

Investment Policy Guidelines of the Swiss National Bank (SNB)

of 27 May 2004 (as at 1 January 2022)

1. Purpose and applicability

These guidelines define the scope of the Swiss National Bank's investment activity and make this scope transparent to the public. They detail the investments described in art. 9 para. 1 of the Federal Act of 3 October 2003 on the Swiss National Bank (Swiss National Bank Act, NBA) which the SNB may enter into in order to perform its investment policy tasks. In particular, the guidelines lay down the investment policy principles, the eligible asset classes and instruments, and the investment and risk control process. They do not directly constitute any rights or obligations of the SNB with regard to its counterparties or any rights or obligations of counterparties with regard to the SNB. In justified cases, the SNB may deviate from these guidelines without prior notification.

These guidelines apply to all assets managed by the SNB, including currency reserves (foreign currency investments and gold) and Swiss franc assets. The SNB's Terms of Business and any specific contractual agreements that may have been entered into are binding on the SNB's counterparties. The powers of the SNB's bodies and those of its employees in connection with its investment activity are governed by internal regulations and signing authorities.

2. Investment policy principles

The SNB manages its assets based on the mandate laid down in art. 5 para. 2 NBA.

In applying its investment policy, the SNB has two main objectives. The first is to ensure that its balance sheet can be used for monetary policy purposes at any time. In particular, the SNB must be in a position to expand or shrink the balance sheet if necessary. Its second objective is to preserve the value of currency reserves in the long term. In order to achieve these objectives, the SNB's investment policy must be oriented towards high liquidity and broad diversification.

A high degree of liquidity, in particular, is required to ensure room for manoeuvre in the implementation of monetary policy. The requirement for highly liquid investments is met by large holdings of government bonds in US dollars and euros. The goal of preserving the real value is pursued through broad

diversification of currencies; additionally, to improve the long-term risk/return profile, government bond holdings are supplemented by other asset classes.

The investment and risk control process is structured in such a way as to avoid conflicts of interest between monetary policy and investment policy. This is achieved by separating responsibility for monetary policy and investment policy operations as far as possible. In particular, measures are taken to ensure that no privileged information from within the SNB can influence investment activity and that no unintentional signalling effects are created. For this reason, the SNB does not generally invest in Swiss shares or in bonds issued by Swiss companies.

3. Asset classes

3.1 Fixed income investments

3.1.1 Tradable investments

Bonds across all maturities that can be traded via a liquid secondary market and feature in the leading bond indices are eligible.

Eligible issuers must be borrowers with an average rating of investment grade from the leading rating agencies.

Foreign currency bonds are managed actively, Swiss franc bonds passively.

3.1.2 Non-tradable investments

Time deposits (unsecured deposits), reverse repos and repos are eligible.

3.2 Equities

Shares in listed companies from advanced and emerging economies that feature in the leading share indices are eligible.

As regards its equity investments, the SNB pursues an investment approach that is as market-neutral and passive as possible by replicating individual stock markets in their entirety and thereby diversifying its investments as broadly as possible. In principle, the SNB does not engage in stock picking, nor does it overweight or underweight particular sectors.

One exception from the principle of broad market coverage relates to banks. Owing to its role vis-à-vis the banking sector as a central bank, the SNB refrains from holding shares in systemically important banks.

3.3 Gold

Art. 99 para. 3 of the Federal Constitution obliges the SNB to hold part of its currency reserves in gold. It keeps the gold physically as bars and coins and the gold holdings are stored both in Switzerland and abroad.

3.4 Derivatives

Investment may be made in derivatives on all eligible underlying assets, i.e. in interest rate swaps, interest rate and equity index futures, foreign exchange options and forward foreign exchange transactions, and credit derivatives.

Derivatives are regarded as substitutes for the assets underlying the contracts. They are principally used in situations when the derivatives market is more liquid than the spot market or if doing so allows an investment position to be managed more efficiently and cost-effectively.

