

Annual report 1986
Abridged version

Table of contents

1.	Economic developments and central bank policy – a summary	
1.1	International economic and monetary developments	5
1.2	Economic developments in Switzerland	6
1.3	Some features of National Bank policy	7
2.	Monetary policy and financial markets	
2.1	Development of the monetary aggregates	10
2.2	The financial markets	11
2.3	Bank balance sheets	15
2.4	Other measures of central bank policy	17
3.	Balance sheet and profit and loss account	
3.1	Main components of the balance sheet since 1951	22
3.2	Profit and loss account since 1979	24
4.	Organisation	
4.1	Supervisory authorities	27
4.2	Bank management	27

1. Economic developments and central bank policy – a summary

1.1 International economic and monetary developments

In 1986 the development of the world economy was characterised by declining raw materials prices – notably oil prices – and the falling dollar rate. While the economies of the developing countries that depend largely on oil exports deteriorated and the international debt problem again moved to the fore, the upswing in the OECD countries continued.

Continuing upswing in the world economy

Domestic demand remained the chief pillar of the economy in the industrialised countries. In the United States growth stimuli derived mainly from consumption. In the European countries private consumption also picked up markedly and investment activity continued at a brisk pace. On the other hand, Europe suffered a slowdown in the growth of its exports due mainly to the marked slide of the dollar and diminishing sales in developing and newly industrialised countries. Whereas in the European countries the decline in the growth of exports was largely offset by the vigorous performance of the domestic economies, in Japan the adverse effects on business activity emanating from foreign trade led to a significant weakening of real economic growth.

Domestic demand is chief pillar of the economy

According to GATT estimates international trade expanded by about 4% in real terms, i.e. at roughly the same rate as in the previous year. Owing to lower import prices and lively domestic demand the imports of OECD countries exhibited a stronger rise; the oil-exporting developing countries, on the other hand, drastically reduced the volume of their imports.

Uninterrupted expansion of world trade

Despite the massive depreciation of the dollar the US current account deficit again rose to a record level in 1986 while the surpluses recorded by the European countries and Japan continued to expand. The oil-exporting developing and newly industrialising countries' overall deficit widened by \$ 40 billion.

Varying current account figures

Sustained economic growth in the OECD countries was accompanied by a further slight improvement in the employment situation. With the working population increasing at approximately the same rate, jobless figures remained unchanged from the previous year.

Slight improvement in employment levels in the OECD countries

In the wake of crumbling oil prices and exchange-rate-induced falls in import prices – notably for raw materials traded in dollars – the upward trend of consumer prices in the OECD countries continued to weaken. At 2.8% the rise corresponds to the average rate of increase in the sixties. After that, a higher annual inflation rate had been recorded for more than two decades.

Marked fall-off in inflation

Easing of monetary policies – unchanged fiscal policies

In the major industrialised countries the money supply aggregates expanded at an increasing pace and in some cases the targets fixed at the beginning of the year were considerably exceeded. It is difficult to assess to what degree monetary policy has actually been relaxed in view of the fact that in a number of countries innovations in the financial markets have distorted the reliability of money supply measures. As a result of the more rapid expansion of money supply and declining inflationary expectations interest rates eased notably in the first half of the year. This development has been given added impetus in most countries by a gradual lowering of discount rates. The fiscal policies of European countries have remained oriented to a further reduction in the growth of government expenditure. These outlays have again risen more steeply in the United States than in most European industrialised countries, with the budget deficit continuing to widen. Japan has pursued a somewhat more expansionary fiscal policy in the wake of slackening economic activity.

1.2 Economic developments in Switzerland

Continued economic growth in Switzerland

In 1986 Switzerland again benefited from a favourable economic climate. The growth rate of real GDP corresponded approximately to the average of the OECD countries. However, compared with the previous year, the economic upswing lost much of its momentum due to a decline in the expansion of Swiss exports as a result of the lower value of the dollar and a deteriorating economic situation in many developing countries. Domestic demand, in particular private consumption and capital expenditure, again rose vigorously in real terms. In the course of sustained economic growth the employment situation improved, with jobless figures continuing to fall.

