

Zurich, 5 March 2018

Why the SNB opposes the Swiss sovereign money initiative Initiative 'For crisis-resistant money: end fractional-reserve banking' (Vollgeld-Initiative) – referendum on 10 June 2018

The SNB opposes the initiative, as does the Federal Council. Here, in brief, the SNB's position at a glance:

- Switzerland's financial system has a proven track record and relevant new regulation has made it more secure.
- There is no fundamental problem that needs fixing. A radical overhaul of Switzerland's financial system is inadvisable and would entail major risks.
- Today's decentralised system is both customer-focused and efficient. Competition between banks ensures favourable interest rates and high-quality, modern and low-cost services.
- The SNB has the requisite instruments at its disposal to steer the interest rate level and hence the money supply, thereby fulfilling its mandate of ensuring price stability.
- The proposed reform would politicise and complicate the implementation of monetary policy.
 - Today, the SNB can steer demand for money and credit via interest rates. Interest rate targeting is practised by the major central banks and has proved its worth as a strategy. Abandoning the current system of interest rate targeting in favour of monetary targeting would be an unnecessary and regressive step.
- The 'debt-free' issuance of central bank money envisaged by the initiative would expose the SNB to political ambitions. It would also result in a concentration of tasks at the central bank, which would jeopardise monetary policy independence and the fulfilment of the SNB's mandate.

- The 'debt-free' issuance of central bank money would erode the SNB's balance sheet and weaken confidence in the Swiss franc.
- A sovereign money system could not prevent credit cycles and asset bubbles. Improved instruments are now available to ensure financial stability – these include capital requirements and the 'too big to fail' regulations.
- A sovereign money system could not deliver on its promise to guarantee a secure financial system and ensure greater prosperity through directly issued central bank money.