

### 3 Corporate governance

The Swiss National Bank (SNB) 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. The National Bank has a share capital totalling CHF 25 million which is fully paid up.

In autumn 2008, the National Bank established the SNB StabFund Limited Partnership for Collective Investment (stabilisation fund) as part of a package of measures aimed at strengthening the Swiss financial system. It thereby constitutes a group as defined in art. 663e of the Swiss Code of Obligations (CO) and is required to draw up consolidated financial statements. Details on the stabilisation fund may be found in chapter 6.7 (pp. 80–83) and in 'Financial information on the stabilisation fund' (pp. 163–172) of this report. The companies included in the consolidated financial statements are listed under 'Reporting entities' (p. 182).

The corporate bodies of the SNB are the General Meeting of Shareholders, the Bank Council, the Governing Board and the Audit Board.

The Bank Council oversees the conduct of business at the National Bank. Six of its members are elected by the Federal Council, including the President and Vice President. The other five members are elected by the General Meeting of Shareholders. The Bank Council has a Compensation Committee, a Nomination Committee, an Audit Committee and a Risk Committee. Each of these committees has three members.

The Governing Board is the SNB's 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 operational management of the SNB is in the hands of the Enlarged Governing Board, which is made up of the three Governing Board members and their deputies. The Board of Deputies directs daily operations. The deputies, like the members of the Governing Board, are appointed for a six-year term by the Federal Council on the recommendation of the Bank Council.

**Background**

**Corporate bodies and responsibilities**

The Audit Board examines whether the accounting records, the annual financial statements, the consolidated financial statements and the proposal for the allocation of the net profit are in accordance with the 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 they must be independent of the Bank Council, the Governing Board and the controlling shareholders.

#### Shareholder rights

Shareholder rights are governed by the National Bank Act, with the provisions of company law being subsidiary 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. Shareholders from outside the public sector may be registered for a maximum of 100 votes. At the General Meeting of Shareholders, shareholders may only be represented by other shareholders. Only five of the eleven members of the Bank Council are elected by the General Meeting of Shareholders. Dividends are limited to 6% of the share capital. Of the remaining distributable profit, one-third is paid out to the Confederation, and two-thirds to the cantons.

The business report and the annual financial statements must be approved by the Federal Council before being submitted to the General Meeting of Shareholders. 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. 'Shareholder rights', p. 107).

#### Meetings and remuneration of bodies

Important information on the structure and organisation of the SNB and on the remuneration and eligibility of its corporate bodies is to be found in different sections of the *Annual Report*. References to the relevant sections are contained in the tables at the end of this chapter.

In 2010, the Bank Council held six ordinary half-day meetings (in February, April, June, September, October and December), all of which were attended by the members of the Governing Board.

The business it dealt with included, in particular, the resolution on the level of the provisions for currency reserves and the closure of the SNB agencies in Basel, Bienne and Thun, the approval of the new reporting arrangements for the Internal Auditors, and the transfer of the Risk Management unit from Department III to Department II. It also dealt with the Audit Board's reports to the Bank Council and to the General Meeting of Shareholders, and took note of the progress achieved in implementing the real estate strategy and the associated medium and long-term investment.

Moreover, the Bank Council approved a set of principles relating to the selection of its members, for the attention of the Federal Department of Finance. It revised the guidelines pertaining to members of the Enlarged Governing Board and the acceptance of invitations and concessions, and it also amended the regulations on members of the Enlarged Governing Board entering into personal transactions involving financial instruments.

Finally, the Bank Council took note of the annual reports on the financial and operational risks, and of the status of the internal control system (ICS).

The Compensation Committee met once. The Nomination Committee did not meet. The Audit Committee held four half-day meetings, which were attended by representatives of the Audit Board. The Risk Committee held two half-day meetings.

The remuneration regulations on SNB supervisory and executive bodies specify that Bank Council members receive a fixed annual remuneration, as well as compensation for attending committee meetings that are not held on the same day as Bank Council meetings. The remuneration paid to members of the Enlarged Governing Board consists of salary plus lump-sum compensation for representation expenses. Guidance on the appropriate level of remuneration is obtained from other companies of a similar size and complexity in the financial sector, and from large federally run companies (cf. tables on remuneration for the Bank Council and executive management, pp. 146–147).

The National Bank does not make severance payments to departing members of the Bank Council.

In accordance with SNB regulations, the members of the Governing Board are not allowed to carry out any paid or unpaid activity for a bank in Switzerland or abroad for a period of six months following the termination of their contract of employment. For alternate members of the Governing Board (deputies), the period is three months. Members of the Governing Board and their deputies are free to take up activities for companies outside the banking sector. However, they need the approval of the Bank Council if they join such a company within the above-mentioned periods. Given the regulatory restrictions, the members of the Governing Board and their deputies are entitled to remuneration within these periods (cf. tables on remuneration for the Bank Council and executive management, pp. 146–147).