Higher current account surplus

Lower prices for imported goods – notably for energy sources – led to a fall in nominal imports and a contraction of the trade balance deficit. The current account surplus, however, did not increase at the same pace since the surplus deriving from capital income and earnings from employment declined. According to a preliminary estimate the current account surplus amounted to Sfr 13.6 billion.

Temporary rise in interest rates

After having temporarily risen between March and June short-term Euro-franc rates eased in the second half of the year. Capital market rates moved in line with money market rates; at the end of the year they were a good quarter percentage point below the level prevailing a year earlier.

The slide in the dollar rate, which had come underway in spring 1985, came to a standstill in summer 1986. After that the Swiss franc rate of the dollar underwent only slight changes during the rest of the year. Vis-à-vis the other major currencies – notably the D-mark and the yen – the exchange rate of the Swiss franc remained comparatively stable. An exception was sterling, which lost constantly in value until the end of the year.

Falling dollar rate

1.3 Some features of National Bank policy

At the end of 1985 the National Bank, in agreement with the Federal Government, decided to lower the growth target for the adjusted monetary base from 3% to 2%. Thus the expansion in the money supply envisaged for 1986 was fixed at a level which the National Bank expected to guarantee inflation-free growth of the Swiss economy in the long term.

Lower money supply target for 1986

Despite lowering the money supply target to 2% the National Bank did not significantly alter its policy since, at 2.2%, money supply growth in 1985 had already come close to the new target rate of growth. In 1986 the adjusted monetary base expanded by 2% – in conformity with the National Bank's objectives. Note circulation exceeded the previous year's level by an average of 1.4%, fluctuating more or less in the middle of the forecast range of 1% – 2%, while sight deposits at the National Bank increased by 2.6%.

On-target expansion of the adjusted monetary base

At the end of 1985 the labour market began to show distinct signs of overheating. The inflationary threat was not yet banished. In lowering the monetary target the National Bank underlined its intention of further reducing inflation in Switzerland. At the same time it was well aware that the scope for its monetary policy was liable to be narrowed by adverse developments on the foreign exchange market.

Anti-inflationary monetary policy

The experience gained since the changeover to flexible exchange rates in 1973 shows that monetary policy has an effect mainly on long-term price developments. However, the possibilities of the National Bank for exerting an influence on the short-term fluctuations of the inflation rate are limited. Such fluctuations, which are brought about by exchange rate movements and changes in raw materials prices as well as by economic developments and other factors, must continue to be reckoned with in future.

Effects of monetary policy

The annual growth potential of Switzerland's real GDP is estimated to be about 2% under present conditions. As price stability is considered to have been achieved when the annual change of the price index lies between zero

Demand for central bank money

and one percent, nominal GDP is expected to grow by somewhat more than 2%. In the longer term, demand for central bank money rises less markedly than nominal GDP; this implies that the velocity of the central bank money stock tends to increase slightly. An expansion of the adjusted monetary base of no more than 2% should thus bring about price stability.

Constant reappraisal of background conditions

Due to the tentative nature of the above considerations, the background conditions are subject to constant reappraisal. Uncertainties exist particularly with regard to the growth potential of the Swiss economy and the future development of monetary velocity.

The significance of the end-of-month settlements

The National Bank determines the course of its monetary policy primarily by setting an annual target for the adjusted monetary base. The latter is not subject to the influences of the end-of-month settlements and reflects the long-term trend in the development of the money stock. The annual target thus defines the fundamental direction of monetary policy. The results achieved by implementing monetary policy, however, do not depend solely on the development of the adjusted monetary base, but also on the money supply at the end of the month. Accordingly, the National Bank seeks to regulate the banking system's end-of-month sight deposits at the central bank in conformity with the annual target. While the National Bank saw no reason to deviate from the target for the adjusted monetary base in 1986, unforeseen difficulties arose in connection with the end-of-month settlements.

