

Business report

The business report provides information on the organisational and operational development as well as the financial result of the Swiss National Bank. Since the SNB is a listed company, the report also contains information on corporate governance in accordance with the SIX Swiss Exchange Ltd corporate governance directive.

The business report and the annual financial statements together constitute the financial report of the SNB, as stipulated under Swiss company law (art. 958 of the Swiss Code of Obligations (CO)). At the SNB, the business report fulfils the function of a management report (art. 961c CO).

The fulfilment of the SNB's statutory mandate is explained in the accountability report.

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Corporate governance

1.1 BACKGROUND

The Swiss National Bank is a special-statute joint-stock company that is administered with the cooperation and under the supervision of the Confederation. Its organisational structure and responsibilities are governed by the National Bank Act of 3 October 2003 (NBA) and the ‘Regulations on the organisation of the Swiss National Bank’ of 14 May 2004 (Organisation regulations). At the SNB, statutes and regulations fulfil the function of articles of association.

Mandate

The SNB’s mandate is derived directly from the Federal Constitution. Under the terms of art. 99 of the Constitution, the SNB is required to pursue a monetary policy that serves the overall interests of the country. In addition, the article enshrines the SNB’s independence and requires it to set aside sufficient currency reserves from its earnings, also specifying that a part of these reserves be held in gold. Finally, the Constitution stipulates that the SNB must allocate at least two-thirds of its net profits to the cantons.

NBA and implementation decrees

The main legislation governing the activities of the SNB is the NBA, which sets out in detail the various elements of the SNB’s constitutional mandate (art. 5) and independence (art. 6). To counterbalance the SNB’s independence, the NBA specifies a duty of accountability and a duty to provide information to the Federal Council, parliament and the public (art. 7). The SNB’s scope of business is outlined in arts. 9–13 NBA. The instruments used by the SNB to implement its monetary policy and for investing its currency reserves are set out in the ‘Guidelines on monetary policy instruments’ and the ‘Investment policy guidelines’.

The NBA also sets out the legal basis for the collection of statistical data on financial markets, the imposition of minimum reserve requirements on banks and the oversight of financial market infrastructures. Provisions governing the implementation of these statutory powers may be found in the National Bank Ordinance (NBO) issued by the SNB Governing Board.

Finally, the NBA lays down the foundations of the SNB’s organisational structure (arts. 2, 33–48).

The Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) does not apply to the SNB, since the SNB is not a company limited by shares within the meaning of arts. 620–763 CO. Where the NBA leaves room for manoeuvre, the SNB implements the ERCO requirements. This applies especially to the prohibition of voting rights for corporate bodies and deposited shares, as well as the requirements regarding independent proxy voting and the proxy's powers.

1.2 SHAREHOLDERS

The share capital of the SNB amounts to CHF 25 million and is fully paid up. It is divided into 100,000 registered shares with a nominal value of CHF 250 each. SNB registered shares are traded on the Swiss stock exchange (SIX Swiss Exchange) under the Swiss Reporting Standard.

Listed registered shares

In 2019, the cantons and cantonal banks increased their shareholdings by a total of 95 shares; at the end of 2019, they held 49.7% of the share capital, compared to 49.6% one year earlier. Of the remaining registered shares, which make up 26.3% of the share capital, 25,987 shares are owned by private individuals. Of these, 14,332 are voting shares. The proportion of shares not entered in the share register (shares pending registration of transfer) decreased from 24.1% to 24.0% year-on-year.

Total voting stock increased compared to the previous year. At the end of 2019, 26 cantons (2018: 25) and 23 cantonal banks (2018: 21) held 77.2% of the voting shares (2018: 77.4%), while private shareholders accounted for 22.3% of voting rights (2018: 22.0%). The Confederation is not a shareholder.

The major shareholders were the Canton of Berne with 6.63% (6,630 shares), the Canton of Zurich with 5.20% (5,200 shares), Theo Siegert (Düsseldorf) with 5.07% (5,074 shares), the Canton of Vaud with 3.40% (3,401 shares) and the Canton of St Gallen with 3.00% (3,002 shares).

In 2019, the members of the Bank Council did not hold any SNB shares. According to the 'Code of Conduct for members of the Bank Council', Bank Council members may not hold such shares. At 31 December 2019, a member of the Enlarged Governing Board and a party related to a member of the Governing Board held one share each (cf. table 'Remuneration for members of executive management (including employer social security contributions)', p. 194).

Shareholder rights	<p>Shareholder rights are governed by the NBA, with the provisions of company law being complementary to those of the NBA. As the SNB fulfils a public mandate and is administered with the cooperation and under the supervision of the Confederation, shareholder rights are restricted as compared with a joint-stock company under private law. For shareholders from outside the public sector, voting rights are limited to 100 shares. Dividends may not exceed 6% of the share capital. Of the remaining distributable net profit, one-third accrues to the Confederation, and two-thirds to the cantons.</p> <p>The business report and the annual financial statements must be approved by the Federal Council before being submitted to the General Meeting of Shareholders for its approval. Other provisions on the General Meeting of Shareholders that deviate from company law concern its convocation, agenda and adoption of resolutions. Agenda items with motions from shareholders must be signed by at least 20 shareholders and submitted to the President of the Bank Council in writing and in good time before invitations are sent out (cf. Participation rights, p. 148).</p>
Information for shareholders	<p>Notifications to shareholders are generally communicated in writing to the address listed in the share register, and by one-off publication in the Swiss Official Gazette of Commerce. Shareholders only receive information which is also available to the public.</p>
Independent proxy	<p>The SNB allows its shareholders to grant their power of attorney and send instructions to the independent proxy, either in writing or electronically.</p>

1.3 ORGANISATIONAL STRUCTURE

The SNB has two head offices, one in Berne and one in Zurich. It is divided into three departments. For the most part, the organisational units of Departments I and III are located in Zurich, while those of Department II are mainly in Berne. Each of the three departments is headed by a member of the Governing Board, who is assisted in this task by a deputy.