3.5 Currencies

A large proportion of the SNB's investments is held in the world's most important and most liquid currencies. Other currencies are also included for diversification reasons.

4. Non-financial aspects of managing equities and corporate bonds

The SNB takes account of Switzerland's fundamental standards and values in its investment policy. It does not invest in shares and bonds of companies whose products or production processes grossly violate values that are broadly accepted at a societal level.

The SNB therefore does not purchase shares or bonds issued by companies that are involved in the production of internationally condemned weapons, seriously violate fundamental human rights or systematically cause severe environmental damage. This last category also includes companies whose business model is primarily based on the mining of thermal coal.

5. Responsibilities

5.1 Admission of investments

The Governing Board sets out in detail the universe of eligible investments specified in section 3.

5.2 Investment policy

The Governing Board defines the investment policy. Specifically, it sets the balance sheet structure, the investment targets and restrictions, the investment universe, investment strategy and the degree of operational flexibility. Generally, the investment policy is reviewed annually and, where necessary, aligned with changes in monetary policy requirements and market conditions.

Risk Management sets out the investment strategy in detail by putting together a strategic benchmark and investment guidelines.

5.3 Investment strategy implementation

With the investment strategy, the Governing Board determines the allocation of the foreign exchange reserves to the various asset classes. The internal Investment Committee is responsible for implementing the strategy. It may decide on tactical deviations from the strategic benchmark, provided these remain within pre-defined ranges.

Within the guidelines set by the Investment Committee and Risk Management, internal and external portfolio managers are responsible for the positioning of the individual portfolios. Most of the investments are managed by internal portfolio managers. External asset managers are used for benchmarking purposes and in order to obtain more efficient access to specific asset classes. Implementation performance is measured against the strategic benchmark.

5.4 Risk management

Risk Management is responsible for risk identification, analysis, control and reporting. Compliance with all the specifications of the Governing Board and the investment guidelines is ensured as part of the risk control process.

Asset-related risks are systematically identified, assessed and monitored. Risk and return are measured based on standard methods and procedures. Risk Management reports directly to the Governing Board and the Bank Council's Risk Committee. The Risk Committee monitors risk management and governance issues associated with the investment process on behalf of the Bank Council.

6. Counterparties

6.1 Counterparties for securities transactions

Securities transactions are conducted with counterparties offering competitive pricing and high-quality settlement. The universe of eligible counterparties is regularly reviewed.

6.2 Counterparties for non-tradable investments and derivatives

Transactions involving time deposits, repos and derivatives are conducted with counterparties that are of adequate credit quality. Master agreements are concluded with counterparties for derivative and repo transactions. In the vast majority of transactions, exposure is hedged using collateralisation agreements. Derivatives transactions may also be cleared through central counterparties.

6.3 Custodians

Securities are primarily held at leading international central depositories or at central banks, as well as at SIX SIS Ltd, and settlement takes place on a delivery versus payment basis.

7. Reporting on investment activity

In its Annual Report, the SNB publishes the principles underlying its investment and risk policy along with the composition of the assets at year-end and a summary of the key events during the reporting period. Current information on the structure of – and return on – investments is published quarterly at www.snb.ch, including a breakdown of investments by currency and asset class and details of bond durations and credit ratings.

8. Amendments to these guidelines

Any amendments to these guidelines will be determined by the Governing Board.

Issued by	Governing Board	Issued on	27 May 2004
Entry into force	27 May 2004	Owner	Risk Management unit
Legal basis	Art. 9 para. 1 NBA		
Replaces	–		
Amended on	Amended by	Amendment valid from	Section(s)
29.09.2005	Governing Board	29.09.2005	
05.10.2006	Governing Board	05.10.2006	
20.11.2008	Governing Board	20.11.2008	
04.09.2014	Governing Board	01.04.2015	1,2,3,4,5,6
09.12.2021	Governing Board	01.01.2022	2,3,4,5,6