Relaxation of end-of-month settlement policy

In spring 1986 demand for end-of-month liquidity rose to an unexpected extent. These liquidity problems were reflected by the comparatively high rates charged for last-day money. At the end of June the rate for overnight funds topped 100%, and the rate for three-month deposits on the Eurofranc market soared to a record level of 5.5% as a result of the tight conditions prevailing at the end of the month. In order to keep the effects of the end-of-month settlement policy consistent with the annual target of 2% the National Bank supplied the banks with additional liquidity at the end of July and also at the end of the ensuing months. While the banks' end-of-month sight deposits at the National Bank between January and June 1986 exceeded the previous year's level by an average of 2.9%, the corresponding increase in the second half of the year amounted to 6.1%. Subsequently short-term interest rates receded again.

Participation in international monetary measures

In October the National Bank participated in the joint interventions of various European central banks in the foreign exchange markets for the purpose of securing orderly market conditions. Moreover, it cooperated with the monetary authorities of the United States, the other countries of the

Group of Ten, Spain and a number of Central American countries in financing a bridging loan in favour of Mexico.

The Governing Board of the Swiss National Bank, in agreement with the Federal Government, again set the money supply target at 2% for 1987. It is thus adhering to the monetary course followed in 1985 and 1986 with the aim of continuing to create the necessary background conditions for inflation-free economic growth. As usual, the money supply target is meant as a guideline. The National Bank reserves the right to deviate from this target in the case of unforeseen developments.

Unchanged money
supply target for 1987

2. Monetary policy and financial markets

2.1 Development of the monetary aggregates

On-target expansion of the adjusted monetary base

In 1986 the adjusted monetary base expanded on average by 2%. The growth target of 2% set at the end of 1985 was thus reached. Note circulation and the banking system's sight deposits at the National Bank – the two components of the monetary base – rose by an annual average of 1.4% and 2.6% respectively. The comparatively modest expansion of note circulation is probably due mainly to the low inflation rate.

Accelerated growth of money stock M_1

The monetary aggregates in the broader sense showed irregular development. The money stock M_1 , which in the longer term develops more or less in line with the monetary base, expanded by 4.5% in 1986 after having stagnated in 1985. While note circulation, which accounts for approximately one-third of the money stock M_1 , increased at the same pace as in the previous year, sight deposits at the National Bank grew – following a slight decrease in the previous year – by 6.4%; this growth is attributable chiefly to money market rates which, having declined from their 1985 level, led to higher demand for liquid funds. By contrast, in the wake of falling interest rates the expansion of the money stock M_2 weakened slightly to 6.1%, since maturing time deposits were partly converted into investments carrying higher rates of return. The money stock M_3 , which by and large follows the development of nominal GDP, increased by 6.8%.

Development of monetary aggregates

Yearly and quarterly averages compared with previous year's figures

Quarter	Adjusted Monetary base ¹		Money stock M_1 ²		Money stock M_2 ³		Money stock M_3 ⁴	
	Billions of francs ⁵	Change % ⁶	Billions of francs ⁵	Change % ⁶	Billions of francs ⁵	Change % ⁶	Billions of francs ⁵	Change % ⁶
1982	28.7	2.6	55.4	3.9	104.6	2.1	211.4	2.2
1983	29.7	3.6	59.4	7.5	99.3	-5.1	226.1	6.9
1984 ⁷	30.5	2.6	62.0 ⁷	2.7 ⁷	104.8 ⁷	5.6 ⁷	240.1 ⁷	6.2 ⁷
1985 ⁷	31.1	2.2	61.1 ⁷	0.1 ⁷	112.4 ⁷	7.3 ⁷	251.7 ⁷	4.8 ⁷
1986	31.8	2.0						
1986								
1st quarter	31.6	1.5	62.4	3.7	113.8	4.9	261.9	5.7
2nd quarter	31.4	1.9	63.3	4.7	118.4	5.0	267.3	6.3
3rd quarter	31.4	1.9	62.6	4.8	121.6	7.8	270.1	7.7
4th quarter	32.7	2.8	66.7	4.3	124.2	7.6	277.1	7.8

¹ Adjusted monetary base = Note circulation plus banking system's deposits with the SNB less end-of-month refinancing credits.