Departments

The Singapore branch office enables the SNB to efficiently manage the Asia-Pacific part of its foreign exchange reserves and also serves in the implementation of monetary policy. Furthermore, this local presence allows in-depth monitoring and analysis of financial market developments and promotes understanding of market and economic conditions within the Asia-Pacific region.

Branch office

The delegates for regional economic relations are responsible for monitoring economic developments and explaining the SNB's policy in the regions. In addition to the head offices in Berne and Zurich, the SNB therefore maintains representative offices in Basel, Geneva, Lausanne, Lucerne, Lugano and St Gallen. The delegates are supported by the Regional Economic Councils, which analyse the economic situation and the effect of monetary policy in their regions and report the results to the Governing Board. The Regional Economic Councils also regularly exchange information with the delegates.

Representative offices

The SNB maintains 14 agencies for the receipt and distribution of banknotes and coins. These agencies are run by cantonal banks.

Agencies

1.4 CORPORATE BODIES AND RESPONSIBILITIES

The corporate bodies of the SNB are the General Meeting of Shareholders, the Bank Council, the Governing Board and the External Auditor. The composition of these bodies is described on pp. 213–214.

The General Meeting of Shareholders elects five of the Bank Council's eleven members (via separate ballot per member) and appoints the External Auditor. It approves the business report and the annual financial statements, and grants discharge to the Bank Council. Furthermore, within the context of the profit appropriation, the General Meeting of Shareholders determines the dividend. This may not exceed 6% of the share capital.

General Meeting of Shareholders

Bank Council

The Bank Council is the SNB's supervisory and control body. Six of its members are elected by the Federal Council; five by the General Meeting of Shareholders. The Federal Council is also responsible for appointing the President and Vice President. The Bank Council oversees and controls the conduct of business by the SNB. The individual tasks of the Bank Council are described in art. 42 NBA and art. 10 of the 'Organisation regulations'. The Bank Council's responsibilities cover, in particular, the determination of the basic principles according to which the SNB should be organised (including the structure of its accounting and financial control systems and its financial planning) and the approval of the budget and the provisions for currency reserves (art. 30 NBA). The Bank Council also assesses risk management and the basic principles underlying the investment process, and is kept informed of the SNB's operational resource strategies. The Bank Council submits proposals to the Federal Council for the appointment of Governing Board members and their deputies. It determines, in a set of regulations, the remuneration of its own members, and the remuneration of Governing Board members and deputies. Finally, the Bank Council approves the agreement with the Federal Department of Finance (FDF) on profit distribution, decides on the design of banknotes and appoints the members of the Regional Economic Councils. Monetary policy does not form part of its remit; this falls to the Governing Board.

Bank Council activities

In 2019, the Bank Council held six half-day meetings (in March, April, June, September, October and December) and one telephone conference in February, all of which were attended by the members of the Governing Board.

The Bank Council took note of the accountability report for 2018 submitted to the Federal Assembly and approved the financial report for 2018 for submission to the Federal Council and the General Meeting of Shareholders. It discussed the reports submitted by the External Auditor to the Bank Council and the General Meeting of Shareholders, and took note of the annual reports on financial and operational risks, the annual report of the Compliance unit, and the 2018 annual report of the pension fund. It also prepared the 2019 General Meeting of Shareholders and approved the 2018 budget statement as well as the 2020 budget, taking note of the medium-term resource and performance plan.

Furthermore, the Bank Council proposed to the General Meeting of Shareholders the election of a new member of the Bank Council for the remainder of the 2016–2020 term of office.

The Bank Council also made an assessment of the situation with regard to the External Auditor.

In addition, it approved the revised regulations governing the SNB's Internal Audit unit.

The Bank Council determined the membership of the Bank Council committees for the 2019–2020 term of office and elected a new member for the Regional Economic Council of Zurich.

Moreover, the Bank Council conducted discussions on investment policy and was briefed on business continuity management at the SNB.

The Bank Council also took note of the progress reports on the renovation of the SNB's main building in Berne and on the visitor centre in Berne.

Finally, the Bank Council approved the level of provisions for currency reserves.

The Bank Council has an Audit Committee, a Risk Committee, a Compensation Committee and a Nomination Committee, each of which has three members.

Bank Council committees

The Audit Committee supports the Bank Council in monitoring accounting and financial reporting, and oversees the activities of the External Auditor and the Internal Audit unit. It also assesses the appropriateness and efficacy of the internal control system (ICS), in particular regarding the processes for managing operational risk and ensuring compliance with laws, regulations and directives.

The Risk Committee assists the Bank Council in monitoring risk management and in assessing the governance of the investment process. The Audit Committee and the Risk Committee coordinate their activities and collaborate in areas where their tasks overlap.