On 31 December 2010, members of the Bank Council did not hold any SNB shares, and members of the Enlarged Governing Board held a total of six.

PricewaterhouseCoopers Ltd (PwC) holds the auditing mandate. PwC has been auditing the annual financial statements of the SNB (parent company) since 2004, and the consolidated financial statements since 2008. The lead auditor for the annual financial statements of the parent company and the consolidated financial statements was appointed in 2008. Fees paid in the 2010 financial year for this auditing mandate totalled CHF 365,840. PwC was also entrusted with the task of auditing the SNB stabilisation fund. Compensation for these audit services in the 2010 financial year amounted to CHF 1,536,660. Additional services by PwC cost a further CHF 8,608.

Notifications to shareholders are generally communicated by post to the address listed in the share register, and by publication in the *Swiss Official Gazette of Commerce*. Shareholders do not receive any information which is not also made available to the public.

SNB registered shares are traded on the stock market. At the end of 2010, a total of 52.7% of the shares were held by cantons and cantonal banks, with the remaining shares mostly held by private individuals. The major shareholders were the Canton of Berne with 6.6% (6,630 shares), Theo Siegert (Düsseldorf) with 5.6% (5,550 shares), the Canton of Zurich with 5.2% (5,200 shares), the Canton of Vaud with 3.4% (3,401 shares) and the Canton of St Gallen with 3.0% (3,002 shares). The Confederation is not a shareholder of the SNB.

The basic features of the SNB's structure and organisation are defined by the NBA, the Organisation Regulations, and the regulations relating to the Bank Council committees.

**Information for shareholders**

**Listed registered shares**

**Cross reference tables**

NBA (SR 951.11)	<a href="http://www.snb.ch">www.snb.ch</a> , <i>The SNB, Legal basis, Constitution and laws</i>
Organisation Regulations (SR 951.153)	<a href="http://www.snb.ch">www.snb.ch</a> , <i>The SNB, Legal basis, Guidelines and regulations</i>
Regulations of the Compensation Committee, Nomination Committee, Audit Committee, and Risk Committee	<a href="http://www.snb.ch">www.snb.ch</a> , <i>The SNB, Legal basis, Guidelines and regulations</i>

Further information on corporate governance may be found in other sections of the *Annual Report*, on the SNB website, in the NBA, and in the Organisation Regulations.

Corporate structure and shareholders	<i>Annual Report</i> , pp. 103, 141–142
Head offices	Art. 3 para. 1 NBA
Breakdown of capital	<i>Annual Report</i> , p. 141
Accounting principles	<i>Annual Report</i> , p. 126 (parent company) and pp. 179–180 (consolidated level)
Bank Council	<a href="http://www.snb.ch">www.snb.ch</a> , <i>The SNB, Supervisory and executive bodies, Bank Council</i>
Members	<i>Annual Report</i> , p. 198
Nationality	Art. 40 NBA
Affiliations	<a href="http://www.snb.ch">www.snb.ch</a> , <i>The SNB, Supervisory and executive bodies</i>
Restrictions on election and term of office	Art. 39 NBA
Initial and current election	<i>Annual Report</i> , p. 198
Internal organisation	Arts. 10 et seq. Organisation Regulations
Delimitation of powers	Art. 42 NBA; arts. 10 et seq. Organisation Regulations
Systems of control	<i>Annual Report</i> , pp. 154 et seq., accountability report, pp. 64–65; arts. 10 et seq. Organisation Regulations
Information tools	<a href="http://www.snb.ch">www.snb.ch</a> , <i>The SNB, Legal basis, Guidelines and regulations</i>
Executive management	<a href="http://www.snb.ch">www.snb.ch</a> , <i>The SNB, Supervisory and executive bodies, Governing Board</i>
Remuneration	<i>Annual Report</i> , pp. 146–147
Shareholder rights	<a href="http://www.snb.ch">www.snb.ch</a> , <i>Shareholders, General Meeting of Shareholders, Participation</i>
Decision-making quorum	Art. 38 NBA
General Meeting of Shareholders	Arts. 34–38 NBA
Listing in share register	<a href="http://www.snb.ch">www.snb.ch</a> , <i>Shareholders, General Meeting of Shareholders, Participation</i>
<b>Audit Board</b>	
Election and requirements	Art. 47 NBA
Tasks	Art. 48 NBA
Information policy	<i>Annual Report</i> , pp. 106, 204–207