² Money stock M_1 = Currency in circulation plus sight deposits in Swiss francs (without precious metals).

³ Money stock M_2 = M_1 plus time deposits in Swiss francs plus sight and time deposits in foreign currencies held by private residents with banks.

⁴ Money stock M_3 = M_2 plus savings deposits held by private residents with banks.

⁵ Averages based on monthly figures.

⁶ Change from previous year's level.

⁷ Revised figures.

2.2 The financial markets

Money market

The decline in interest rates on the Eurofranc market which had started in spring 1985 continued during the first few months of 1986. In April and May money market rates moved up once more, only to fall again in summer and autumn 1986. At the end of the year they stood at approximately the previous year's level. The temporary rise in interest rates is attributable mainly to surging demand for liquidity on the part of the banks at the end-of-month settlement periods which caused the rate for day-to-day money to soar to over 100% at the end of June. The situation on the money market eased again when the National Bank supplied the banks with additional liquidity at the end of July and also adhered to this policy at the end of the ensuing months.

Temporary increase in money market rates

The maturity structure of interest rates remained largely flat during 1986. Only at mid-year did short-term interest rates temporarily exceed long-term ones as a result of the tight conditions prevailing on the money market. The interest differential vis-à-vis foreign countries, notably the United States, narrowed in 1986.

Flat interest rate structure

The time deposit rates of the big banks and the yields on money market debt register claims against the Federal Government remained on average 5% percentage points below the interest rates on comparable Eurofranc in-

Interest rates on the Swiss money market

The National Bank's credits to the banking system

Month	Credits in millions of francs, monthly averages							
	Swap credits		Discount and lombard advances		Total		of which: end-of-month refinancing credits ¹	
	(1)		(2)		(3) = (1) + (2)		(4)	
	1985	1986	1985	1986	1985	1986	1985	1986
January	14 470	15 191	721	914	15 191	16 105	603	710
February	12 926	14 469	938	904	13 864	15 373	493	206
March	13 344	14 187	973	1 024	14 317	15 211	639	432
April	13 047	13 844	1 268	628	14 315	14 472	689	257
May	13 256	14 126	1 191	723	14 447	14 849	577	239
June	13 585	13 378	996	1 319	14 581	14 697	569	507
July	13 209	13 532	1 120	1 022	14 329	14 554	705	579
August	13 202	13 997	731	671	13 933	14 668	250	209
September	12 962	14 035	1 326	1 297	14 288	15 332	480	846
October	12 945	13 349	1 151	1 009	14 096	14 358	519	473
November	14 641	14 306	881	885	15 342	15 191	450	401
December	16 756	16 757	1 224	1 142	17 980	17 899	916	910

¹ Corresponds to the difference between the monetary base and the adjusted monetary base.

vestments. On 23 January 1987 the National Bank lowered the discount and lombard rates by half a percentage point to 3.5% and 5% respectively. This was the first time since March 1983 that official interest rates had been adjusted.

Increase in sight liabilities

As measured by the banks' giro accounts at the National Bank, annual average liquidity on the money market amounted to Sfr 8.3 billion. The additional sight deposits at the end of the month were made available mainly in the form of the traditional central bank credits while daily liquidity was regulated as usual with the aid of currency swaps.

Foreign exchange market and exchange rates

Receding dollar and sterling rates – stable D-mark

In 1986 the Swiss franc rate showed divergent movements vis-à-vis those currencies that are of major significance for the Swiss economy. The exchange rate of the US dollar slipped from over Sfr 2.– at the start of 1986 down to Sfr 1.65 at mid-year, stabilising in the second half of 1986. Sterling, too, was subject to marked downward pressure. The D-mark/Swiss franc exchange rate, on the other hand, remained comparatively stable as in the previous year, fluctuating within a band of approximately five centimes. On an annual average, the Swiss franc rate of the D-mark remained virtually unchanged from the previous year in 1986. While the Swiss franc also maintained the previous year's level vis-à-vis the Italian lira it appreciated slightly against the French franc, though losing some ground against the yen.