The Compensation Committee supports the Bank Council in determining the principles of the SNB's compensation and salary policy, and submits proposals to the Bank Council regarding the salaries of Governing Board members and their deputies.

The Nomination Committee submits proposals to the Bank Council for those Bank Council members who are elected by the General Meeting of Shareholders, and for members of the Governing Board and their deputies, who are appointed by the Federal Council.

The Audit Committee held five meetings in 2019, all of which were attended by the External Auditor. The Risk Committee met twice, and the Compensation and Nomination Committees each held one meeting.

Executive management

The Governing Board is the SNB's highest management and executive body. Its three members are appointed for a six-year term by the Federal Council on the recommendation of the Bank Council. The Governing Board is responsible, in particular, for monetary policy, asset management strategy, contributing to the stability of the financial system, and international monetary cooperation.

The Enlarged Governing Board is made up of the three Governing Board members and their deputies. It issues the strategic guidelines for the SNB's business operations.

The Board of Deputies is responsible for the planning and implementation of these strategic guidelines. It ensures coordination in all operational matters of interdepartmental importance.

External Auditor

The External Auditor examines whether the accounting records, the annual financial statements and the proposal for the appropriation of the net profit are in accordance with statutory requirements. To this end, it is entitled to inspect the SNB's business activities at any time. It is appointed by the General Meeting of Shareholders for a term of one year. The auditors must meet special professional qualifications pursuant to art. 727b CO, and must be independent of the Bank Council, the Governing Board and the controlling shareholders.

KPMG Ltd has been the External Auditor since 2015 and was reappointed by the General Meeting of Shareholders for the 2019–2020 term of office. Philipp Rickert has been the auditor in charge since 2015. The role of auditor in charge is rotated at least every seven years in compliance with the regulations on terms of office stipulated in the Swiss Code of Obligations. Auditing fees for the 2019 financial year amounted to CHF 0.3 million (2018: CHF 0.3 million). Once again, KPMG Ltd provided no consulting services for the SNB in 2019.

Internal Audit

The Internal Audit unit is an independent instrument for overseeing and monitoring the SNB's business activities. It reports to the Audit Committee of the Bank Council.

1.5 REMUNERATION REPORT

When remunerating the members of the Bank Council and the Enlarged Governing Board, the Bank Council is required to comply analogously with the Confederation's principles governing the remuneration and other contractual conditions for senior staff and management officers of federal enterprises and institutions, as outlined in art. 6a of the Federal Personnel Act. The Bank Council laid down the principles governing remuneration in the 'Regulations on the compensation of SNB supervisory and executive bodies' of 14 May 2004 (Compensation regulations).

Remuneration

Remuneration and compensation remitted in 2019 are listed in the tables on pp. 193–194.

The compensation for members of the Bank Council is made up of a fixed annual remuneration plus per diem payments for special assignments and committee meetings. No compensation is due for committee meetings that are held on the same day as Bank Council meetings.

Bank Council

The remuneration paid to members of the Enlarged Governing Board comprises a salary and a lump sum for representation expenses. It is based on the level of remuneration in other financial sector companies of a similar size and complexity, and in large federally run companies.

Executive management

Information on the remuneration for members of the Regional Economic Councils can be found on p. 193.

Regional Economic Councils

The SNB does not make severance payments to departing members of the Bank Council. In accordance with the SNB's Regulations on the Governing Board, members of the Governing Board and their deputies are understood to be employed for a further six months after their term of office has come to an end, although they will be released from their duties during these six months ('cooling-off period'). The continuation of salary payments during this period of release from duties compensates them for any restrictions imposed on them after the end of their term of office. If a member of the Enlarged Governing Board is not reappointed or is removed from office, the Bank Council may grant a severance payment amounting to a maximum of one year's salary. The same applies in the case of retirement or termination of employment of a member of the Enlarged Governing Board in the interest of the bank.

Severance payments and compensation for restrictions

1.6 INTERNAL CONTROL SYSTEM

Aim and purpose	<p>The ICS comprises all the structures and processes which ensure orderly procedures for operational activities and contribute to the attainment of business goals.</p> <p>The ICS makes a major contribution towards compliance with legal requirements and internal specifications, the prudential protection of corporate assets, the prevention, reduction and disclosure of errors and irregularities, as well as ensuring that accounts are reliable and complete, that reporting is timely and dependable, and that risk management is appropriate and efficient.</p>
Elements	<p>The ICS comprises the management of financial risk, operational risk, compliance risk and risk associated with financial reporting pursuant to art. 728a CO.</p>
Organisation	<p>The ICS is divided into three levels. The three organisationally separate levels (lines of defence) are line management (heads of department and line managers), risk monitoring and internal audit.</p>
First level	<p>The first level is ensured through the line management's responsibility to provide verification of its duty of care and orderly business procedures. Organisational units define their structures and procedures so as to ensure that tasks are carried out efficiently and their objectives achieved. To this end, they specify operational goals and control measures to manage the risks they are exposed to in their business activities.</p>
Second level	<p>The second level is risk monitoring. The units responsible (Operational Risk and Security, Compliance, and Risk Management) advise and support line managers in the management of risk in their units. They monitor and report on the appropriateness and efficacy of risk management. In addition, they make their own assessment of the risk situation. They draw up specifications and measures to identify and limit risk, and submit corresponding proposals to executive management.</p>
Third level	<p>Finally, at a third, independent level, the Internal Audit unit examines the appropriateness and efficacy of the ICS, pursuing an approach that is first and foremost risk-oriented.</p>

The Bank Council and, in particular, its Audit Committee and Risk Committee, assess the appropriateness and efficacy of the ICS and satisfy themselves with regard to the security and integrity of the business processes.

