Annual report 1995
Abridged version

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1. Economic developments – a summary

1.1 International economic and monetary developments

In 1995 the world economy grew once more, albeit accompanied by a weakening of the cyclical forces. In the OECD countries real gross domestic product increased by 2.4%, compared to 2.9% in the previous year. The levelling-off was particularly pronounced in North America. In the EU, by contrast, the average growth rate only fell slightly short of the year-earlier level. In central and eastern Europe the economic recovery continued; in a number of successor states of the Soviet Union production showed signs of stabilising following a massive decline. The Asian developing countries continued to expand rapidly while in Latin America the recovery began to wane. Africa's economic situation improved only marginally.

Slower growth in the OECD countries

World trade again increased markedly. According to estimates of the World Trade Organisation (WTO), which succeeded to GATT at the beginning of January 1995, the volume of world trade showed a similar rise – by 8% – as in the previous year. Significant stimuli emanated from the expanding globalisation and liberalisation of world trade.

Dynamic world trade

A number of divergent factors led to a slackening of economic activity in the OECD countries. In the United States and the United Kingdom demand was dampened largely by a gradual tightening of monetary policy until the beginning of 1995; with this measure central banks attempted to prevent overheating of the economy. In numerous industrial countries restrictive effects also emanated from fiscal policy. In Germany, Japan and Switzerland, whose currencies appreciated considerably, foreign trade put a brake on the economic upswing. In France and in several other countries that temporarily lifted interest rates in support of their currencies notably demand components sensitive to interest rates showed a decline. In Italy the fall in the exchange rate stimulated economic growth even though the central bank tightened the monetary reins.

Divergent causes of the slowdown in economic growth in the OECD countries

In the OECD countries employment rose at the same rate in 1995 as in the year before. While it exhibited distinctly slower growth in the United States, in the EU employment again showed a modest expansion for the first time since 1992. The United States witnessed a significant fall in unemployment levels. In most European countries, by contrast, they declined only slightly. The average unemployment rate in the EU countries dropped to 11%.

Slight decline in unemployment

At 2.4%, the average inflation rate in the large OECD countries was kept at the low level achieved in the previous year. In Germany inflation fell perceptibly, while in Japan consumer prices even showed a decline. Inflation remained low in the United States and in France, whereas it rose markedly in Italy, Canada and the United Kingdom.

Low inflation

Financial crisis in Mexico

Mexico slid into a financial crisis early in 1995. At the end of 1994, increasing economic and political uncertainties had led to a massive outflow of capital. Mexico therefore needed substantial amounts of foreign exchange within the short term. At the start of February, the country was granted international financial assistance on a large scale; in exchange for this, it undertook to implement a tight economic austerity programme. Confidence in the rapidly growing financial markets of the newly industrialised countries was temporarily shaken by the financial crisis.

Marked shifts in exchange rates

At the beginning of 1995 the dollar depreciated substantially. The fall of the dollar was accompanied by a concomitant weakening of the pound sterling, the Italian lira and the Spanish peseta. At the same time, the yen and the D-mark gained considerably in value. While the US currency firmed markedly against the yen in the second half of the year, it remained weak vis-à-vis the D-mark.

Varying orientation of monetary policy

A number of central banks eased monetary policy in 1995, their motives differing from country to country. In the United States the Federal Reserve lowered the overnight rate in July and December once the danger of an overheating economy and an inflationary push seemed to have been averted. The British monetary authorities decreased the benchmark rate for the same reason at the end of the year. The German Bundesbank reduced the benchmark rates in several steps since inflation was on the decline and the money supply expanding only slowly. Several European central banks followed in the footsteps of the Bundesbank. France and other European countries raised interest rates on various occasions in order to support their currencies. The Italian central bank tightened monetary policy in the first half-year following a renewed massive depreciation of the lira and a perceptible rise in inflation.

Expansionary monetary policy in Japan

The Japanese central bank again considerably relaxed monetary policy. It thereby reacted to the persistently weak state of business activity and the excessive appreciation of the yen. The low interest rates provided relief for the banks, which continued to be affected by the price collapse in the securities and real estate markets. Various institutions were forced to give up their business activity.

Declining long-term interest rates

Long-term interest rates declined worldwide after having risen steeply in the previous year. The fall was particularly marked in the United States, Japan and Germany and less pronounced in countries that tightened their monetary policies.

Lower public deficits

Public deficits contracted in numerous industrial countries as a result of the efforts being made to restore the balance in public finances. In particular the EU countries – in view of the planned monetary union – attempted to put their national budgets in order. The economic recovery, which had boosted the flow of revenue, also contributed to an improvement in public finances. In Japan, by contrast, the deficit continued to widen due to economic stagnation and the introduction of extensive programmes in support of economic activity.

Transition to EMU

The European Commission and the European Monetary Institute worked out the details of the procedure to be followed in the transition to EMU. Both institutions planned three transition stages extending over a total period of four-and-a-half years. In the course of the year it became increasingly evident that most countries would have difficulty in fulfilling the convergence criteria.

1.2 Economic developments in Switzerland

Weak business activity

In Switzerland the economic recovery remained modest in 1995. Real gross domestic product grew by a mere 0.7%, a distinctly weaker performance than the average figure in the OECD countries. The sluggish development of business activity was the result of persisting problems in the building industry, the public sector's efforts to economise and the strength of the Swiss franc.

Vigorous increase in equipment investment and stockbuilding

The growth in domestic demand was due to stockbuilding and the vigorous increase in equipment investment. Since the bulk of equipment is imported, however, investments in this field benefited domestic net product only to a small degree.

Export activity loses momentum

Exports of goods and services lost momentum due to the slowdown in business activity in the OECD countries and the appreciation of the Swiss franc. Nevertheless, they contributed significantly to the growth of real gross domestic product. As imports of goods and services exhibited a markedly stronger rise, however, overall foreign trade put a damper on growth.

Lower current account surplus

The current account surplus was lower than in the previous year, reflecting the considerably higher level of imports which resulted in a smaller trade surplus. Moreover, the surplus of invisibles diminished due to the massive decline in earnings from tourism.

Slower decline in employment levels

Employment levels decreased at a markedly slower pace. As in the previous year, the decline was due wholly to the reduction in full-time employment, while part-time employment increased substantially. Unemployment figures sank on an annual average, with the number of jobless persons falling notably in the first half of the year.

Higher prices due to value-added tax

Inflation, measured by the national consumer price index, was lower than expected, at 1.8%. The increase from the previous year's level, when inflation had amounted to a mere 0.9%, was attributable to the changeover from turnover tax to value-added tax on 1 January 1995.

Again lower deficit of the Confederation

The deficit of the Confederation decreased for the second time in succession due mainly to the higher revenue accruing to the Confederation following the introduction of value-added tax. The expenditure side was affected by smaller contributions to the unemployment insurance fund. Based on preliminary budgets, the financial situation of the cantons and the communes also showed an overall improvement.

2. Central bank policy and financial markets in Switzerland

2.1 Some features of Swiss National Bank policy

Price stability as medium-term goal of monetary policy

The monetary policy of the Swiss National Bank aims at keeping the price level stable in the medium term. The monetary base may therefore only be expanded in keeping with the leeway required by the economy for real growth within the limits of potential output. If the Swiss National Bank permits the monetary base to grow to the same extent in the medium term as potential output, it contributes to a stable development of demand for domestic goods and services and, consequently, also of the price level. Too large an expansion of the money supply would lead to excess demand. As production would not be able to meet the demand price rises would result.

Medium-term target path for the monetary base

For this reason, we orient the course of monetary policy to a medium-term target path for the seasonally-adjusted monetary base. This path represents an "ideal line". Demand for base money would follow this line if the price level remained stable and the overall output potential were always normally utilised. Price stability is regarded as being equivalent to an annual rise in the consumer price index of approximately 1%. The medium-term target path indicates the direction in which we should adjust the supply of base money. At the same time, we retain the option of reacting appropriately to unexpected developments such as strong fluctuations in the exchange rate and in the demand for money. The course of monetary policy can therefore temporarily deviate from the medium-term path. Nevertheless, in order to make our policy as transparent as possible, we issue a special statement at the end of each year to inform the public of our expectations concerning the following year's development of the monetary base. In addition, we publish quarterly forecasts of the monetary base that shed light on our plans for the immediate future.

Medium-term target path 1995 to 1999

At the end of 1994, we fixed – for the second time – a medium-term target path for the seasonally-adjusted monetary base for a period of five years, from the end of 1994 to the end of 1999. Along the medium-term target path the monetary base is envisaged to increase by 1% per annum. This growth rate is below the estimated increase of 2% in potential output. The shortfall reflects the continued trend towards cashless payments. Consequently, the velocity of the monetary base rises over time; bank note circulation, which accounts for over 90% of the monetary base, is expanding considerably more slowly than national product.

Monetary policy course envisaged in 1995

In 1995 we planned to expand the seasonally-adjusted monetary base by more than 1% in order to bring it closer to the medium-term target path. On account of the introduction of value-added tax and the anticipated continuation of the economic recovery, we expected the demand for base money to grow by approximately 2% from the fourth quarter of 1994 to the fourth quarter of 1995.

We intended to expand the money supply more or less in keeping with this demand. These intentions were based on the expectation that, due to the changeover to value-added tax, inflation would temporarily rise to approximately 3% in 1995. We also assumed that the continued economic recovery would lead to an increase in gross domestic product of just over 2% on an annual average.

Moderate increase in the demand for money in 1995

The monetary base exceeded the previous year's level by 1.4% in the fourth quarter of 1995. The discrepancy in relation to the target path was thus reduced somewhat. Growth, however, remained below the anticipated 2%. Due to the weak economic performance in 1995, the demand for money increased at a slower pace. The rise of 0.7% in gross domestic product fell short by two-thirds of the forecast figure. Inflation – at 1.8% – was also lower than expected. Both the sluggish pace of economic activity and the moderate inflation rate were due to the continued strengthening of the Swiss franc. In the fourth quarter of 1995, the effective real Swiss franc rate surpassed the year-earlier level by 7.2%.

Marked fall in interest rates

In the wake of the stagnating economy, the increase in the demand for money threatened to remain far behind our expectations. Without a more abundant supply of money and declining interest rates, we would have failed in our aim to narrow the gap between the monetary base and the target path. We therefore permitted money market rates to fall markedly and lowered the discount rate in four steps – from 3.5% to 1.5% – in the course of the year. This monetary policy oriented to the money supply somewhat eased the downward pressure on the real economy from the hard Swiss franc. On the other hand, we could not give in to demands from various quarters to take the Swiss franc exchange rate directly into account when implementing our monetary policy. A considerably more pronounced relaxation of monetary policy would probably have weakened the Swiss franc in the short term. The price stability achieved, however, would have been threatened in the medium term while our main task is to maintain price stability. In the long run, stable prices are an essential condition for the competitiveness of our economy. Moreover, it is not possible to pursue a money supply target and an exchange rate target simultaneously.