Higher export-weighted exchange rate

The exchange value of the Swiss franc weighted according to the exports to Switzerland's fifteen major trading partners rose steadily in the course of 1986. On average, it exceeded the previous year's level by 9.4%. As the inflation rate in Switzerland was generally lower than in other countries, the Swiss franc underwent a less marked appreciation in real terms, at 6.8%, than in nominal terms.

Capital market

Decline in long-term interest rates

Interest rates on the capital market developed more or less in line with the money market. After a brief period of strain around mid-year long-term interest rates eased again. Effective as from January 1987, most banks lowered their interest rates on mortgages and savings deposits – by a quarter percentage point – for the first time since 1983. Various insurance companies and a number of banks had already cut the interest rate for new mortgages a few months earlier.

Gross borrowing on the Swiss capital market in the form of public bond and share issues amounted to Sfr 61.5 billion in 1986, a year-on-year increase of some 23%. 18% of total gross borrowings was accounted for by domestic bond issues and 72% by foreign bond issues. The remainder of 10% was made up of share issues totalling three times the previous year's volume.

Increased gross borrowing on the Swiss capital market

The volume of net borrowing on the Swiss capital market (i.e. gross borrowing less conversions and repayments) also expanded in 1986. Domestic borrowers accounted for Sfr 10.9 billion, an increase of 30% over the previous year's figure. No reliable statistics on net borrowings in the form of foreign issues have been compiled though the available data likewise points to a vigorous increase.

Higher level of net borrowing

The volume of net borrowing in the form of domestic share issues expanded sharply. Particularly noteworthy was the net increase in share flotations of Swiss industry, which rose from practically zero in 1985 to Sfr 1.7 billion. By contrast, domestic bond issues exhibited a slight downward trend. This decline reflects in some measure the Confederation's favourable financial results in 1986 and the consequent repayment of debts. Compared with 1985, the Confederation reduced its debt burden on the capital market by some Sfr 600 million. Communal authorities and electric power companies, too, recorded a surplus of redemptions on the capital market over new issues.

Vigorous expansion in the volume of share issues

In 1986 the National Bank bought Swiss bonds with a nominal value of Sfr 484 million. After taking into account repayments to the tune of Sfr 281 million the net increase amounted to Sfr 203 million. The National Bank thus continued the diversification of its assets begun in 1982.

Purchases on the bond market

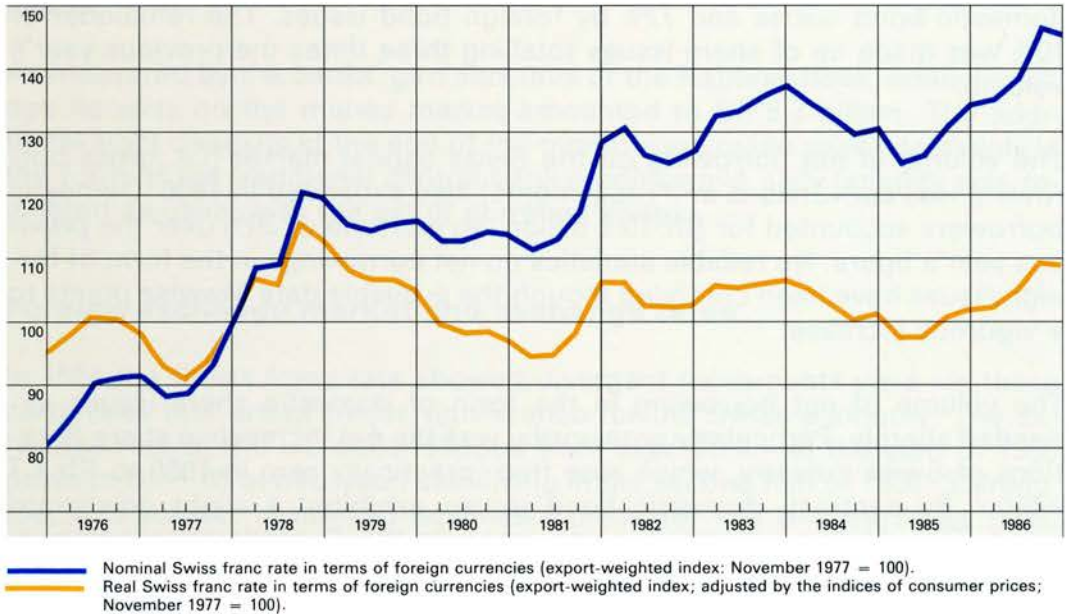
Capital exports authorised by the National Bank in 1986 totalled Sfr 52.5 billion, exceeding the previous year's level by 14%. This marked increase once again underlines the significance of the Swiss financial centre as a pivot of international capital flows. As in previous years, capital exports in the form of securities issues gained even further in importance, to the detriment of lending business.