**Responsibilities of
Bank Council and
executive management**

The Enlarged Governing Board approves strategies for the SNB's business operations.

The Board of Deputies approves the specifications with respect to the ICS and monitors compliance therewith. To this end, it issues directives and specifications on operational management.

Individual risk monitoring reports on financial, operational and compliance risks are submitted via the ICS to executive management and the Bank Council on an annual basis. In addition, Internal Audit communicates its audit findings to executive management and to the Bank Council's Audit Committee at least twice a year.

Reporting

The SNB has extensive control mechanisms in place for the prevention or early identification of errors in financial reporting (accounting procedures and bookkeeping). This ensures that the SNB's financial position is correctly reported. Together, these controls make up the ICS for financial reporting, which is managed by the Accounting unit.

ICS for financial reporting

The Internal Audit unit conducts spot checks to ascertain whether the corresponding key controls with regard to proper accounting and financial reporting are appropriate and whether they have been performed. Any findings on the ICS for financial reporting are communicated twice a year to the Board of Deputies, the Enlarged Governing Board and the Bank Council's Audit Committee. They are taken into consideration by the External Auditor in connection with the requisite confirmation in accordance with art. 728a para. 1 (3) CO.

1.7 RISK MANAGEMENT

Risks	<p>In fulfilling its statutory mandate, the SNB incurs various risks. These include financial risks in the form of market, credit, country and liquidity risks. It is also exposed to compliance and operational risks. These include personal injury, financial loss or reputational damage arising as a result of inadequate internal processes, incorrect reporting, a lack of – or disregard for – regulations or rules of conduct, insufficient oversight, technical failure and the impact of various external events.</p>
Assessment of risk management	<p>The Bank Council oversees and monitors the conduct of business by the SNB. It is responsible for assessing risk management and monitors its implementation. The Risk Committee and the Audit Committee prepare the business agenda and support the Bank Council in overseeing risk management.</p>
Risk strategy	<p>The Governing Board issues the ‘Investment Policy Guidelines of the Swiss National Bank (SNB)’ and annually determines the strategy for the investment of assets. In so doing, it determines the framework for the financial risks associated with investments.</p> <p>The Enlarged Governing Board approves strategies for business operations and has strategic responsibility for the management of operational and compliance risks. It defines the corresponding guidelines.</p>
Monitoring of financial risks	<p>Financial risk associated with investment is continuously monitored by the Risk Management unit. Each quarter, the Governing Board discusses the reports on investment activities and risk management. The reports on risk management are discussed by the Risk Committee of the Bank Council, and the annual report on financial risk is also discussed by the Bank Council. Details of the investment and risk control process for financial investments can be found in chapter 5 of the accountability report.</p>
Monitoring of operational risks	<p>The department heads ensure implementation of the operational risk guidelines issued by the Enlarged Governing Board in their organisational units. Management of operational risk is the responsibility of line managers.</p>

Operational risk, which specifically includes cyber and information security, business continuity management and operational security, is monitored by the Operational Risk and Security unit. The Board of Deputies is responsible for the management and control of operational risk. It prepares the relevant guidelines, is responsible for their implementation throughout the SNB, and ensures reporting to the Enlarged Governing Board. The Audit Committee discusses the business report on the management of operational risk before it is submitted to the Bank Council. The Risk Committee and the Audit Committee are jointly responsible for monitoring operational risk arising from the SNB's investment activities.

The department heads also ensure implementation of the compliance risk guidelines issued by the Enlarged Governing Board and the Bank Council in their organisational units. Management of compliance risk is the responsibility of line managers.

Monitoring of compliance risks

Compliance risk is monitored by the Compliance unit and the Operational Risk and Security unit. The Compliance unit advises and supports the department heads, line managers and staff with regard to the handling of compliance risks. It carries out spot checks to monitor adherence to, and the appropriateness of, regulations and rules of conduct, and reports on the status of compliance risks arising from the disregard for rules of conduct. In connection with its responsibilities, the Compliance unit may at any time approach the Head of the Audit Committee or where appropriate the President of the Bank Council, should this prove necessary. The Compliance unit submits a report on its activities annually to executive management, the Audit Committee and the Bank Council.

The following table summarises the organisation of risk management.