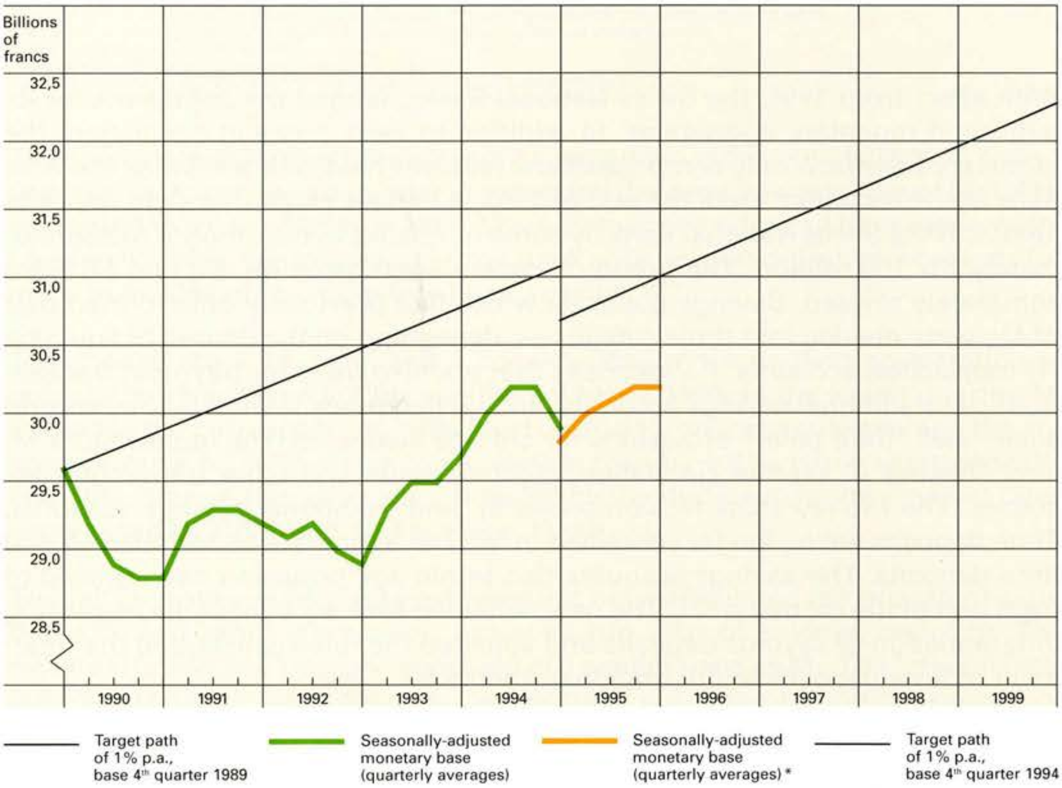
Accelerated growth of M_1

The money stock M_1 and the new aggregate M_2, which serve as additional monetary indicators, accelerated their growth in the wake of the interest rate decline to about 10% in the course of the year. The strong expansion of M_1 and M_2 reflected the high interest rate sensitivity of the two aggregates. The money stock M_3, which is less affected by interest-induced reallocations, grew much more slowly, by 3.3%. The growth rates of M_1 and M_2 should normalise in the next few months if interest rates on the money and capital markets do not decline any further.

We will continue to orient ourselves to a medium-term target path for the seasonally-adjusted monetary base. Further shifts in the demand for money cannot be ruled out. Notably bank note circulation is in future likely to be increasingly influenced by the trend towards cashless payments, a trend that cannot be reliably estimated. We will therefore adhere to our practice of periodically reviewing the indicator role of the monetary base and the target path and will also continue to observe the development of the broadly defined monetary aggregates.

Periodic review of the target path

Seasonally-adjusted monetary base



* New series (cf. table p. 13, footnote 1)

Monetary policy in 1996

In 1996 we intend, in agreement with the Federal Government, to continue implementing the monetary policy course followed in 1995. For the period from the fourth quarter of 1995 until the fourth quarter of 1996 we are again aiming at an expansion of the seasonally-adjusted monetary base of more than 1%. The gap between the monetary base and the medium-term target path is thus likely to narrow further in the course of 1996. As usual, we retain the option of deviating from the planned monetary course in case of serious disruptions in the financial markets.

Restrained economic recovery and low inflation in 1996

The monetary policy course envisaged is based on the assumption that real gross domestic product will rise by an annual average of 1.5% in 1996. Inflation is expected to decline to between 1%–1.5%. As the effects of the changeover to value-added tax have worn off, annual inflation should fall by more than a percentage point. This favourable influence will, however, be offset by slightly higher prices for imported goods and services, since the Swiss franc is likely to weaken according to most economic forecasters.

2.2 Development of the monetary aggregates

New definition of the monetary aggregates

With effect from 1995, the Swiss National Bank changed the definitions for its published monetary aggregates. In addition to bank notes in circulation, the monetary base now only comprises bank reserves held with the Swiss National Bank by Swiss banks. Until the end of 1994, it had also included sight deposits held with the Swiss National Bank by some nonbanks to the amount of approximately Sfr 100 million. The broad monetary aggregates M_1, M_2 and M_3 were completely revised. Savings deposits, which had previously only formed part of M_3, were divided into three categories, depending on the degree of liquidity: (1) transaction accounts, i.e. deposits that are also used for payment transactions, (2) traditional savings accounts, and (3) tied funds related to the "second pillar" and "third pillar" provisions for old-age insurance. The money stock M_1 now consists of cash in circulation, sight deposits and other transaction accounts. The money stock M_2 comprises M_1 and traditional savings accounts. Time deposits are no longer contained in M_2. The aggregate M_3 includes M_2 and time deposits. The savings accounts tied to old-age provision have ceased to form part of the money stock. The new definition took account of the increasing differentiation of savings deposits and adjusted the rules concerning the treatment of time deposits to international standards.

Development of monetary aggregates[1]

Quarterly and yearly averages

Year/ Quarter	Seasonally-adjusted monetary base[2]		Money stock M_1[3]		Money stock M_2[4]		Money stock M_3[5]	
	Billions of francs[6]	Change %[7]	Billions of francs[6]	Change %[8]	Billions of francs[6]	Change %[8]	Billions of francs[6]	Change %[8]
1990	28.9	–2.6	111.6	–5.1	227.5	–8.0	356.1	2.0
1991	29.2	1.4	113.7	1.9	231.4	1.7	365.6	2.7
1992	29.1	–1.0	116.0	2.0	237.9	2.8	373.2	2.1
1993	29.5	2.8	128.2	10.5	276.2	16.1	387.9	3.9
1994	30.1	0.6	135.4	5.6	304.4	10.2	407.7	5.1
1995	30.1	1.4	144.8	6.9	320.1	5.1	417.4	2.4
1995								
1st quarter	30.0	0.3	140.0	3.2	309.5	1.8	413.6	1.8
2nd quarter	30.1	0.0	141.9	5.1	313.5	2.8	415.9	1.5
3rd quarter	30.2	0.3	143.5	8.5	319.2	6.4	415.5	3.0
4th quarter	30.2	1.4	153.9	10.9	338.0	9.5	424.7	3.3

1 Definition 1995: for breakdown and calculation cf. Quarterly Bulletin 1 (1995).
2 Monetary base = bank note circulation + banking system's deposits with the SNB.
3 Money stock M_1 = Currency in circulation plus sight and other transaction deposits in Swiss francs (without precious metals) held by the resident nonbank public.
4 Money stock M_2 = M_1 plus "traditional" savings deposits in Swiss francs held by the resident nonbank public.
5 Money stock M_3 = M_2 plus time deposits in Swiss francs held by the resident nonbank public.
6 Averages based on monthly figures.
7 Annual changes: fourth quarter compared to a year earlier.
Quarterly changes: compared to the level in the same quarter of the previous year.
8 Percentage change in relation to the corresponding figures in the previous year.

Rise in bank note circulation and bank reserves

The seasonally-adjusted monetary base expanded more rapidly in 1995 than a year earlier. In the fourth quarter, it exceeded the previous year's level by 1.4%, compared to a rise of 0.6% in 1994. While seasonally-adjusted bank reserves increased by 5.6%, seasonally-adjusted bank note circulation, which accounts for more than 90% of the monetary base, rose by 1%.

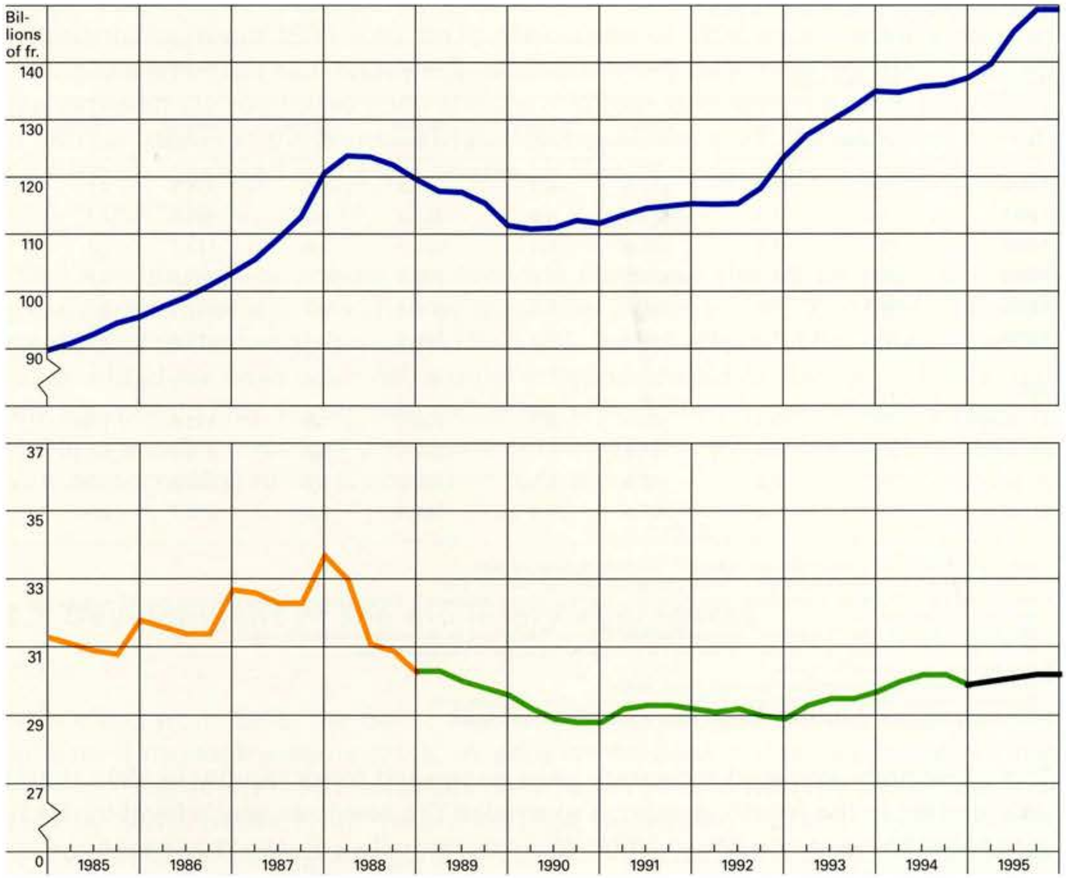
Accelerated growth of M_1 in the second half-year

The money stock M_1 exhibited a considerably more marked acceleration in growth than the monetary base in the course of 1995. In the fourth quarter, M_1 exceeded the corresponding 1994 level by 10.9%, on an annual average the aggregate grew by 6.9%. Cash in circulation rose by 0.9%, while sight deposits and other transaction accounts – boosted by the decline in money market rates – increased by 6.5% and 10.7% respectively.