Strong growth in capital exports subject to authorisation

The breakdown of capital exports subject to authorisation according to groups of countries and of borrowers respectively once again shows that the emphasis has shifted to industrialised countries, which in 1986 absorbed 85.7% of the total (1985: 79.2%). Fundraising by Japanese borrowers continues to be a very considerable factor: in 1986 these accounted for 28% of capital exports subject to authorisation (53% in the form of convertible or

Modest share of developing countries

Nominal and real exchange rates of the Swiss franc

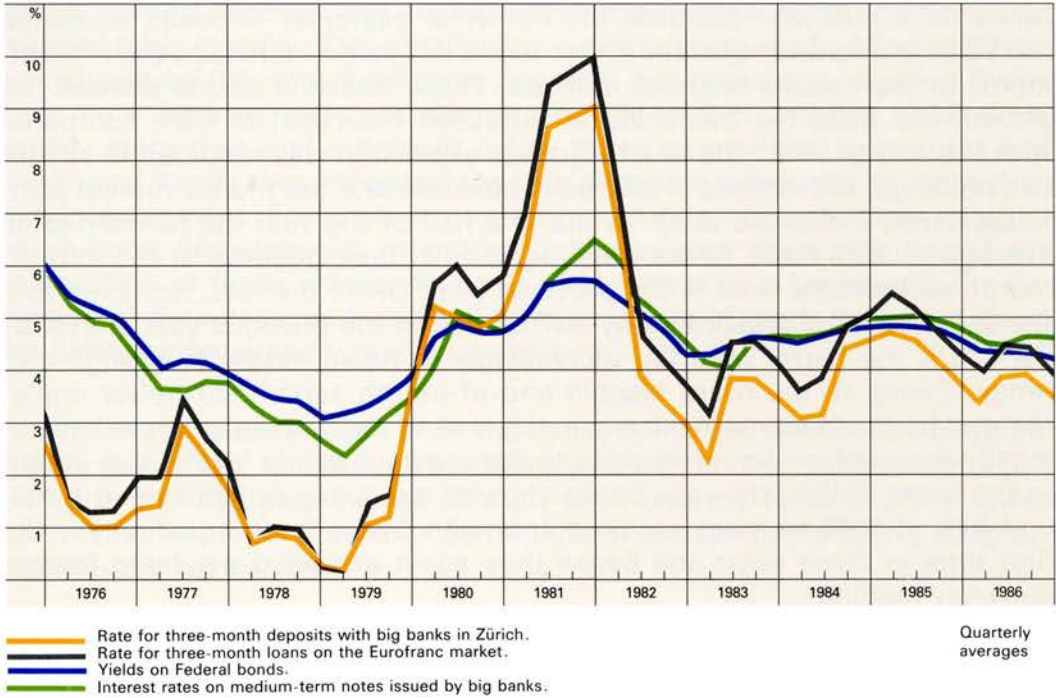


warrant bonds). In 1986 the developing countries' share fell below the previous year's already extremely low level. The share attributable to the international development organisations also diminished. Since, however, in order to avoid oversaturating the market, these institutions – notably the World Bank – procured additional Swiss franc funds indirectly by means of currency swaps, the true significance of the Swiss capital market for the borrowing activities of international organisations is underestimated.