ORGANISATION OF RISK MANAGEMENT

	Specifications	Risk management (first level)	Independent oversight (second level)	Supervisory bodies of the Bank Council
Financial risk	Governing Board	Line management	Risk Management unit	Risk Committee
Operational risk	Enlarged Governing Board, Board of Deputies	Line management	Operational Risk and Security unit	Audit Committee, Risk Committee
Compliance risk	Bank Council and Enlarged Governing Board, Board of Deputies	Line management	Compliance unit, Operational Risk and Security unit	Audit Committee

1.8 CROSS REFERENCE TABLES

Further information on corporate governance may be found in other sections of the *Annual Report*, on the SNB website, in the NBA, in the ‘Organisation regulations’ and in the following places:

NBA (SR 951.11)	www.snb.ch , <i>The SNB, Legal basis, Constitution and laws</i>
Organisation regulations (SR 951.153)	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Shareholders	www.snb.ch , <i>Shareholders</i>
Participation rights	www.snb.ch , <i>Shareholders, General Meeting of Shareholders, Deadlines and participation</i>
Listing in share register	www.snb.ch , <i>Shareholders, General Meeting of Shareholders, Deadlines and participation</i>
Decision-making quorums	Art. 38 NBA; art. 9 Organisation regulations
General Meeting of Shareholders	Arts. 34–38 NBA; arts. 8–9 Organisation regulations
Regulations on the recognition and representation of shareholders of the Swiss National Bank	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Bank Council	www.snb.ch , <i>The SNB, Supervisory and executive bodies, Bank Council</i>
Members	<i>Annual Report</i> , p. 213
Nationality	Art. 40 NBA
Affiliations	www.snb.ch , <i>The SNB, Supervisory and executive bodies, Bank Council, Members of the Bank Council</i>
Election and term of office	Art. 39 NBA
Initial and current election	<i>Annual Report</i> , p. 213
Internal organisation	Arts. 10 et seq. Organisation regulations
Committees	www.snb.ch , <i>The SNB, Supervisory and executive bodies, Bank Council</i>
Regulations on the Audit Committee Risk Committee Compensation Committee Nomination Committee	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Regulations on the compensation of SNB supervisory and executive bodies (Compensation regulations)	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Delimitation of powers	Art. 42 NBA; arts. 10 et seq. Organisation regulations
Internal control system	<i>Annual Report</i> , pp. 144–145; arts. 10 et seq. Organisation regulations
Information tools	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Remuneration	<i>Annual Report</i> , p. 193
Code of Conduct	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>

Executive management	www.snb.ch , <i>The SNB, Supervisory and executive bodies, Governing Board/Enlarged Governing Board</i>
Members	<i>Annual Report</i> , p. 214
Affiliations	www.snb.ch , <i>The SNB, Supervisory and executive bodies, Governing Board/Enlarged Governing Board</i>
Election and term of office	Art. 43 NBA
Internal organisation	Arts. 18–24 Organisation regulations
Regulations on the office-holder relationship and employment relationship of members of the Governing Board of the Swiss National Bank and their deputies (Regulations on the Governing Board)	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Regulations on the compensation of SNB supervisory and executive bodies (Compensation regulations)	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Regulations on private financial investments and financial transactions by members of SNB management	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Regulations on the acceptance by members of the Enlarged Governing Board of gifts, invitations and third-party considerations	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Federal Personnel Act	www.admin.ch , <i>Bundesrecht, Systematische Rechtssammlung, Landesrecht, 1 Staat – Volk – Behörden, 17 Bundesbehörden, 172.220 Arbeitsverhältnis, 172.220.1 Bundespersonalgesetz vom 24. März 2000 (BPG)</i> Not available in English
Remuneration	<i>Annual Report</i> , p. 194
Code of Conduct	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Staff	
Charter	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Code of Conduct	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Private financial investments and financial transactions	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Principles governing procurement	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
External Auditor	
Election and requirements	Art. 47 NBA
Tasks	Art. 48 NBA

Information policy	<i>Annual Report</i> , p. 138, pp. 218 et seq. as well as information for shareholders at www.snb.ch , <i>Shareholders</i> , <i>Ad hoc announcements – messaging service</i>
Corporate structure and shareholders	<i>Annual Report</i> , pp. 136 et seq., pp.187–188
Head offices	Art. 3 para. 1 NBA
Ticker symbol/ISIN	SNBN/CH0001319265
Breakdown of capital	<i>Annual Report</i> , p. 187
Accounting principles	<i>Annual Report</i> , p. 168

2

Resources

2.1 ORGANISATIONAL CHANGES

The departments are made up of divisions and organisational units that report directly to them. Divisions encompass large specialised areas that are covered by several organisational units; they are led by division heads, who report to the department management.

Organisation

The divisions making up Department I are the Secretariat General, Economic Affairs, International Monetary Cooperation, and Statistics. It also includes the Legal Services, Compliance, Human Resources, and Premises and Technical Services units, which report directly to the department management. Internal Audit reports administratively to Department I.

Within the Secretariat General, the Communications unit was restructured. The ongoing development of external communication will include a stronger focus on digital channels and on the needs of the general public.

In addition to the Financial Stability and Cash divisions, Department II includes the Accounting, Controlling, Risk Management, and Operational Risk and Security units, which report directly to the department management.

The Cash division was reorganised, the restructuring being centred on establishing a unified operational structure for all locations. The new Cash Processing unit is responsible for the entire processing of banknotes and coins, while the new Cash Circulation unit is responsible for cash supply nationwide. The roles of the Procurement and Logistics unit and the Specialist Support unit remain largely unchanged.

Department III comprises the Money Market and Foreign Exchange, Asset Management, Banking Operations, and Information Technology divisions, as well as the Financial Market Analysis unit and the Singapore branch office, which report directly to the department management.

The organisational structure is presented on pp. 216–217.