Interest rate-induced shifts of time deposits into more liquid investment instruments

The fall in money market interest rates not only stimulated the growth of sight deposits and other transaction accounts but also of savings deposits. The money stock M_2 accordingly increased at a similar pace as M_1. The interest rate-induced decline in time deposits, by contrast, put a damper on the growth of the money stock M_3, which – at 2.4% – was actually lower than in the previous year (5.1%). Nevertheless, M_3 also expanded considerably more rapidly in the second half of the year.

Monetary base and money stock M_1 in billions of francs



Adjusted monetary base (quarterly averages)
Seasonally-adjusted monetary base (quarterly averages)
Seasonally-adjusted monetary base (quarterly averages) *
Seasonally-adjusted money stock M_1 (quarterly averages)

* New series (cf. table p. 13, footnote 1)

2.3 The financial markets

Money market

Renewed decline in money market rates

Swiss money market rates receded once more in 1995. On average, they fell approximately one percentage point short of the previous year's level. The call money rate decreased to 2.9% on average and was down to 2.3% in December. The three-month interest rate on Swiss franc deposits in the Euromarket declined to 1.9% in December, 2.2 percentage points lower than a year earlier. The issuing yield on federal money market debt register claims and the yield on three-month deposits at big banks sank in the same period by just over 2 percentage points to 1.7% and 1.3% respectively.

Discount rate lowered four times

The Swiss National Bank lowered the discount rate in March, July, September and December by half a percentage point each to 1.5%. The rate was cut in an endeavour to boost the unexpectedly slow rise in demand for base money.

Increased interest rate advantage of D-mark and dollar investments

In Germany and in the United States short-term interest rates declined less markedly than in Switzerland. In the Euromarket the interest rate advantage of three-month deposits in D-marks and in US dollars as compared to Swiss francs thus increased to 1.9 and 3.7 percentage points respectively in December 1995.

Foreign exchange market and exchange rates

Appreciation of the Swiss franc

The Swiss franc continued to appreciate against most currencies in 1995. In December its nominal export-weighted exchange rate index exceeded the previous year's level by 6.9%. On an annual average it rose by 5.7%.

Marked appreciation vis-à-vis the dollar and the yen

The Swiss franc exhibited a particularly marked rise vis-à-vis the dollar and the yen. Between December 1994 and December 1995 it appreciated by 14.2% against the dollar and by 16.1% against the yen.

Appreciation vis-à-vis the European currencies

The Swiss franc appreciated less markedly vis-à-vis the currencies of the EMS. In December it exceeded the year-earlier level in relation to the D-mark by 4.6% in nominal terms. On an annual average, the increase amounted to 2.1%. The Swiss currency strengthened by 4.7% against the French franc in the course of the year. It showed a stronger rise vis-à-vis the EMS currencies outside the Exchange Rate Mechanism (ERM); from December 1994 until December 1995 it advanced by 15.6% against the pound sterling and by 11.4% against the lira.

Nominal and real exchange rate index of the Swiss franc

Strong rise in the real Swiss franc exchange rate

The real (i. e. adjusted for relative rates of inflation in Switzerland and abroad) export-weighted exchange rate of the Swiss franc again showed a strong rise during 1995. In December, it exceeded the previous year's level by 7.6%. On an annual average, the real appreciation amounted to 5.9%, compared to 5.2% a year earlier.

Interventions in the foreign exchange market

The Swiss National Bank intervened three times in the foreign exchange market in 1995. At the beginning of March, at the end of May and in the middle of August it participated with a total amount of US$350 million – i.e. Sfr 423 million – in concerted central bank actions in support of the US dollar.

Capital market

Swiss bond yields fell substantially in 1995, more than offsetting the strong rise in the previous year. The average yield on federal bonds, which had amounted to 5.2% in December 1994, diminished to 3.7% by December 1995.

Lower yields on bonds

Bond yields dropped less markedly than money market rates. The average differential between the yield on federal bonds and that on three-month federal money market debt register claims rose from 0.8 to 2 percentage points within a year.

Steeper yield curve

The average interest rates paid by the cantonal banks on their new medium-term notes declined in the course of the year by 1.6 percentage points to 3.6%. The rates on savings deposits were lowered less drastically – by 0.5 of a percentage point. At the end of 1995 they amounted to 2.8%.

Marked decline in interest rates on medium-term notes, lowering of interest rates on savings deposits

The variable interest rates on old and new first mortgages remained at a level of approximately 5.5% in the first three quarters. During the fourth quarter the rates on new mortgages dropped to 5.1%, while the rates on existing mortgages only fell negligibly to 5.4%. Until the end of the year the banks announced further reductions in variable mortgage rates. Interest rates on new fixed-rate mortgages declined more markedly than those on variable-rate mortgages.

Reduction of interest rates on new mortgages near year-end

In 1995, the Swiss stock market recovered from the price slide in the previous year. The Swiss Performance Overall Index rose by almost a quarter from the beginning to the end of the year. Aside from the strong interest rate decline in the money and bond markets, the improved earnings situation of many enterprises also contributed to the recovery.

Pronounced share price rally

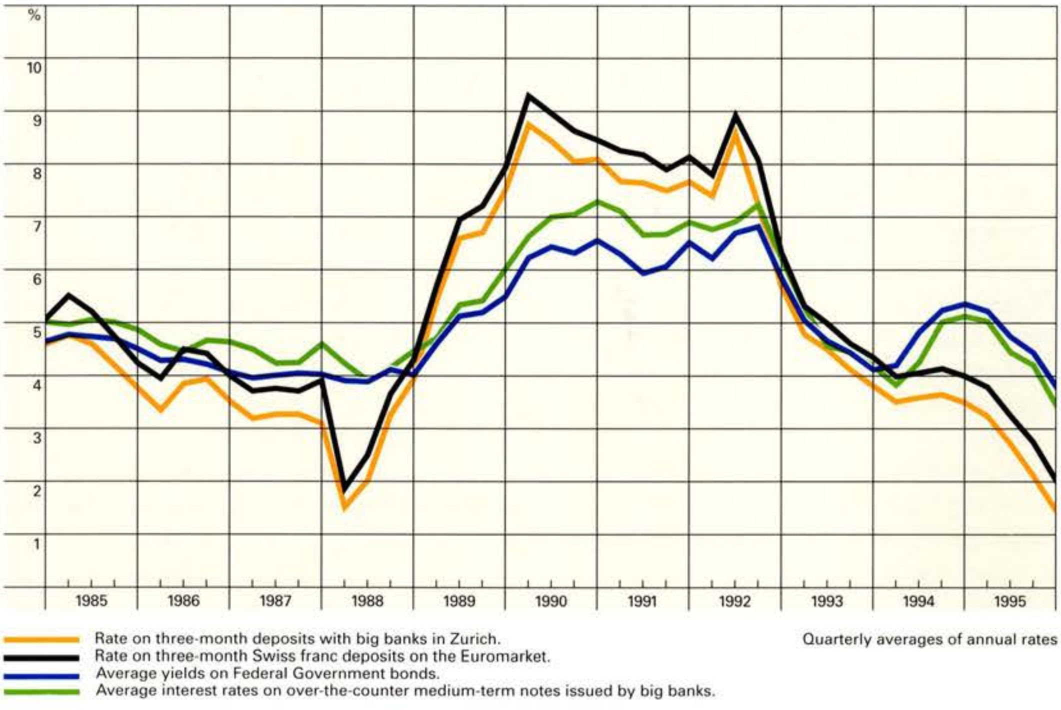
Bonds and shares totalling Sfr 63.2 billion were issued in the Swiss capital market (according to date of payment) in 1995, just falling short of the previous year's level. New issues of domestic borrowers diminished by 6% to Sfr 25.6 billion. After deduction of redemptions to the amount of Sfr 14.7 billion, the volume of net borrowing in the capital market by domestic issuers totalled Sfr 10.9 billion, against Sfr 9.5 billion a year earlier.

Decline in the volume of new issues in the domestic sector

By contrast, new issues of Swiss franc bonds of foreign borrowers (according to date of issue) rose by 20% from the previous year's level. Despite this vigorous increase, new issues – at Sfr 38 billion – fell short of the record value of Sfr 45.4 billion achieved in 1993. The Swiss franc new issues market for foreign borrowers benefited from the unstable conditions in the foreign exchange markets and expanded more rapidly than the international primary markets. Accordingly, the market share of Swiss franc bonds in international issuing business rose slightly to approximately 6%. Nevertheless, it was still far from the high level of over 10% achieved in the second half of the eighties.

Vigorous increase in Swiss franc bonds of foreign borrowers – larger share in international issuing business

Money and capital market rates



Markedly higher share of ordinary bonds, decline in private placements

Issuing activity on behalf of foreign borrowers concentrated chiefly on ordinary bonds (straights). Due to the steady fall in interest rates, such issues – at Sfr 29 billion – topped the previous year's volume by 69%, the highest level in nine years. The volume of equity-related bond issues, on the other hand, sank by 24% to Sfr 8 billion; a rise in convertible bonds was offset by a marked decline in warrant bonds. The other types of bond issues (bonds with variable interest rates, synthetic bonds and bonds with non-equity-related warrants) had likewise lost considerable ground in an annual comparison (–76%). Accordingly, the proportion of straight bonds in the total volume of new issues rose from 54% in 1994 to 76% in 1995. Bonds offered for public subscription increased significantly compared to the previous year, while private placements declined once more. The share of publicly offered bonds thus showed a year-on-year change from 48% to 68% which is easily the highest level ever reached.

