward preventing diffuse responsibility and unclear decision-making structures identified in past bank failures.

1.1 SMR Scope

The final scope of the Swiss SMR remains subject to legislative development and FINMA rulemaking. It is expected to initially apply to systemically important banks (G-SIBs and D-SIBs), with expected extension to smaller institutions over time.

The regime will apply to senior individuals with formally allocated responsibilities, including members of the board and executive management under existing fit-and-proper requirements (Article 3(2)(c) Banking Act). Larger institutions will likely see broader application to additional senior decision-maker roles.

The framework is expected to remain flexible to accommodate different governance structures. It will be implemented through amendments to the Banking Act, supported by the Banking Ordinance and FINMA guidance.

1.2 Implementation timelines

SMR forms part of the TBTF reform package announced in April 2024. Draft legislative amendments are expected in 2026, with parliamentary deliberation in 2027.

Following adoption, the Federal Council will define implementation details via the Banking Ordinance, with FINMA issuing supervisory guidance.

Banks will likely have a transition period of 12 to 18 months. The most plausible effective date is in the 2028–2029 timeframe.

2. Why SMR matters for Swiss banks

Swiss banks, particularly smaller institutions, often operate with lean governance structures and rely on collective decision-making. Responsibility is frequently embedded in processes rather than explicitly attributed to individuals.

SMR introduces formal individual accountability, requiring responsibilities to be explicitly assigned and documented in a way that allows supervisors to identify who is accountable for decisions and oversight.

At its core, SMR represents a shift toward traceable decision-making. Supervisory focus will extend beyond formal mandates to how decisions are actually taken, escalated and documented.

For most institutions, the impact lies less in changing operating models and more in formalizing how responsibility and decision-making are structured and evidenced.

3. Lessons from other jurisdictions

Switzerland is not entering new territory. Comparable regimes exist in the United Kingdom, Ireland and Hong Kong, though with different legal designs:

- The UK's Senior Managers and Certification Regime (SM&CR) combines formal responsibility allocation with a statutory duty requiring senior managers to take reasonable steps to prevent breaches.
- Ireland's SEAR follows a similar statutory model.
- Hong Kong's Manager-In-Charge (MIC) regime relies on supervisory expectations without a statutory duty of responsibility.
- The EU embeds accountability indirectly through governance and fit-and-proper requirements rather than a standalone regime.

The key distinction is whether a statutory duty of responsibility is imposed. Switzerland's approach will determine its position along this spectrum.

1.3 Proportionate implementation in Switzerland

FINMA has indicated that SMR should be proportionate and not impose unnecessary burden on simpler institutions.

Experience shows that impact depends on three factors:

- Proportionality: Differentiating requirements by size and complexity.
- Documentation: Avoiding excessive formalization that duplicates existing processes.

- Enforcement design: Statutory duties increase documentation expectations; supervisory models allow more flexibility.

Across jurisdictions, accountability frameworks are most effective when supported by clearly structured decision-making processes rather than relying solely on documentation.

4. Preparing for SMR: structuring accountability and decision-making

Early preparation allows institutions to strengthen governance without disruption. FINMA's supervisory approach emphasizes clearly defined responsibilities linked to fit-and-proper assessments.

In practice, this requires not only documenting responsibilities, but understanding how decisions are made. As a result, many institutions are starting to adopt more structured approaches to decision design, linking governance and operational processes.

Preparation can be structured around the two pillars detailed in sections 4.1 and 4.2.

4.1 Clarify accountability

The first step involves establishing a clear and explicit understanding of how responsibility is allocated within the organization.

This includes:

- mapping decision-making authority across governance bodies;
- identifying how key decisions are taken in practice, including committees and escalation paths;
- identifying overlaps, gaps and unclear accountability; and
- aligning documentation with actual practice.

This process aligns with the Federal Council's objective of strengthening the traceability of responsibility without fundamentally altering institutional business models.

4.2 Institutionalize accountability

Once responsibilities have been clarified, they should be embedded consistently across governance and control frameworks.

This includes aligning mandates, reporting lines and escalation procedures, and structuring decision-making processes so accountability is observable — for example through clearly defined decision owners and contributors.

The focus should be on coherence and senior ownership rather than documentation volume.

5. Decision design as an enabler of SMR

The implementation of SMR highlights a shift in regulatory expectations that Swiss banks move from static governance structures to dynamic, traceable decision-making capabilities.

Traditional governance frameworks focus on organizational charts, mandates and committee structures. However, these often fail to capture how decisions are actually made in practice, especially in relationship-driven environments such as private banking.

A decision design approach addresses this gap by explicitly structuring how decisions are defined, taken and documented across the organization. This typically includes:

- defining key decision types and their ownership;
- clarifying roles in decision-making processes (e.g. decision owner, contributors, oversight);
- mapping decision flows across governance bodies and control functions; and
- aligning decision processes with documentation and reporting requirements.

Institutions that can turn decision-making into explicit and repeatable tasks demonstrate accountability in a manner that is both operationally effective and supervisory-relevant. In the context of SMR, decision design therefore serves as a practical bridge between regulatory expectations and day-to-day management practice.

6. Conclusion

The Swiss SMR represents a significant shift in banking governance, introducing formal individual accountability as a core element of post-Credit Suisse reform.

For most institutions, the impact lies in formalizing accountability structures rather than changing operating models. The effectiveness of the regime will depend on its calibration.

The direction of travel is clear: accountability must be demonstrable. Institutions that clarify responsibility structures and align governance with actual decision-making processes will be best positioned for implementation.

Approaches that focus on structuring and evidencing decision-making — rather than increasing documentation alone — will play a central role in effective SMR implementation.

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