The operational management instruments, comprising resource and performance planning, project and project portfolio planning, as well as budgeting, were developed further throughout the bank and even more firmly established in management processes. One of the main focus areas in resource and performance management is to improve operational flexibility, which includes regular performance monitoring, process optimisation and increased internal mobility of staff.

2.2 HUMAN RESOURCES

Number of staff

At the end of 2019, the SNB employed 934 people, an increase of 11 or 1.2% on the previous year. In terms of full-time equivalents, the number of employees rose by 0.8% to 855.2. The SNB also employed 22 apprentices. Averaged over the year, the number of full-time equivalents was 852.6. The overall staff turnover rate remained unchanged at 6.5%. Net fluctuation (excluding retirements and deaths) rose by 0.5 percentage points to 4.4%.

The increase in staff numbers falls within the parameters laid down in the medium-term resource and performance plan approved by the Bank Council. Staff numbers rose in the areas concerned with the SNB's core tasks and in IT.

More information and key figures on human resources and the SNB as an employer can be found in the 'Employees' chapter of the *Sustainability Report 2019*.

2.3 PREMISES

The SNB owns premises in Berne and Zurich for its own use. These are managed according to a long-term strategy. As part of this strategy, various buildings at both locations are currently undergoing renovation and alteration work.

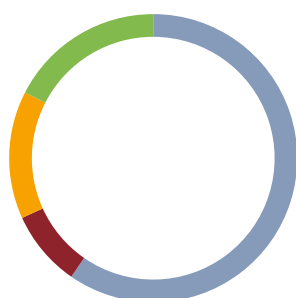
Construction projects in Berne

Renovation and alteration work on the SNB premises in Berne began in early 2015. The SNB counters on the ground floor reopened in September 2019, thus completing the renovation of the main building in Berne.

Towards the end of 2018, initial work was carried out in the six buildings in the Kaiserhaus (Marktgasse 37–41 and Amthausgasse 22–26) for the temporary building technology facilities, with project planning work continuing in parallel. Following an expansion to the project, the renovation and alteration work is expected to continue into 2024.

HUMAN RESOURCES

Number of employees



Men, full-time **557**
Men, part-time **80**
Women, full-time **134**
Women, part-time **163**

Total: 934
At year-end 2019

Construction relating to the renovation and alteration of the SNB's premises at Fraumünsterstrasse 8 in Zurich began in August 2016. The project was completed in early June 2019 and staff were able to move back into the building.

Construction projects
in Zurich

In the case of the Metropol premises, the building envelope requires renovation. Work on the three facades is to be carried out in stages and is scheduled to be completed in 2022.

2.4 INFORMATION TECHNOLOGY

Internal IT systems and applications were reliable and stable. Any occasional disruptions were swiftly resolved.

IT operations

The risk-based implementation of the planned measures under the cybersecurity strategy commenced as a high priority. The multi-year programme is aimed at bolstering resilience to cyberattacks.

IT projects

In 2019, the gradual implementation began of new software to automatically identify potentially fraudulent payment transactions with correspondent banks.

A bank-wide initiative was launched for the governance, processing and analysis of large sets of unstructured data (big data).

New tools were developed and rolled out in the area of economic statistical information systems. These tools are used for retrieving data from external sources, supporting surveys, analysing data and designing subject-specific data models, and also for preserving data collections.

As part of the streamlining of processes within the Cash division, new software solutions were rolled out, in particular for inventory management.

Within the framework of its regular contract reviews, the SNB issued a new call for tenders for the hosting of its website and for mobile communications services. As a result of the tendering procedure, the SNB switched both providers.

3

Changes in bank bodies

Bank Council

Barbara Janom Steiner, from Scuol, took office as President of the Bank Council of the Swiss National Bank on 1 May 2019, after the Federal Council had appointed her as successor to Jean Studer on 14 September 2018. Jean Studer stepped down at the end of April 2019.

Christoph Ammann, from Meiringen, also took office as a Member of the Bank Council on 1 May 2019, after the Federal Council had elected him as a new member on 14 September 2018.

On 26 April 2019, the General Meeting of Shareholders elected Vania Alleva, from Berne, as a member of the Bank Council for the remainder of the 2016–2020 term of office. She succeeded Daniel Lampart, who stepped down with effect from the date of the 2019 General Meeting of Shareholders.

On 13 December 2019, the Federal Council confirmed Olivier Steimer as Vice President of the Bank Council, subject to his re-election as a member of the Bank Council by the General Meeting of Shareholders. The Federal Council also confirmed the six members it appoints to the eleven-member Bank Council. The following members were re-elected for the 2020–2024 term of office: Barbara Janom Steiner as President, Christoph Ammann, Shelby du Pasquier, Christoph Lengwiler, Christian Vitta and Ernst Stocker. As the maximum term of office is 12 years, Olivier Steimer's tenure will end early on 30 April 2021 and Ernst Stocker's on 30 April 2022. The General Meeting of Shareholders on 24 April 2020 is responsible for re-electing the other members of the Bank Council for the 2020–2024 term of office.

External Auditor

On 26 April 2019, the General Meeting of Shareholders appointed KPMG Ltd as External Auditor for the 2019–2020 term of office, with Philipp Rickert as auditor in charge.

4.1 ANNUAL RESULT

The Swiss National Bank reported a profit of CHF 48.9 billion for the year 2019 (2018: loss of CHF 14.9 billion).