Swiss franc bond issues of foreign borrowers according to financial instruments and groups of countries[1]

	1992	1993	1994	1995
Financial instruments (in Sfr m)				
Ordinary bonds (straights)	18 191.5	28 859.3	17 183.1	29 007.2
Convertible bonds	2 081.0	4 008.2	4 273.5	4 493.7
Warrant bonds	5 411.0	11 331.2	6 182.0	3 470.8
Others[2]	1 318.5	4 243.0	3 997.6	974.6
Total	27 002.0	45 441.7	31 636.2	37 946.3
Groups of countries (percentages)				
European Union	36.1	32.8	38.1	52.0
European Free Trade Association	13.3	16.5	10.7	0.3
United States, Canada	7.7	4.4	10.9	14.9
Japan	30.9	32.0	25.2	14.5
Other countries	2.8	9.3	13.3	16.7
Development organisations[3]	9.3	5.0	1.9	1.4
Total	100.0	100.0	100.0	100.0

[1] Bond issues reported by banks, according to date of issue
[2] Including non-equity-related warrant bonds (e.g. bonds with currency options or gold options), synthetic bonds and bonds with variable interest rates.
[3] World Bank group (IBRD, IDA, IFC, MIGA), Interamerican Development Bank (IDB), African Development Bank (AfDB), Asian Development Bank (AsDB), European Bank for Reconstruction and Development (EBRD)

Shift in regional distribution within the industrial countries

At 88%, a predominant share of Swiss franc bonds issued by foreign borrowers was again accounted for by the industrial countries (1994: 86%). There were some shifts in the regional distribution. Western Europe's share in total bond issues rose from 50% to 57%, that of North America from 11% to 15%. Japan's share, by contrast, dropped from 25% to 15% while the other groups of countries and the international development banks accounted for virtually unchanged proportions of 12% and 1% respectively.

Changeover to compulsory reporting of Swiss franc bond issues

As from 1 February 1995, the Swiss National Bank made it compulsory for banks to report bond issues denominated in Swiss francs. In so doing, it took account of the changes that came into effect when the Swisslex revision of the Banking Law (Art. 7, para 5) entered into force at the same time; it also replaced the formerly applicable capital export rules. This new regulation meant a further liberalisation for Swiss franc issues of foreign borrowers in that the former authorisation was replaced by a simple duty to report issues to the Swiss National Bank. A new feature is that issues of domestic borrowers must also be reported. The lead-manager rule for Swiss franc issues applied since April 1993 remains unchanged.

2.4 Bank balance sheets

Strong balance sheet growth as a result of new accounting rules

Despite weak economic activity, the balance sheet total exhibited surprisingly strong growth of 8% in 1995. This is due to the premature application of new accounting rules which only become compulsory at the end of 1996. Among other things, they limit the mutual netting of positive and negative replacement values of derivative financial instruments in favour of the separate disclosure of gross positive and negative values. This change, however, already led to a massive increase in the items "other assets" and "other liabilities" in 1995. On the other hand, the depreciation of the dollar put a damper on the growth of the balance sheet total.

Expansion of financial assets

The financial assets (liquid funds, balances from interbank business, bills and money market paper as well as securities) rose by 5% in 1995. This expansion is due, to two factors. On the one hand, with the cyclical situation sluggish, lending activity failed to keep up with the inflow of customer deposits. On the other hand, one of the big banks changed its accounting practices: it now enters foreign balances with securities houses (brokers) subject to supervision as balances due from banks and no longer as credits. As a result of these developments, the proportion of financial assets in the balance sheet total again rose for the first time since 1989 – to 15%. Aside from interbank funds, the banks markedly increased their securities holdings, the most significant item among the financial assets, which expanded by 14%.

Same liquidity ratio as at the end of 1994

At the end of 1995, the banks exhibited liquid assets lower by 7% than a year earlier. Liquidity ratio I – actually available liquid funds as a percentage of legally required liquid funds (measured as an average from the 20th of each month to the 19th of the following month) – stood at 125% in the period November/December, the same level as in the corresponding period of the previous year.

Slow credit expansion

The banks' credit volume again stagnated as in the previous two years, even contracting somewhat as a result of the new accounting practices. While lending to the domestic sector rose by just over 1%, foreign credits shrank by 14%.

Moderate expansion in mortgage lendings

From the end of 1994 until the end of 1995 mortgage business expanded by 3%. Numerous banks considerably increased the proportion of fixed-interest mortgage loans to the detriment of variable-rate mortgages. Construction loans, which precede mortgage loans, reflect the poor state of building activity: the total of construction loans granted declined by 6%. Credit utilisation decreased by 4%. The volume of open limits, i.e. the difference between credits granted and credits utilised, fell by 9%.

The banks recorded a rise of 1% in the inflow of customer deposits in 1995. Notably savings and deposit accounts clearly exceeded the previous year's level by 9%. In the wake of receding interest rates, time deposits were shifted into sight deposits, particularly in the second half of the year. Following a substantial 11% decline in 1994, the level of medium-term notes sank less markedly by 5% in 1995. The proportion of medium-term notes in total liabilities fell to a record low of 5% at the end of 1995. The banks' outstanding bonds, by contrast, increased by 11%.

Modest increase in customer deposits

In line with time deposits, fiduciary funds, which are exempt from withholding tax, also diminished in the wake of the interest rate decline. At the end of December 1995, fiduciary funds outstanding at the banks amounted to 10% less than a year earlier. Approximately a quarter of the fiduciary funds originated in Switzerland; the bulk of fiduciary funds were invested abroad.

Decline in fiduciary business

2.5 Structural change and financial innovations

The Swiss banking sector continued to undergo structural change in 1995. There were, however, considerably fewer takeovers and mergers than in the previous year. Nevertheless, the number of institutions included in the banking statistics of the Swiss National Bank dropped markedly within a year from 494 to 420. This reduction is almost entirely due to the fact that since the revised Banking Law entered into force on 1 February 1995 bank-like finance companies have no longer been obliged to submit statistical data to the Swiss National Bank. Most of the institutions which have so far been primarily affected by the structural change and which are mainly active in domestic credit business have improved their earnings situation; this has, in turn, led to an easing of the process of concentration in the banking sector. The decline in interest rates, lower value adjustments and provisions, and the efforts made during the past years to cut costs have all contributed to a better financial situation.

Continued but less intensive structural change

The role of the cantonal banks in an increasingly competitive environment was more intensively discussed in 1995. In its report on the cantonal banks' status in the banking industry the cartels commission came to the conclusion that the cantons' state guarantee and liability vis-à-vis the cantonal banks led to unacceptable market distortions and were thus to be abolished or, at least, restricted. The Federal Council noted in a report on the cantonal banks that on a federal level no amendment to the law was indicated; however, it recommended that the cantons make the cantonal banks subject to supervision by the Federal Banking Commission. A working group of the cantonal banks submitted a report on a proposed common holding company for all the cantonal banks.

Increased discussion of the role played by the cantonal banks

Institutional changes in the cantonal banks

Following a resolution of the respective cantonal governments, the cantonal banks of Zug and Lucerne were made subject to supervision by the Federal Banking Commission on 26 October 1995 and 1 January 1996 respectively. The executive body of the Canton of Appenzell-Ausserrhoden passed a resolution on 21 December 1995 to sell the cantonal bank to Union Bank of Switzerland. This resolution requires the approval of the cantonal parliament and electorate. On 30 November 1995, the legislative body of the Canton of St Gallen gave its approval to the planned partial privatisation of the cantonal bank. This will then enable the cantonal bank of St Gallen to be run as a private-law limited company; the canton as majority shareholder will continue to provide a state guarantee. The new cantonal bank of the Canton of Vaud started operations on 1 January 1996. It originated from a merger between the two public-law institutions which had previously been operated in the Canton of Vaud.

Greater cooperation between banks and assurance companies

Various banks agreed to intensify their cooperation with life assurance companies or cooperated with foreign banks. Further takeovers of domestic and foreign banks by Swiss institutions have also been transacted.

SECOM, SIC

On 27 March 1995, the online link between SEGA Communication System (SECOM) and Swiss Interbank Clearing (SIC) was put into operation. The linking of SECOM with SIC is an important innovation in the Swiss financial centre since the "delivery-against-payment" procedure for securities settlement in Switzerland is now strictly implemented.

Start of operations at Switzerland's electronic stock exchange

After several postponements Switzerland's electronic stock exchange (EBS) commenced operations in the field of foreign securities trading on 8 December 1995. The changeover from the trading floor to electronic trading for Swiss shares, warrants and investment funds is planned for 1996.

SOFFEX

Since 7 June 1995 standardised options with longer-term maturities on shares of various Swiss enterprises have been traded on SOFFEX (Swiss Options and Financial Futures Exchange).

2.6 Other aspects of central bank policy

Institutional measures for limiting the federal deficit and outstanding government debt

Two variants for putting a brake on indebtedness

In July 1995, the Federal Finance Administration requested the Swiss National Bank to submit its comments on the draft of a report on a proposed government bill for limiting the federal deficit and outstanding government debt. The measures envisaged are designed to ensure a balanced federal budget in the medium term. Deficits and surpluses should counterbalance each other in the course of a business cycle; a possible anticyclical fiscal policy should not be impeded or even rendered impossible as a result. In the report, two variants for putting a brake on indebtedness are discussed. The first variant provides for the balance of the financial accounts to be made dependent on the development of gross domestic product (so-called "balance principle"); the second variant provides for expenditure to be put in relation to the growth trend of gross domestic product (so-called "expenditure principle").

Positive comments of the Swiss National Bank

In its comments, the Swiss National Bank welcomed – from a monetary point of view – the thrust of the proposed institutional measures for containing growing indebtedness. Large government deficits and a rapid increase in outstanding debt create, among other things, a danger of monetary instability. Political pressure may occur to ease the debt burden and the weight of deficits in the short term by pursuing a more expansionary monetary policy. Successful rule binding could lend credibility to fiscal policy and would have a favourable effect on both investments and the growth opportunities of the Swiss economy. Such rule binding for putting a brake on indebtedness should not provide any leeway for discretionary governmental pump-priming programmes. The Swiss National Bank favoured the more complex but, at the same time, more realistic expenditure principle. In the case of the balance principle, strong variations in expenditure and pro-cyclical fluctuations are likely to give rise to frequent deviations from the rule, which would be detrimental to its credibility. The Swiss National Bank, however, suggested that the expenditure principle be devised in such a way as to take account not only of the results of the Confederation's closed financial accounts, but also of the degree of utilisation of the economy's production potential.

