Swiss National Bank discontinues minimum exchange rate and lowers interest rate to –0.75%
Target range moved further into negative territory

The Swiss National Bank (SNB) is discontinuing the minimum exchange rate of CHF 1.20 per euro. At the same time, it is lowering the interest rate on sight deposit account balances that exceed a given exemption threshold by 0.5 percentage points, to −0.75%. It is moving the target range for the three-month Libor further into negative territory, to between –1.25% and −0.25%, from the current range of between −0.75% and 0.25%.

The minimum exchange rate was introduced during a period of exceptional overvaluation of the Swiss franc and an extremely high level of uncertainty on the financial markets. This exceptional and temporary measure protected the Swiss economy from serious harm. While the Swiss franc is still high, the overvaluation has decreased as a whole since the introduction of the minimum exchange rate. The economy was able to take advantage of this phase to adjust to the new situation.

Recently, divergences between the monetary policies of the major currency areas have increased significantly – a trend that is likely to become even more pronounced. The euro has depreciated considerably against the US dollar and this, in turn, has caused the Swiss franc to weaken against the US dollar. In these circumstances, the SNB concluded that enforcing and maintaining the minimum exchange rate for the Swiss franc against the euro is no longer justified.

The SNB is lowering interest rates significantly to ensure that the discontinuation of the minimum exchange rate does not lead to an inappropriate tightening of monetary conditions. The SNB will continue to take account of the exchange rate situation in formulating its monetary policy in future. If necessary, it will therefore remain active in the foreign exchange market to influence monetary conditions.