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Financial transactions by the SNB Governing Board: KPMG submits audit report

No breach of regulations

In January 2012, the Bank Council of the Swiss National Bank (SNB) entrusted auditors KPMG Switzerland with the review and analysis of all own-account transactions by members of the Enlarged Governing Board of the SNB. Under review were the own-account transactions by members of the Enlarged Governing Board and their families (with the exception of Kashya Hildebrand) between 1 January 2009 and 31 December 2011. Since the resignation of Philipp Hildebrand, the members of the Enlarged Governing Board comprise Thomas Jordan, Vice Chairman of the Governing Board, Jean-Pierre Danthine, Member of the Governing Board, and the three Alternate Members of the Governing Board, Thomas Moser, Thomas Wiedmer and Dewet Moser. The financial transactions of Philipp Hildebrand during this period were also reviewed; transactions in 2011 which were already known to the public were not re-examined.

KPMG compiled six individual reports and one general report. The individual reports contain material protected by rights of privacy, and therefore cannot be made public. The sections of the individual reports of relevance to the public are presented in detail in the general report. The general report (available in German only) is attached to this press release. The President of the Swiss Confederation, Eveline Widmer-Schlumpf, has been informed in detail of the findings.

KPMG concludes that, during the course of the analysis presented in the report, no activities were identified which might suggest that financial transactions by members of the Enlarged Governing Board were in breach of the guidelines and regulations in place during the period under review. None of the transactions by Thomas Jordan, Thomas Moser or Dewet Moser required further analysis. In the case of three board members, KPMG conducted a detailed analysis of a total of six transactions, namely two transactions each by Philipp Hildebrand, Jean-Pierre Danthine and Thomas Wiedmer. They are described as follows:

Two foreign exchange transactions by Philip Hildebrand were in connection with the procurement of liquidity for the payment of bills for the renovation of real estate owned and used by himself. Units in a multi-manager fund worth a total of EUR 856,465.33 were

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sold and in both cases the proceeds were then exchanged for Swiss francs, for a value of CHF 1,308,137.25.

- The first foreign exchange transaction, on 17 March 2009, entailed the sale of EUR 700,000 and purchase of CHF 1,072,610.
- The second foreign exchange transaction, on 18 June 2009, entailed the sale of EUR 156,465.33 and purchase of CHF 235,527.25.

Both foreign exchange transactions were carried out at a time when the SNB was conducting monetary policy measures.

KPMG has found no indication with regard to these transactions which would suggest that there was any conflict of interest, or that confidential information was exploited to derive a personal advantage.

The two transactions by Jean-Pierre Danthine, which were analysed in depth, relate to his joining the SNB.

- On 15 February 2010, some six weeks after joining the National Bank, Jean-Pierre Danthine sold EUR 197,674 and purchased CHF 289,000. This transaction was undertaken in order to pay into the SNB pension fund an amount totalling CHF 300,000, as recommended by the person then responsible for the SNB pension fund. Most of Jean-Pierre Danthine's assets at this time, due to inheritance, were denominated in euros. Consequently, on 15 February 2010 he exchanged the specified amount of euros for Swiss francs. This transaction was carried out at a time when the SNB was actively intervening in the foreign exchange market to prevent an excessive appreciation of the Swiss franc against the euro.
- The second transaction took place on 20 May 2010. Jean-Pierre Danthine bought CHF 178,794 against EUR 126,000. This transaction resulted from a streamlining of his investment positions which Mr Danthine carried out after joining the SNB (sale of bank stocks, some denominated in euros). In view of the high level of liquidity which this generated, his investment adviser suggested on 18 May 2010 that Mr Danthine reduce his euro investments. On 19 May 2010, Mr Danthine agreed with this recommendation by e-mail. This transaction was also carried out during a period in which the SNB was actively intervening in the foreign exchange market to prevent an excessive appreciation of the Swiss franc against the euro.

KPMG has not found any indication with regard to these two transactions which would suggest that there was any conflict of interest or that confidential information was exploited to derive a personal advantage.

The two transactions of Thomas Wiedmer involved the sale of shares.

- Thomas Wiedmer purchased shares on 8 March 2010 for CHF 4,162.95, which he sold on 6 April 2010, i.e. before the end of the six-month minimum period stipulated for passive management, for CHF 3,772.30.

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- On 9 September 2011, he purchased shares for CHF 1,769.45, which he sold on 11 November 2011, i.e. again before the end of the six-month holding period, for CHF 644.50.

Both transactions resulted in a loss. Thomas Wiedmer was of the opinion that the minimum holding period did not apply to loss minimisation.

In this regard, KPMG concludes that – in view of unclear communication of a change in the applicable regulations – Thomas Wiedmer’s opinion was comprehensible.

The Bank Council has taken note of the results of the investigation and has looked into them in detail. It is in agreement with the assessments made by KPMG. The Bank Council devoted particularly thorough attention to the two transactions made by Jean-Pierre Danthine since they were carried out around the time of foreign exchange market interventions by the SNB. However, the interventions the SNB made at that time took place in the context of its publicly stated intention to act decisively in the event of an excessive appreciation of the Swiss franc against the euro (monetary policy assessments of 10 December 2009 and 11 March 2010).

The Bank Council has concluded that Jean-Pierre Danthine as well as Thomas Wiedmer cannot be reproached for any misconduct and that they did not take advantage of confidential or privileged information. It continues to have full confidence in Jean-Pierre Danthine and Thomas Wiedmer, as well as the other members of the Enlarged Governing Board.

Against the backdrop of the events of the past few weeks, however, the Bank Council has reached the conclusion that the regulations must be made more stringent and monitoring intensified. This is why the Bank Council commissioned a fundamental review of the regulations on own-account transactions in financial instruments by members of the Enlarged Governing Board as early as 7 January 2012. Work is almost completed and the new regulations will be published shortly.

The Bank Council will present its proposal for the appointment of a new Governing Board member to the Federal Council (the body responsible for this decision) within the next few weeks. It hopes that the SNB Governing Board will soon be able to carry out its duties with its full complement of members.

The KPMG report is attached to the press release of 25 April 2012.