Implementing ordinances on the federal law on stock exchanges and securities trading

Preliminary set of implementing norms

On 24 March 1995, the National Council and the Council of States passed the federal law on stock exchanges and securities trading (stock exchange law; BEHG). At the end of September 1995, the Federal Department of Finance and the Federal Banking Commission (FBC) submitted a preliminary set of implementing norms to the interested bodies for comment. At the core of this set of norms were the Federal Council's ordinance on the stock exchange law and the first two sections of the FBC's stock exchange ordinance.

Improvements proposed by the Swiss National Bank

In its comments on the Federal Council's draft ordinance, the Swiss National Bank emphasised the necessity of specifying the BEHG as framework legislation on the level of the ordinance as well as in the field of self-regulation with a view to eventually providing Switzerland with internationally competitive regulations on stock exchange business and securities services. It criticised the abstention from laying down in detail in an ordinance the rules of conduct for securities dealers, i.e. their threefold obligation, vis-à-vis customers, to provide information, exercise due diligence and act in good faith. Furthermore, it pointed to problems that might arise when applying the lead-manager rule to Swiss franc bonds now that issuing houses will be made subject to the stock exchange law. As regards the regulations on the organisation of a stock exchange, the Swiss National Bank saw no valid reasons why issuers and investors should be represented on the board of directors of the stock exchange. Finally, in the absence of a specific need for regulation, it advised against adopting implementing norms aimed at making "stock-exchange-like enterprises" subject to the stock exchange law and granting exemption to certain securities exchanges. In its comments on the draft of the stock exchange ordinance of the FBC, the Swiss National Bank proposed that the reporting requirements for securities dealers be extended so as to enable the Swiss National Bank to gain an equally comprehensive overview of Swiss franc bonds issued under the lead management of securities dealers.

Federal law on combating money laundering in the financial sector

Revision of the preliminary draft

The preliminary draft of a federal law on combating money laundering in the financial sector (money laundering law), which had met with considerable criticism in the consultation procedure conducted in 1994, was thoroughly revised. In an initial phase, this task was entrusted to an internal administrative working group. Subsequently, all parties concerned had an opportunity to submit their comments on the revised draft. At this stage, the Swiss National Bank concerned itself in detail with the draft law and repeatedly put forward its views and suggestions. The Federal Council is expected to submit both the message and the draft law to parliament in 1996.

Intensified combating efforts in the nonbank sector

In the view of the Swiss National Bank a major shortcoming of the preliminary draft had been the virtual impossibility to ensure that the obligations arising from the money laundering law are enforced against financial intermediaries not subject to supervision. The revised draft of a money laundering law is now based on the concept of a framework law with self-regulation. Self-regulatory organisations have the task of ensuring that the legal obligations are fulfilled by the financial intermediaries associated with them. Financial intermediaries not associated with any such organisation will be obliged to register with a central authority. At the suggestion of the Swiss National Bank, the registration will depend on the fulfilment of qualitative criteria. This procedure promises efficient supervision and effective sanctions up to the banning of a financial intermediary from the market following repeated and massive violations of the law. Comparable instruments must also be at the disposal of self-regulatory organisations.

Disputed reporting duty

The question whether a provision obliging the financial intermediary to report suspicious transactions to a central office should be included in the money laundering law was judged very differently in the comments submitted. The Swiss National Bank emphasised in its remarks that a tailor-made solution was required which would take the competitiveness of the Swiss financial centre into account. Moreover, the solution should be compatible with the reporting right of financial intermediaries introduced in the Penal Code in mid-1994 (Art. 305ter, para 2). For these reasons, the Swiss National Bank was in favour of a provision permitting assets to be blocked temporarily rather than a reporting duty in the money laundering law. In the event of a well-founded suspicion of money laundering, the financial intermediary would thus have to block the assets concerned. The assets would have to remain blocked for as long as the suspicion exists and the financial intermediary does not – voluntarily – report the fact. This variant comes very close to a reporting duty while having the advantage of being more flexible and likely to result in a better reporting quality.

Cooperation of the Swiss National Bank in international monetary measures

Substitution undertakings vis-à-vis Mexico and Argentina

The extensive international financial aid granted to Mexico at the beginning of February comprised, in addition to credits from the United States, Canada and the International Monetary Fund (IMF), a short-term loan commitment of the Bank for International Settlements (BIS) totalling US$ 10 billion. Together with other central banks of the Group of Ten, the Swiss National Bank participated in the loan of the BIS (1st tranche) with a substitution undertaking amounting to US$ 120 million. In April the BIS granted Argentina a bridging loan of US$ 1 billion in which the Swiss National Bank participated with a substitution undertaking to the amount of US$ 35 million. Both credits were extended based on the federal decree on Switzerland's cooperation in international monetary measures and are guaranteed by the Federal Government. The credit commitments expired before the end of 1995.

Switzerland's participation in the prolonged ESAF at the IMF

In February the National Council approved the federal decree on Switzerland's participation in the prolonged Enhanced Structural Adjustment Facility at the IMF (ESAF II) and the associated federal decree on the financing of the Swiss participation, both passed by the Council of States in December 1994. In June the Federal Department of Finance concluded a respective agreement between Switzerland and the IMF. The Federal Government's contribution to the interest subsidy account amounted to 41.2 million SDRs. Based on a loan agreement with the IMF of 22 June 1995, the Swiss National Bank will contribute a total of 151.7 million SDRs to the loan account. The timely repayment of the loan including interest to the Swiss National Bank is guaranteed by the Federal Government.

Participation of the Swiss National Bank in stand-by arrangements at the end of 1995

	Original undertakings	Outstanding credits		Outstanding undertakings
		End 1994	End 1995	End 1995
1. **Swap agreements**				
Federal Reserve Bank of NY	$4 billion	–	–	$4 billion
Bank of Japan	Yen 200 billion	–	–	Yen 200 billion
BIS	$600 million	–	–	$600 million
2. **Multilateral credits**				
General Arrangements to Borrow (GAB)	SDR 1020 million	–	–	SDR 1020 million
3. **Bilateral credits** [1]				
Hungary	$30 million	$30 million	$30 million	–
Czechoslovakia [2]	$40 million	–	–	–
Czech Republic	–	$27 million	$27 million	–
Slovak Republic	–	$13 million	$13 million	–
Romania	$47 million	$47 million	$47 million	–
Bulgaria	$32 million	$32 million	$32 million	–
4. **Substitution undertakings** [1]				
Mexico	$120 million	–	–	–
Argentina	$ 35 million	–	–	–

[1] With Federal Government guarantee.
[2] The credit was divided up between the Czech Republic and the Slovak Republic on 1.1.1993.

Technical assistance by the Swiss National Bank

Technical assistance to foreign central banks

Within the framework of a technical assistance concept, we provided central bank expertise and know-how to central banks that have either been newly established or are in a state of reorganisation. Since the political change which took place in Central and Eastern Europe and in the former Soviet Union in 1989/90 and since Switzerland's accession to the International Monetary Fund in 1992 requests from central banks and the IMF have become more numerous. We have therefore fixed priorities for deploying our modest technical resources: we provide technical assistance in special fields in which we have achieved a comparatively high degree of competence. In the field of monetary policy we offer made-to-measure central bank training courses at the Gerzensee Study Centre. Other technical assistance is granted preferably to the central banks of the Swiss constituency in the IMF or to countries supported by the Confederation's development programmes. Finally, we generally provide assistance within the framework of IMF projects wherever possible.

As in previous years, the emphasis, in 1995, was on support given to the central bank of Kyrgyzstan; a number of staff of the Swiss National Bank advised their counterparts on the organisation of their foreign exchange department and the issue of bank notes. Staff were furthermore delegated to provide assistance in Tanzania (money market transactions), China (payment transactions), Palestine (central bank tasks and policies) and Yemen (foreign exchange market). Moreover, we received delegations from numerous central banks in transition countries and developing countries for short visits for the purpose of studying various aspects of central bank activity, in particular interbank payment transactions.

Assistance by staff of the Swiss National Bank

2.7 Calculation and distribution of profits by the Swiss National Bank

The distribution of profits of the Swiss National Bank is laid down in detail in the Federal Constitution and the National Bank Law. The profit remaining after the allocation to the legal reserve fund and payment of the shareholders' dividend is distributed in two steps. First the cantons receive an amount of 80 centimes per head of population. Any remaining surplus is allotted to the Confederation and the cantons in the ratio of one-third to two-thirds. The share of the surplus allocated to the cantons will be distributed as follows: ⅝ in proportion to their resident population figures and ⅜ in proportion to their financial strength. There is, however, no legal regulation on how the profit of the Swiss National Bank is to be calculated.

Distribution of profits laid down in the Constitution and the National Bank Law

In calculating the profits, account must be taken of the special status of the Swiss National Bank. The Swiss National Bank must be in a position to fulfil its constitutional task without being under a constraint to show a profit, and to create those reserves which are necessary from an operational and economic point of view. This includes, in particular, building up unsecured foreign exchange reserves, i.e. reserves not hedged against exchange rate risks through forward sales in the foreign exchange market. Unsecured foreign exchange reserves serve a number of purposes. They permit the Swiss National Bank to intervene in the foreign exchange market should the Swiss franc exhibit undue weakness. This function would have a particular significance if Switzerland ever decided to return to a fixed Swiss franc rate. In addition, unsecured foreign exchange reserves strengthen the Swiss financial centre's resistance to crises and constitute a vital contingency fund in extraordinary situations.

Setting aside the necessary reserves in the form of unsecured foreign exchange reserves

Expansion of unsecured foreign exchange reserves in step with nominal GNP

Even if it is not possible to calculate the precise need of unsecured foreign exchange reserves, this can be said to depend on the size and the openness of the economy. Unsecured foreign exchange reserves should therefore expand at least in step with nominal gross national product. The Swiss National Bank finances the envisaged growth for unsecured foreign exchange reserves by setting aside provisions. By agreement with the Federal Government, a general rule was therefore laid down that the reserves must be expanded in step with nominal GNP (cf. 1991 Annual Report, pp. 23–26).

Level of reserve provisions aimed at

The percentage increase in reserve provisions (for currency risks and other contingencies) aimed at corresponds to the average annual rate of growth of nominal gross national product over the past five years, for which final data is available. The calculation of an average is designed to prevent large year-to-year fluctuations of growth rates.

Volume of reserve provisions aimed at

	Growth of nominal GNP in % (averaging period)	Level of reserve provisions aimed at by year-end in millions of Swiss francs
1994	5.8 (1988–92)	22 527.1
1995	4.8 * (1989–93)	23 608.4
1996	3.7 (1990–94)	24 481.9

* Calculated on the basis of the data available at the beginning of 1995.
The revised rate of increase amounts to 4.9%.