New financial instruments

Innovations continued to be introduced in the Swiss capital market. In 1986 foreign borrowers launched new types of bonds whose repayment sums are linked to a share index or which are equipped with a gold warrant. Other novelties included bonds redeemable in Canadian dollars and Swiss franc bonds on which interest is payable in foreign currencies (Foreign Interest Payment Securities, FIPS). Domestic borrowers also resorted to new types of financing instruments. At the centre of attention were the subscription warrants on registered shares issued by the banks. A further novelty was the warrant bond floated by the city of Zurich, providing for the subscription of industrial shares.

Money and capital market rates



2.3 Bank balance sheets

The favourable economic situation and the downtrend of interest rates characterised the development of the banks' balance sheets in 1986. When interpreting the figures the fact must be taken into account that the conversion rate applying to the dollar positions is lower than in the previous year. Thus the full dynamism of the banking industry's performance is not revealed by the 10.3% growth shown by the combined balance sheet total (71 banks) at the end of 1986. Calculated at unchanged exchange rates the balance sheet total would have increased by some 14%, compared with approximately 13% in 1985.

Balance sheet growth

Lending business grew at a slightly slower pace than in the previous year. After reaching a peak in the first half of 1985, the outflow of funds began to exhibit a downward trend. The annual growth rate of domestic credits,

Slightly weaker growth of lending business

which are almost exclusively denominated in Swiss francs, amounted to 9.0% at the end of 1986, compared with 9.9% a year earlier.

Since from mid-year onwards the inflow of customer deposits exceeded the volume of credits granted in net terms the banks increased their investments in the various financial markets. These financial assets showed net growth (i.e. after the balancing of interbank business) of 5.9% compared with the end of 1985. The most vigorous expansion was recorded in securities holdings; net income in interbank business and the money market portfolios hardly increased at all. In the first half of the year the banks had an average of 3.3% more Swiss franc liquidity at their disposal at the end-of-month settlements than in the previous year. Given the fact, however, that the cash holdings prescribed by law exceeded the previous year's level by 5% – 10% the banks resorted increasingly to liquid assets in foreign currency. Owing to the more flexible end-of-month settlement policy implemented by the National Bank since July and to the decline in the volume of legally required minimum liquidity to the previous year's level – due in part to the lower dollar rate – the banks showed a growing tendency in the second half of 1986 to meet requirements with Swiss franc liquidity. For the first time in three years the banks thus again exhibited declining foreign currency holdings.

Capital export authorisations according to financial instruments and groups of countries (percentages)

Financial instruments	1982	1983	1984	1985	1986
Bonds ¹	26.6	25.6	27.4	37.5	84.2 ²
Notes	47.2	51.4	47.6	41.5	—
Loans	26.2	22.9	25.0	21.0	15.8
Total	100.0	100.0	100.0	100.0	100.0
Groups of countries	1982				
Industrial countries	74.2	78.7	73.7	79.2	85.7
Developing countries	9.9	8.5	8.8	4.7	2.7
Centrally planned economies	1.4	1.1	2.3	3.6	2.9
OPEC	0.3	0.6	1.0	0.2	1.3
International organisations ³	13.7	11.1	14.2	12.3	7.4
Total	100.0	100.0	100.0	100.0	100.0
Total, billions of francs	37.5	40.2	40.9	46.1	52.2

¹ Including foreign currency and dual currency bonds.

² Abolition of technical distinctions between public bonds and medium-term Swiss franc notes with effect from 29 May 1986 (cf. section 2.4 on capital exports subject to authorisation).

³ IBRD, AsDB, AfDB, IDB, EIB, Coal and Steel Community, Euratom, Council of Europe Resettlement Fund.