Summary

The profit on foreign currency positions amounted to CHF 40.3 billion. A valuation gain of CHF 6.9 billion was recorded on gold holdings. The profit on Swiss franc positions was CHF 2.1 billion. Operating expenses came to CHF 0.4 billion.

For the financial year just ended, the SNB has set the allocation to the provisions for currency reserves at CHF 5.9 billion. After taking into account the distribution reserve of CHF 45.0 billion, the net profit comes to CHF 88.0 billion. This will allow a dividend payment of CHF 15 per share, which corresponds to the legally stipulated maximum amount. In accordance with the agreement between the FDF and the SNB for the financial years 2016 to 2020, the Confederation and the cantons are entitled to a profit distribution of CHF 1 billion. As the distribution reserve after appropriation of profit exceeds CHF 20 billion, a supplementary distribution of CHF 1 billion will also be paid in accordance with the agreement. In view of the high level of the distribution reserve, the SNB concluded a supplementary agreement with the FDF for the 2019 and 2020 financial years in February 2020. This provides for the distribution of an additional CHF 2 billion for the year 2019. The amount to be distributed thus totals CHF 4 billion. One-third goes to the Confederation and two-thirds to the cantons. After these payments, the distribution reserve will stand at CHF 84.0 billion.

At the end of 2019, the price of gold stood at CHF 47,222 per kilogram, 16.3% higher than at the end of 2018 (CHF 40,612). This gave rise to a valuation gain of CHF 6.9 billion on the unchanged holdings of 1,040 tonnes of gold (2018: valuation loss of CHF 0.3 billion).

Valuation gain on gold holdings

Profit on foreign currency positions

The profit on foreign currency positions was CHF 40.3 billion (2018: loss of CHF 16.3 billion). Interest and dividend income totalled CHF 9.2 billion and CHF 3.7 billion respectively. A gain of CHF 12.7 billion was recorded on interest-bearing paper and instruments. Furthermore, the favourable stock market environment led to a gain of CHF 32.9 billion on equity securities and instruments. Exchange rate-related losses totalled CHF 18.1 billion.

Profit on Swiss franc positions

The profit on Swiss franc positions totalled CHF 2.1 billion (2018: CHF 2.0 billion). It largely resulted from negative interest charged on sight deposit account balances.

Operating expenses

Operating expenses are made up of banknote and personnel expenses, general overheads and depreciation on the SNB's tangible assets. They increased by CHF 14.3 million to CHF 395.6 million.

Outlook

The SNB's financial result depends largely on developments in the gold, foreign exchange and capital markets. Consequently, very strong fluctuations in quarterly and annual results are to be expected. In view of the considerable volatility in its results, the SNB does not exclude the possibility that, in some years, profit distributions will only be able to be carried out on a reduced scale or will have to be suspended completely.

4.2 PROVISIONS FOR CURRENCY RESERVES

In accordance with art. 30 para. 1 of the NBA, the SNB sets up provisions to maintain the currency reserves at the level necessary for monetary policy. Independent of this financing function, the provisions for currency reserves have a general reserve function and thus serve as equity capital. They act as a buffer against all the different forms of loss risk at the SNB.

Purpose

When setting aside provisions for currency reserves, the SNB must take into account the development of the Swiss economy (art. 30 para. 1 NBA).

Level of provisions

Given the high market risks present in the SNB balance sheet, the percentage increase in provisions is generally calculated on the basis of double the average nominal GDP growth rate for the previous five years. In addition, a minimum annual allocation of 8% of the provisions at the end of the previous year has applied since 2016. This is aimed at ensuring that sufficient allocations are made to the provisions and the balance sheet is further strengthened, even in periods of low nominal GDP growth.

**Allocation from 2019
annual result**

Since nominal GDP growth over the last five years has averaged just 1.3%, the minimum allocation of 8% will be applied for the 2019 financial year. This corresponds to CHF 5.9 billion (2018: CHF 5.4 billion). As a result, the provisions for currency reserves will grow from CHF 73.2 billion to CHF 79.1 billion.

Multi-year comparison
of provisions

PROVISIONS

	Growth in nominal GDP In percent (average period) ¹	Annual allocation In CHF millions	Provisions after allocation In CHF millions
2015 ²	1.2 (2009–2013)	1 362.2	58 121.5
2016 ³	1.9 (2010–2014)	4 649.7	62 771.2
2017 ³	1.4 (2011–2015)	5 021.7	67 792.9
2018 ³	1.2 (2012–2016)	5 423.4	73 216.3
2019 ³	1.3 (2013–2017)	5 857.3	79 073.6

1 The average nominal GDP growth rate is based on the last five years for which definite values are available. GDP figures are revised on a regular basis. This means that the latest available growth rates may deviate from reported figures. This does not affect the allocation.

2 Doubling of allocation.

3 Minimum allocation of 8% of the provisions at the end of the previous year.

Distributable annual result
and net profit

The portion of the annual result remaining after the allocation to the currency reserves corresponds to the distributable profit as per art. 30 para. 2 NBA. Together with the distribution reserve, this makes up the net profit/net loss (art. 31 NBA). If a net profit is achieved, this is used for distributions.

For 2019, the distributable annual result amounts to CHF 43.0 billion. The net profit is CHF 88.0 billion.