Nominal gross national product grew on average by 3.7% in the period 1990–94. This will lead to an equal percentage change in reserve provisions for 1996, i.e. an envisaged increase from Sfr 23608.4 million to Sfr 24481.9 million.

Definition of surplus

The Swiss National Bank achieves a surplus if net income exceeds the sum total of allocation to the legal reserve fund, shareholders' dividend and per capita payment to the cantons. Net income results from the profit and loss account and comprises operating income, other income and appreciation of foreign exchange holdings less operating expenditure, other expenses, extraordinary expenditure, depreciation of foreign exchange holdings, taxes and allocations to the pension fund.

Calculation of distributable surplus

Surpluses that are not distributed lead to an equivalent increase in reserve provisions, deficits to a decrease. If the actual level of reserve provisions is higher than the level aimed at, this results in a distributable surplus. The distributable surplus at the end of 1995 is shown in the following table:

Calculation of the distributable surplus and of distribution

(millions of Swiss francs)

	Reserve provisions at the start of the year according to balance sheet	Surplus	Reserve provisions		Distributable surplus *	Distribution
			Actual level at year-end before distribution	Level aimed at by year-end		
	(1)	(2)	(3)=(1)+(2)	(4)	(5)=(3)-(4)	(6)
1994	26 827.5 *	−861.2	25 966.3 *	22 527.1	3 439.2	600
1995	25 366.3 *	−1 615.7	23 750.6	23 608.4	142.2	142.2
1996	25 608.4			24 481.9		

* This amount includes the non-realised surplus (valuation adjustment on foreign exchange), which amounted to Sfr 3 153.8 million at the end of 1993 and Sfr 814.9 million at the end of 1994. At the end of 1995 it dropped to zero.

At the beginning of 1995 – according to the annual balance sheet as per end of 1994 – reserve provisions including the valuation adjustment on foreign exchange amounted to Sfr 25366.3 million (reserve provisions: Sfr 24551.4 million; valuation adjustment on foreign exchange: Sfr 814.9 million). In 1995 the Swiss National Bank did not achieve a surplus; it recorded a deficit of Sfr 1615.7 million. As a result, reserve provisions at year-end prior to distribution diminished to Sfr 23750.6 million. The level of reserve provisions aimed at by the Swiss National Bank amounted to Sfr 23608.4 million, leaving a distributable surplus of Sfr 142.2 million (precisely: Sfr 142 199 173.38). The distributable surplus thus again declined markedly from the previous year's level. This is primarily due to the lower dollar rate which led to substantial capital losses on unsecured foreign exchange reserves.

Distribution of Sfr 142.2 million

At the beginning of 1997 the Swiss National Bank will remit the entire distributable surplus of Sfr 142 199 173.38 to the Federal Finance Administration for distribution to the Confederation and the cantons. The distributable amount will thus be reduced compared to the previous four years. In 1993, 1994, 1995 and 1996, at the beginning of every year, the Swiss National Bank remitted a sum of Sfr 600 million for distribution. This is equivalent to the maximum amount to which annual distribution is limited according to the procedure laid down by the Federal Government and the Swiss National Bank (cf. 1991 Annual Report, p. 25). By fixing a maximum amount for distribution, large fluctuations in the remittances to the Confederation and the cantons may be avoided. Without this upper limit, the Swiss National Bank would already have been unable to make a distribution at the beginning of 1996.

2.8 Chronicle of monetary events in 1995

February

As from 1 February 1995, the Swiss National Bank made it compulsory for banks to report bond issues denominated in Swiss francs. This is based on the revised version of the Banking Law which entered into force at the same time and replaces the previously applicable capital export regulations (cf. p. 19).

The Swiss National Bank participated in the short-term credit facility of the BIS in favour of Mexico with a substitution undertaking for $ 120 million dollars (cf. pp. 25 f.).

The National Council was the second chamber of the federal parliament to pass the motion for Switzerland's participation in the prolonged Enhanced Structural Adjustment Facility (ESAF II) at the IMF (cf. p. 25). Loan payments under ESAF II commenced in February 1994.

March

Effective from 31 March 1995, the Swiss National Bank lowered the discount rate by half a percentage point to 3% (cf. pp. 10 and 15).

The Council of States was the second chamber to approve the extension of the Federal Decree on Switzerland's cooperation in international monetary measures by another ten years, i. e. until the middle of July 2005. The National Council had passed the motion for extension on 15 December 1994.

April

The Swiss National Bank participated in a bridging loan of the BIS in favour of Argentina with a substitution undertaking to the maximum amount of 35 million dollars (cf. pp. 25 f.).

June

The Federal Department of Finance concluded the agreement between Switzerland and the IMF on Switzerland's participation in ESAF II (cf. p. 25). The loan agreement between the Swiss National Bank and the IMF entered into force on 22 June.

July

Effective from 14 July 1995, the Swiss National Bank lowered the discount rate by half a percentage point to 2.5% (cf. pp. 10 and 15).

September

Effective from 22 September 1995, the Swiss National Bank lowered the discount rate by half a percentage point to 2% (cf. pp. 10 and 15).

December

Effective from 15 December 1995, the Swiss National Bank lowered the discount rate by half a percentage point to 1.5% (cf. pp. 10 and 15).

The Governing Board of the Swiss National Bank decided, in agreement with the Federal Government, to continue pursuing, in 1996, the monetary course followed in 1995. The Swiss National Bank again aims at an expansion of the seasonally-adjusted monetary base of more than 1% in 1996. As usual, the Swiss National Bank retains the option of deviating from its monetary course in the event of serious disruptions in the financial markets (cf. pp. 9ff.).

3. Balance sheet and profit and loss account

3.1 Main components of the balance sheet since 1961 (End-of-year values)

Assets

In millions of francs

End of year	Gold holdings[1]	Foreign currency investments	Reserve position at the IMF	International payments instruments[2]	Foreign currency loans[3]	Domestic portfolio: *Total*	*of which Swiss bills*	*Money market paper*	Lombard advances	Securities and participations	Domestic correspondents	Loss on foreign currency and gold holdings	Deferred items
1961	11 078,0	842,4	—	—	—	69,5	62,2	—	66,3	42,9	58,3	—	—
1962	11 543,3	867,4	—	207,0	—	123,6	67,4	45,0	71,7	42,8	77,8	—	—
1963	12 203,8	1 083,3	—	207,0	—	142,2	87,5	35,0	97,5	51,7	61,5	—	—
1964	11 793,6	1 679,1	—	432,0	431,3	162,6	109,8	24,8	77,7	65,3	75,3	—	—
1965	13 164,2	852,6	—	432,0	428,5	139,1	98,1	9,5	38,9	92,9	66,1	—	—
1966	12 297,4	2 060,3	—	432,0	518,9	157,8	97,8	16,7	109,3	181,7	81,5	—	—
1967	13 369,7	1 986,7	—	432,0	173,9	142,5	99,4	—	86,6	181,9	72,4	—	—
1968	11 355,8	5 601,2	—	1 442,0	108,3	288,5	256,2	6,8	160,1	180,6	99,7	—	—
1969	11 434,5	5 792,9	—	1 851,0	—	731,4	584,7	118,5	277,1	170,2	89,5	—	—
1970	11 821,3	8 441,1	—	1 851,0	—	399,0	306,6	71,0	223,5	156,0	82,8	—	—
1971	11 879,4	10 323,3	—	4 278,0	—	80,5	78,1	—	28,5	10,8	72,4	1 243,5[4]	—
1972	11 879,7	12 323,1	—	4 278,0	—	936,1	770,3	152,0	418,8	—	142,3	1 243,5[4]	—
1973	11 892,7	12 519,9	—	4 613,0	—	1 097,7	862,7	200,0	557,7	—	281,8	1 243,5[4]	—
1974	11 892,7	11 570,6	—	5 403,0	—	2 694,3	2 166,8	484,0	699,9	92,5	166,9	621,5[4]	—
1975	11 892,7	14 705,8	—	5 403,0	—	1 938,9	1 706,5	227,0	200,2	3,7	136,3	621,5[4]	—
1976	11 903,9	20 426,5	—	5 222,0	—	1 300,8	912,5	375,0	157,0	63,8	160,3	—	—
1977	11 903,9	20 514,2	—	3 949,0	—	1 519,1	1 207,4	267,0	197,5	559,1	171,6	—	—
1978	11 903,9	28 981,8	—	2 028,5	—	236,1	214,6	—	49,6	348,0	185,7	2 593,5[5]	—
1979	11 903,9	26 390,4	—	—	—	1 580,5	1 532,2	10,0	886,4	963,4	288,6	1 110,9[5]	—
1980	11 903,9	27 355,6	—	11,4	—	2 485,5	2 285,1	152,0	919,8	1 212,2	289,6	—	—
1981	11 903,9	25 494,8	—	0,2	—	3 006,9	2 710,0	256,0	2 513,9	1 018,4	399,6	—	—
1982	11 903,9	31 872,8	—	6,3	—	2 188,1	2 076,8	109,2	1 559,6	1 268,3	314,0	—	—
1983	11 903,9	32 677,5	—	28,7	—	2 676,3	2 524,5	149,2	2 408,6	1 562,5	346,4	—	—
1984	11 903,9	38 876,0	—	23,2	—	2 748,9	2 455,4	293,5	2 677,9	1 773,6	500,8	—	—
1985	11 903,9	38 133,8	—	6,8	—	2 838,4	2 465,9	372,5	2 973,6	1 911,1	529,7	—	—
1986	11 903,9	36 262,0	—	—	—	2 747,4	2 411,9	335,5	3 204,0	2 045,0	564,4	—	—
1987	11 903,9	37 439,9	—	18,5	—	2 301,7	2 246,8	54,9	3 126,9	2 190,8	460,1	—	—
1988	11 903,9	35 946,7	—	30,5	—	2 133,8	2 133,8	—	795,9	2 421,4	416,0	—	—
1989	11 903,9	39 620,2	—	123,6	87,1	542,7	542,7	—	704,1	2 574,0	458,3	—	—
1990	11 903,9	37 209,8	—	112,9	—	711,1	711,1	—	165,7	2 814,0	567,0	—	—
1991	11 903,9	40 232,1	—	117,3	97,1	522,1	522,1	—	107,0	2 886,1	552,8	—	—
1992	11 903,9	45 857,8	1 144,4	134,9	156,4	821,1	353,4	467,7	26,9	2 975,7	493,0	—	—
1993	11 903,9	47 031,1	1 221,6	332,7	218,4	752,5	—	752,5	13,5	2 973,2	595,8	—	390,6
1994	11 903,9	45 910,4	1 241,5	414,8	198,3	720,5	—	720,5	14,9	3 027,1	565,8	—	443,9
1995	11 903,9	41 812,6	1 687,7	408,2	173,7	1 436,2	—	1 436,2	4,7	3 063,9	429,2	—	678,4

1 Valuation since 10 May 1971: 1 kg fine gold = Sfr 4595.74; previously: 1 kg = Sfr 4869.80.
2 1962–1979, foreign treasury bills in Swiss francs; as from 1980, Special Drawing Rights and, as from 1989, including ECUs.
3 1964–1968 rate-hedged balances at foreign central banks; since 20-4-1989 foreign currency loans.
4 Liability of the Federal Government in accordance with the Decree of the Federal Parliament of 15 December 1971.
5 Covered by hidden reserves on gold holdings.

