

1 Constitutional provision concerning a different utilisation of National Bank gold reserves

In 1997, a group of experts for the Reform of the monetary order had investigated what level of monetary reserves was required for conducting monetary policy if the gold reserves, which had hitherto been immobilised based on the gold parity of the Swiss franc, are to become normal and marketable central bank assets. At that time, the group of experts had proposed that those gold reserves of the National Bank that were no longer required for monetary policy should be made available for other public purposes. Based on this and within the context of the planned reform of the monetary constitution, the two chambers of parliament had decided to create an explicit constitutional basis to enable the 1,300 tonnes of gold reserves no longer needed for monetary policy purposes to be separated from the National Bank's holdings and be put to other public uses. Since, however, the new monetary article in the Federal Constitution failed to be passed by the federal parliament in the final vote of 18 June 1999 (cf. 92nd Annual Report, page 43), the Federal Council decided to choose a different procedure. This is based on the renewed Federal Constitution, which entered into force on 1 January 2000.

The renewed monetary article (art. 99 FC) no longer provides for a link of the Swiss franc to gold. Art. 99, para 3 FC still obliges the National Bank to hold a part of its monetary reserves in gold. There is, however, no obstacle to that part of the gold reserves which – following the revaluation of its gold holdings – the National Bank no longer needs for monetary policy purposes being allocated to other beneficiaries on the basis of a special constitutional norm. Accordingly, with its message of 17 May 2000, the Federal Council submitted the draft of a decree of the federal parliament on the use of gold reserves (transitional provision concerning art. 99 FC) as well as of a federal law on the Swiss Foundation for Solidarity to parliament. The proposed transitional provision concerning the Federal Constitution (art. 197, section 1) authorises the legislature to regulate the allocation of the proceeds from the sale of 1,300 tonnes of gold of the National Bank. Parliament commenced its deliberations on the bill in the second half of 2000.

**Gold reserves no longer
required for monetary policy**

**Message of the Federal
Council**

2 Federal law on currency and payment instruments

Entry into force

The Federal law on currency and payment instruments was passed by the Federal Assembly on 22 December 1999 (cf. 92nd Annual Report, p. 44). After the referendum deadline had expired unused, the Federal Council put the law into force on 1 May 2000. This enabled the National Bank to revalue its 2,590 tonnes of gold holdings and to carry out gold transactions.

Repeal of gold-related decrees of the Federal Council

The Federal law on currency and payment instruments severs the link of the Swiss franc to gold on the legislative level. With the definitive removal of the National Bank's obligation to redeem banknotes and of the gold parity of the Swiss franc from federal legislation, the Decrees of the Federal Council of 29 June 1954 concerning the legal tender status of banknotes and of 9 May 1971 concerning the fixing of the gold parity of the Swiss franc were repealed. The Federal law on currency and payment instruments contains new regulations on all the characteristic features of currency and money (legal tender) relevant for the public: it defines the Swiss currency unit, describes the legal payment instruments and the creditors' obligation to accept these, replaces the Coinage Law and incorporates the provisions in the National Bank Law relating to banknotes. Together with the Federal law on currency and payment instruments, the Federal Council also put the revised Coinage Ordinance into force.

3 Total revision of the National Bank Law

In mid-October 2000, the group of experts for the Reform of the monetary order, in which the National Bank was also represented, submitted its report and draft for a new National Bank Law (NBL) to the head of the Federal Department of Finance. Many sections of the present National Bank Law are outdated and do not conform with the new monetary article of the Federal Constitution (art. 99 FC). It is therefore necessary to revise the Law completely. After the new monetary article and the Federal law on currency and payment instruments have entered into force, the revision of the National Bank Law is the third and last pillar of reform of Switzerland's monetary order.

Report and draft of the group of experts

The group of experts was entrusted with the task of analysing all pending problems of Switzerland's central bank legislation and proposing appropriate solutions. The draft law submitted by this group entails, as the main points of reform, translating the new monetary article into a specific central bank mandate, implementing central bank independence and formal accountability, providing for more flexible approaches to the National Bank's business, modernising its instruments, adjusting the legal provisions governing its corporate activities, including the rules on the determination and distribution of its profits, and streamlining its organisational structure. The group of experts was guided mainly by the internationally recognised standards applicable to modern central bank laws.

Comprehensive updating of central bank law

The National Bank will submit its comments on the draft of the total revision of the NBL during the consultation procedure planned for 2001.

Comments by the National Bank