4.3 DIVIDEND AND PROFIT DISTRIBUTION

Art. 31 para. 1 NBA specifies that a dividend not exceeding 6% of the share capital shall be paid from the net profit, with the decision on this matter being taken by the General Meeting of Shareholders on the basis of a Bank Council proposal.

Dividend

In accordance with art. 31 para. 2 NBA, one-third of any net profit remaining after the payment of a dividend will accrue to the Confederation and two-thirds to the cantons.

Profit distribution to Confederation and cantons

The amount of the annual profit distribution to the Confederation and the cantons is laid down in an agreement between the FDF and the SNB. Given the considerable fluctuations in the SNB's earnings, the NBA stipulates that profit distribution be maintained at a steady level. Consequently, a constant flow of payments over several years is provided for in the agreement and a distribution reserve carried on the balance sheet.

Distribution agreement

The existing agreement covers the profit distributions for the financial years 2016–2020. The annual distribution amounts to CHF 1 billion and will only be made if it does not render the distribution reserve negative. Omitted or reduced profit distributions will be made up in subsequent years, if the distribution reserve allows it. Furthermore, the distribution amount will be raised to up to CHF 2 billion if the distribution reserve exceeds CHF 20 billion.

In view of the high level of the distribution reserve, the SNB concluded a supplementary agreement with the FDF for the 2019 and 2020 financial years in February 2020. This provides for additional distributions of up to CHF 2 billion in total, which are linked to two further thresholds. If the distribution reserve exceeds CHF 30 billion, a supplementary distribution of CHF 1 billion will be made. If the distribution reserve exceeds CHF 40 billion, a further supplementary distribution of CHF 1 billion will be made. In both cases, should this cause the distribution reserve to fall below the respective threshold value, the distribution will be reduced accordingly.

Supplementary agreement

For 2019, after the allocation to the provisions for currency reserves, the SNB is distributing a total of CHF 4.0 billion to the Confederation and the cantons.

Distribution for 2019

Distribution reserve

Following last year's profit appropriation, the distribution reserve showed a value of CHF 45.0 billion. After offsetting against the annual result and the profit appropriation for 2019, the distribution reserve will amount to CHF 84.0 billion.

PROFIT DISTRIBUTION AND DISTRIBUTION RESERVE

In CHF millions

	2015	2016	2017	2018	2019 ²
Annual result	-23 250.6	24 476.4	54 371.6	-14 934.0	48 851.7
- Allocation to provisions for currency reserves	-1 362.2	-4 649.7	-5 021.7	-5 423.4	-5 857.3
= Distributable annual result	-24 612.8	19 826.7	49 349.9	-20 357.4	42 994.4
+ Distribution reserve before appropriation of profit ¹	27 518.8	1 904.5	20 000.0	67 348.4	44 989.5
= Net profit	2 906.0	21 731.2	69 349.9	46 991.0	87 983.9
- Payment of a dividend of 6%	-1.5	-1.5	-1.5	-1.5	-1.5
- Profit distribution to Confederation and cantons	-1 000.0	-1 729.7	-2 000.0	-2 000.0	-4 000.0
= Distribution reserve after appropriation of profit	1 904.5	20 000.0	67 348.4	44 989.5	83 982.4

1 Year-end total as per balance sheet.

2 In accordance with proposed appropriation of profit.

4.4 MULTI-YEAR COMPARISON OF ASSETS AND LIABILITIES

The following summary provides an overview of the movements in key balance sheet positions over the last five years.

Year-end values in CHF millions

	2015	2016	2017	2018	2019
Gold holdings	35 467	39 400	42 494	42 237	49 111
Foreign currency investments	593 234	696 104	790 125	763 728	794 015
Reserve position in the IMF	1 608	1 341	871	1 188	1 369
International payment instruments	4 707	4 406	4 496	4 441	4 381
Monetary assistance loans	170	155	210	260	276
Claims from Swiss franc repo transactions	–	–	–	–	6 529
Swiss franc securities	3 972	3 998	3 956	3 977	4 074
Tangible assets	397	375	396	435	450
Participations	136	137	157	151	135
Other assets	461	585	601	651	616
Total assets	640 152	746 502	843 306	817 069	860 956
Banknotes in circulation	72 882	78 084	81 639	82 239	84 450
Sight deposits of domestic banks	402 317	468 199	470 439	480 634	505 811
Liabilities towards the Confederation	10 931	7 230	14 755	15 613	23 481
Sight deposits of foreign banks and institutions	25 621	24 585	54 086	37 102	30 164
Other sight liabilities	30 166	30 036	34 399	41 479	31 997
Liabilities from Swiss franc repo transactions	–	–	–	–	–
SNB debt certificates	–	–	–	–	–
Foreign currency liabilities	32 521	49 096	45 934	34 812	13 315
Counterpart of SDRs allocated by the IMF	4 548	4 493	4 573	4 487	4 418
Other liabilities	114	252	315	472	238
Equity					
Provisions for currency reserves ¹	56 759	58 122	62 771	67 793	73 216
Share capital	25	25	25	25	25
Distribution reserve ¹	27 519	1 905	20 000	67 348	44 989
Annual result	–23 251	24 476	54 372	–14 934	48 852
Total equity	61 053	84 527	137 168	120 232	167 083
Total liabilities	640 152	746 502	843 306	817 069	860 956

¹ Before appropriation of profit, cf. p. 166.