Liabilities

Bank note circulation	Coverage of bank note circulation by gold holdings	Sight liabilities				Banks' minimum reserves	Time liabilities[7]	Deferred items	Foreign exchange valuation adjustment	Capital and reserves	Provisions		Balance sheet total	End of year
		Total	*of which sight deposit accounts of domestic banks*[6]	*Federal Administration*	*sight deposit accounts of foreign banks*						*for currency*	*others*		
In millions of francs	%	*In millions of francs*												
7 656,0	144,70	2 947,0	1 996,1	662,5	231,5	1 035,0[9]	293,5	—	—	78,0	—	21,7	12 206,6	1961
8 506,1	135,71	2 799,7	2 294,2	355,9	98,0	1 035,0[9]	373,0	—	—	79,0	—	22,9	12 994,7	1962
9 035,4	135,07	3 187,8	2 700,0	389,4	31,8	1 035,0[9]	357,3	—	—	80,0	—	26,1	13 910,2	1963
9 721,8	121,31	3 270,6	2 907,9	291,5	25,6	1 035,0[9]	433,2	—	—	81,0	—	28,7	14 787,6	1964
10 042,5	131,08	3 215,4	3 005,0	126,2	44,3	1 035,0[9]	602,0	—	—	82,0	—	37,1	15 287,6	1965
10 651,1	115,46	3 430,5	2 982,2	375,2	34,4	1 035,0[9]	389,0	—	—	83,0	—	37,2	15 922,3	1966
11 326,8	118,04	4 144,9	3 810,8	230,7	53,9	—	550,0	—	—	84,0	—	52,2	16 519,0	1967
12 047,3	94,26	6 413,6	5 776,2	505,0	75,1	—	233,1	—	—	85,0	—	69,2	19 339,7	1968
12 518,4	91,34	6 954,8	6 353,4	493,0	49,6	—	141,9	—	—	86,0	—	105,0	20 482,5	1969
13 106,0	90,20	8 410,1	7 749,6	405,3	208,4	—	401,7	—	—	87,0	—	145,0	23 095,3	1970
14 309,9	83,01	11 854,4	10 701,6	713,7	393,1	516,4[10]	313,1	—	—	88,0	665,2	160,0	28 014,6	1971
16 635,0	71,41	11 020,8	9 312,6	1 380,3	279,5	2 029,3[11]	75,2	—	—	89,0	783,7	210,0	31 362,9	1972
18 296,2	65,00	9 036,1	8 234,9	458,2	296,7	2 872,0[11]	229,6	—	—	90,0	547,7	290,0	32 297,8	1973
19 435,8	61,19	10 367,1	9 505,0	714,5	114,8	347,8[11]	1 233,2	—	—	91,0	157,7	360,0	33 260,6	1974
19 127,8	62,17	13 296,0	11 478,5	1 623,8	150,0	165,3[11]	379,8	—	—	92,0	389,7	380,0	34 991,0	1975
19 730,9	60,33	16 648,7	12 643,7	3 817,5	146,2	246,2	954,8	—	—	93,0	—	390,0	39 324,0	1976
20 396,8	58,36	16 330,2	13 622,8	2 513,8	149,3	—	772,2	—	—	94,0	—	226,2	38 921,0	1977
22 499,1	52,91	20 062,8	15 583,9	3 437,7	990,6	—	2 893,2	—	—	95,0	—	190,2	46 421,0	1978
23 760,9	50,10	17 735,6	13 207,1	2 209,4[8]	2 252,8	—	630,1	—	—	95,0	—	143,5	43 244,5	1979
24 106,3	49,38	16 376,1	13 661,0	402,8[8]	2 254,0	—	273,5	—	—	95,0	2 157,1	270,0	44 318,7	1980
23 336,7	51,01	14 958,0	12 466,7	1 513,9[8]	908,0	—	500,0	—	—	96,0	4 531,3	340,0	44 584,5	1981
24 477,0	48,63	15 713,5	13 992,7	798,9[8]	852,0	—	250,0	—	1 624,6	97,0	6 564,6	450,0	49 374,2	1982
24 759,4	48,08	15 229,4	14 229,2	812,0[8]	125,4	—	—	—	2 528,1	98,0	8 565,8	500,0	51 869,2	1983
26 489,3	44,94	15 537,1	14 227,8	1 102,9[8]	130,1	—	—	—	5 118,7	99,0	10 811,7	490,0	58 748,8	1984
25 861,6	46,03	16 872,7	14 105,2	2 537,1[8]	128,1	—	—	—	1 564,2	100,0	13 467,7	490,0	58 546,7	1985
27 018,9	44,06	16 113,7	14 911,8	1 042,3[8]	86,7	—	—	—	—	101,0	13 056,2	490,0	56 980,4	1986
27 342,3	43,54	18 643,0	17 044,8	1 362,9[8]	163,1	—	—	—	—	102,0	10 934,0	490,0	57 715,7	1987
28 979,2	41,08	9 475,6	6 691,6	2 530,1[8]	167,6	—	—	—	1 970,9	103,0	12 741,6	630,0	53 930,4	1988
29 168,4	40,81	7 724,7	4 948,4	2 571,9[8]	119,0	—	—	—	3 060,8	104,0	15 534,9	630,0	56 290,6	1989
29 640,5	40,16	5 371,8	4 595,3	621,7	59,8	—	785,0	—	—	105,0	17 113,1	630,0	53 730,7	1990
29 217,1	40,74	4 498,6	4 275,6	3,4	114,9	—	400,0	—	1 697,1	106,0	19 533,7	630,0	56 756,6	1991
29 353,5	40,65	5 200,4	4 785,5	245,1	54,7	—	3 450,0	—	2 389,7	107,0	21 380,6	640,0	63 800,1	1992
29 335,6	40,58	5 263,6	4 776,7	192,3	188,8	—	2 940,0	56,3	3 153,8	108,0	23 033,7	640,0	65 774,7	1993
30 545,1	38,97	4 587,1	3 837,2	595,2	46,7	—	2 850,0	104,3	814,9	109,0	23 911,4	640,0	64 800,2	1994
30 892,2	38,53	5 152,0	4 035,0	917,4	43,3	—	1 350,0	119,4	—	110,0	22 958,4	650,0	62 009,4	1995

6 Prior to 1986: Sight deposit accounts of banks, trade and industry.
Prior to 1995: Sight deposit accounts of domestic banks and finance companies.
7 Until 1980: sterilisation rescriptions of the Federal Government; 1981 and 1982: own debentures; as from 1990: time deposits of the Federal Government not placed in the market (cf. footnote 8).
8 Including time deposits of the Federal Government not placed in the market (cf. footnote 7).
9 Temporarily blocked sight deposit accounts of banks.
10 In accordance with the agreement of 16 August 1971 concerning extraordinary minimum reserves.
11 Minimum reserves of banks in respect of domestic and foreign liabilities, in accordance with the Decree of the Federal Parliament of 20 December 1972 and 19 December 1975 respectively.

3.2 Profit and loss account since 1988

Expenditure (in Sfr 1000)

	1988	1989	1990	1991	1992	1993	1994	1995
Operating expenses	**110 485**	**152 865**	**143 896**	**160 016**	**157 404**	**187 964**	**186 933**	**194 663**
Bank authorities	707	734	792	776	799	807	807	824
Personnel	56 249	58 570	62 717	71 258	75 978	77 562	81 495	77 940
Premises	9 785	45 150	20 305	28 414	17 203	22 548	18 032	22 570
Furniture and fixtures	3 108	4 358	15 966	13 918	12 289	13 453	8 680	11 728
Business and office equipment and supplies	3 206	3 360	3 984	3 932	3 955	4 566	4 155	4 437
Information and communication	2 304	1945	2 543	2 924	8 608	3 440	3 661	3 741
Printing, publications	731	852	850	1 118	1 232	1 142	961	1 056
Expenditure in respect of bank note circulation	24 037	21 292	20 463	23 113	26 392	54 550	57 586	59 259
Other expenditure on materials	10 358	16 604	16 276	14 563	10 948	9 896	11 556	13 108
Other expenses	**141 546**	**95 233**	**155 225**	**126 479**	**133 950**	**364 017**	**258 575**	**167 615**
Interest payable to depositors	3 395	4 267	5 810	6 593	6 861	5 313	5 415	5 765
Interest payable to Federal Government	40 444	55 161	101 145	82 895	91 965	290 992	207 668	95 803
Write-down of own securities	96 407	35 805	48 270	36 991	35 124	67 712	45 492	66 047
Depreciation of bank buildings	1 300	—	—	—	—	—	—	—
Extraordinary expenditure	**—**	**—**	**—**	**—**	**—**	**—**	**50 337**	**867**
Write-down of foreign exchange holdings	**—**	**—**	**3 976 820**	**—**	**—**	**—**	**2 338 891**	**3 531 448**
Transfer to the foreign exchange valuation adjustment account	**1 970 906**	**1 089 907**	**—**	**1 697 073**	**692 640**	**764 100**	**—**	**—**
Taxes	**1 592**	**298**	**3 365**	**—**	**8 726**	**—**	**—**	**—**
Appropriation to pension fund	**2 000**	**2 000**	**6 000**	**5 000**	**3 000**	**1 000**	**1 000**	**1 000**
Increase in provisions for dividends and cantonal shares of profit	**—**	**—**	**—**	**—**	**10 000**	**—**	**—**	**—**
Increase in provisions for other contingencies	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**10 000**
Allocation to provisions for currency risks	**1 807 669**	**2 793 303**	**2 494 209**	**2 420 560**	**1 846 842**	**1 653 172**	**877 643**	**1 763 559**
Annual profit	**7 593**	**7 593**	**7 593**	**607 593**	**608 405**	**607 999**	**607 999**	**150 198**
Allocation to the reserve fund	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000
Dividend	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500
Payment to the Federal Finance Administration	5 093	5 093	5 093	605 093	605 905	605 499	605 499	147 698
Total	**4 041 791**	**4 141 199**	**6 787 108**	**5 016 721**	**3 460 967**	**3 578 252**	**4 321 378**	**5 819 350**

Income (in Sfr 1000)

	1988	1989	1990	1991	1992	1993	1994	1995
Operating income	**6 663**	**6 251**	**6 123**	**6 556**	**14 147**	**17 824**	**15 340**	**8 925**
Commissions	1 756	1 696	1 626	1 671	1 906	1 920	3 465	2 359
Income from premises	4 462	4 088	4 100	4 518	11 949	4 715	5 739	6 295
Sundry income	445	467	397	367	292	11 189	6 136	271
Other income	**2 064 222**	**3 045 041**	**2 804 165**	**3 313 092**	**2 754 180**	**2 796 328**	**1 967 147**	**2 278 977**
Income from foreign exchange	1 924 021	2 848 708	2 585 097	3 084 661	2 512 481	2 408 724	1 672 285	1 980 660
Income from discounting	3 275	33 906	44 197	37 136	31 618	3 996	—	—
Income from money market paper	—	—	—	—	11 162	59 011	57 165	55 519
Income from secured advances	2 832	5 672	3 895	2 593	2 466	1 795	2 009	917
Income from own securities	132 877	149 504	160 163	176 113	184 290	315 940	228 668	238 114
Income from domestic correspondents	1 217	7 251	10 813	12 589	12 163	6 862	7 021	3 767
Appreciation of foreign exchange holdings	**1 970 906**	**1 089 907**	**—**	**1 697 073**	**692 640**	**764 100**	**—**	**—**
Transfer from the foreign exchange valuation adjustment account	**—**	**—**	**3 060 814**	**—**	**—**	**—**	**2 338 891**	**814 922**
Drawings on provisions for currency risks	**—**	**—**	**916 006**	**—**	**—**	**—**	**—**	**2 716 526**
Total	**4 041 791**	**4 141 199**	**6 787 108**	**5 016 721**	**3 460 967**	**3 578 252**	**4 321 378**	**5 819 350**

Explanatory notes to the profit and loss account for the year 1995

The profit and loss account strongly reflects the foreign currency positions. As usual, these were valued at the average December rates. The most important currency by far, the dollar, stood at Sfr 1.1639, compared to Sfr 1.3289 in the previous year. A net book loss of Sfr 3531.4 million in foreign exchange holdings resulted; these are not hedged against exchange rate risks and comprise the positions investments (without swaps), reserve position at the IMF, international payment media and foreign currency loans. The loss was covered by closing the account "valuation adjustment to foreign exchange holdings" and debiting the remainder to the account "provisions for currency risks".

The earnings surplus (before taking into account the book loss on foreign currencies) of Sfr 1923.8 million clearly exceeded the previous year's level (Sfr 1485.6 million). Of this amount, Sfr 1763.6 million were allocated to provisions for currency risks and Sfr 10 million to provisions for other contingencies. This permitted the minimum level of reserve provisions aimed at for monetary policy reasons to be maintained (cf. p. 27 ff.). An annual profit of Sfr 150.2 million remained. A surplus of Sfr 142.2 million can still be distributed to the Confederation and the cantons, following a distribution of the maximum amount laid down – i.e. Sfr 600 million a year – in the previous years.

Foreign exchange earnings rose by Sfr 308.4 million to Sfr 1980.7 million. Surplus earnings from foreign exchange holdings were offset by otherwise diminished earnings due to lower swap rates and conversion rates.

Overall, lower interest rates and larger holdings led to a decline in earnings from money market paper by Sfr 1.7 million to Sfr 55.5 million. With fewer credits being taken out and interest rates lower, income from Lombard business decreased by Sfr 1.1 million to Sfr 0.9 million. The rise in interest income from securities by Sfr 9.4 million to Sfr 238.1 million is attributable mainly to the expansion in securities holdings. Earnings from domestic correspondents declined considerably – by Sfr 3.2 million to Sfr 3.8 million – as a result of smaller balances held and the lower discount rate.

Staff expenditure diminished due to the markedly lower cost of adjusting pensions by an amount of Sfr 3.6 million to Sfr 77.9 million.

Regular maintenance costs, outlays for renovations of various branch offices and rent for hired office space totalled Sfr 22.6 million, i.e. approximately Sfr 4.6 million more than in the previous year.

Expenditure on equipment rose by Sfr 3.0 million to Sfr 11.7 million. In addition to new furniture and motor vehicles, this item includes mainly the costs for the maintenance and acquisition or replacement of data processing hardware and software.

Outlays for the printing and circulation of bank notes rose by Sfr 1.7 million to Sfr 59.3 million. This amount was again chiefly attributable to the new bank note series.

Due to a higher volume of redeposits and lower interest rates payments of interest on balances of the Federal Government were reduced markedly from Sfr 207.7 million to Sfr 95.8 million. Interest payments on federal balances of Sfr 200.4 million were offset by interest income of Sfr 104.6 million deriving from redeposits.

The cost of writing down the value of newly acquired securities by Sfr 235.8 million was offset against book profits of Sfr 169.8 million on repayments of securities which had previously been written down. This resulted in a net write-off totalling Sfr 66.0 million.

In the course of restructuring the capital of Orell Füssli Graphic Arts Ltd, Zurich during which the former registered shares were split and – like the participation certificates – converted into unitary registered shares, the SNB acquired participation certificates for subsequent conversion into shares in order to secure the blocking minority. The sum of Sfr 0.9 million employed for this acquisition was written off in full under the item "Extraordinary expenditure" in the profit and loss account.

In order to allow for higher operational risks in banking business the item "Other provisions" was increased by Sfr 10 million.

4. Organisation (on 1 January 1996)

4.1 Supervisory authorities

Bank Council	40 members President: Jakob Schönenberger Vice-President: Eduard Belser
Bank Committee	10 members of the Bank Council, including its president and vice-president
Local Committees	3 members each; at both head offices and the eight branches
Auditing Committee	Chairman: Peter Blaser

4.2 Bank management

Governing Board	Markus Lusser, Chairman, Zurich Hans Meyer, Vice-Chairman, Berne Jean Zwahlen, Member, Zurich
Secretariat General	
Secretary General	Andreas Frings, Director, Zurich
Deputy Secretary General	Hans-Ueli Hunziker, Senior Officer, Berne
Translation Service	Michel Gremaud, Senior Officer, Zurich
Library	Anne-Marie Papadopoulos, Senior Officer, Zurich

Department I (Zurich)

Head of Department	Markus Lusser, Chairman of the Governing Board
Press Relations	Werner Abegg, Assistant Director
Deputy Heads of Department	Peter Klauser, Director Georg Rich, Director
Economic Division	Georg Rich, Director
Economic Studies Section	Erich Spörndli, Director
Research	Michel Peytrignet, Assistant Director
Economic Analysis	Eveline Ruoss, Assistant Director
International Monetary Relations Section	Monique Dubois, Director
Banking Studies Section	Urs W. Birchler, Director
Studies	Werner Hermann, Assistant Director
Swiss Franc Markets	Mauro Picchi, Senior Officer
Statistics Section	Christoph Menzel, Director
Monetary Statistics	Robert Fluri, Assistant Director Rudolf Urech, Senior Officer
Balance of Payments	Thomas Schlup, Assistant Director
Data Bank, Data Entry	Rolf Gross, Assistant Director

Legal and Administrative Division	Peter Klauser, Director
Legal Service	Peter Merz, Director
Personnel	Christine Breining, Deputy Director Beat Blaesi, Assistant Director
Pension Fund	Peter Hadorn, Deputy Director
Premises, Technical Services	Theo Birchler, Assistant Director Rolf Gähwiler, Senior Officer
Internal Auditors	Ulrich W. Gilgen, Director Othmar Flück, Assistant Director

Department II (Berne)

Head of Department	Hans Meyer, Vice-Chairman of the Governing Board
Deputy Head of Department	Hans Theiler, Director
Staff	Peter Trachsel, Assistant Director
Security	Alex Huber, Assistant Director
Banking Division	Theodor Scherer, Director
Securities	Hans-Christoph Kesselring, Deputy Director
Central Accounting	Peter Bechtiger, Assistant Director
Correspondence, Bills and Cheques	Daniel Ambühl, Assistant Director
Cashier's Office (Berne)	Werner Beyeler, Assistant Director
Cash Division (Chief Cashier's Office)	Roland Tornare, Chief Cashier of the Bank, Director
Administration	vacant
Storage	Beat Rytz, Senior Officer
Processing	Urs Locher, Senior Officer
Technical Services	Urs Suter, Senior Officer

Department III (Zurich)

Head of Department	Jean Zwahlen, Member of the Governing Board
Deputy Heads of Department	Jean-Pierre Roth, Director Christian Vital, Director
Staff	Dewet Moser, Assistant Director
Monetary Operations Division	Jean-Pierre Roth, Director
Foreign Exchange Section	Karl Hug, Deputy Director
Investment Section	Markus Zimmerli, Deputy Director
Money Market Operations, Bills and Cheques	Beat Spahni, Assistant Director

General Processing and Informatics Division	Christian Vital, Director
General Processing Section	Daniel Wettstein, Deputy Director
Payments Transactions	Walter Gautschi, Assistant Director
Cashier's Office	Roland-Michel Chappuis, Assistant Director
Correspondence	Markus Steiner, Assistant Director
Accounting	Werner Bolliger, Assistant Director
Informatics Section	Rudolf Hug, Director
Staff	Raymond Bloch, Assistant Director
Banking Applications	François Ryffel, Assistant Director
Statistical Applications	Jürg Ziegler, Deputy Director
Office Automation/ Communication	Peter Bornhauser, Assistant Director
Technical Services	Jules Troxler, Assistant Director
Computer Centre Zurich	Peter Künzli, Assistant Director
Computer Centre Berne	Bruno Beyeler, Assistant Director

Branches

Aarau	Heinz Alber, Director Roland Appl, Deputy of the director
Basle	Anton Föllmi, Director Eugen Studhalter, Deputy of the director
Geneva	Yves Lieber, Director Jean-Daniel Zutter, Deputy of the director
Lausanne	François Ganière, Director Nivardo Zanini, Deputy of the director
Lucerne	Max Galliker, Director René Elsener, Deputy of the director
Lugano	Cesare Gaggini, Director Franco Poretti, Deputy of the director
Neuchâtel	Jean-Pierre Borel, Director Jacques Jolidon, Deputy of the director
St. Gallen	René Kästli, Director Hugo Bischof, Deputy of the director

Agencies

The Swiss National Bank maintains agencies operated by commercial banks, mainly cantonal banks, in the following towns:

Altdorf, Appenzell, Bellinzona, Bienne, Chur, Delémont, Fribourg, Glarus, Herisau, Liestal, Sarnen, Sion, Solothurn, Schaffhausen, Schwyz, Stans, Thun, Weinfelden, Winterthur, Zug.

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