The growth of customer deposits, i.e. of the funds put at the banks' disposal by the non-bank sector, accelerated somewhat compared to 1985. In the Swiss franc sector the annual growth rate amounted to 9.6%. Sight deposits, savings deposits and in particular medium-term notes and bonds increased fairly steadily. The sole decline – over an extended period of time – was shown by the item fixed-term deposits. For one thing, expiring Swiss franc time deposits were not always renewed as their interest yields were usually more than half a percent below those on medium-term notes and bonds and hardly ever exceeded the rate on savings deposits by more than a quarter percent. For another, the exchange rate-induced lower value at which dollar time deposits are entered in the balance sheet also constitutes an "outflow of funds". Since all types of investments at banks with the exception of time deposits benefited from an inflow of funds the structure of the liabilities remained virtually unchanged.

Stronger growth of customer deposits

The volume of trustee funds of all the banks combined diminished by 12.6% in 1986 following a contraction by 6.6% a year earlier. The decline is due primarily to the depressed level of short-term interest rates and the lower conversion rate of the dollar – some 60% of trustee funds being denominated in the US currency.

Decline in fiduciary business

2.4 Other measures of central bank policy

Capital export policy

By virtue of Article 8 of the Banking Law, the issuing of foreign bonds and the granting of credits to borrowers domiciled abroad by banks and investment companies in Switzerland and the Principality of Liechtenstein are subject to authorisation if these transactions amount to Sfr 10 million or more and are for a period of one year or more.

Legal basis: Article 8 of the Banking Law

With effect from 29 May 1986, the Governing Board has lifted the regulations on maturities and the early redemption of bond and note issues of foreign borrowers. Moreover, minimum denominations and deposit requirements for note issues have also been abolished, as has the obligation to report Swiss franc placements with foreign banks and monetary authorities. However, transactions requiring general authorisation, such as participation in foreign currency operations handled by foreign institutions, continue to be subject to notification.

Lifting of technical restrictions in the issuing sector

Legal framework of the Swiss financial centre

Changing financial markets

The vigorous expansion of the securities markets and the spread of new financial instruments make it necessary to constantly review the legal framework concerning the Swiss markets. In 1986 questions relating to investor protection and the continued and unimpeded functioning of the markets were at the centre of discussion.

Listing of foreign securities on the stock exchange

Based on the agreement concerning the listing of foreign securities on the Swiss securities markets ("Vereinbarung betreffend die Zulassung von ausländischen Wertpapieren zum offiziellen Handel an den schweizerischen Effektenbörsen") concluded in 1938, the National Bank has the right to file an objection to the listing of foreign securities the issuing of which it has not already authorised in accordance with Article 8 of the Banking Law. Barring any such objections, a special admission board on which the National Bank is not represented handles the application. Since capital exports have been liberalised to a considerable extent the National Bank's right to object has lost much of its meaning. Of late, moreover, the admission board has met with criticism concerning investor protection and the freedom of competition in the issue market. The National Bank regards an up-to-date legal framework as indispensable for the functioning of the Swiss securities markets, particularly also in view of the planned introduction of organised trading in options and financial futures. For this reason, it is participating in the revision of the 1938 agreement.

Investor protection in the notes sector

In the business year 1986 the Governing Board took cognisance of the final report drawn up by a study group consisting of representatives of the Federal Finance Administration, the Banking Commission and the National Bank, which had investigated the possibilities for improving the protection of investors in notes. The study group had established that today most notes are floated publicly, which involves, as a prerequisite in terms of Article 1156 of the Swiss Code of Obligations, the issuing of a prospectus. The draft of a convention circumscribing the banks' obligations in the investors' interest which was subsequently prepared did not, however, gain the approval of the principal banks concerned. The study group ended its activity after the Federal Banking Commission, in a circular letter, had announced its intention to define precisely the distinction between publicly issued notes and actual private placements should an agreement between the banks based on the rejected draft fail to be reached.

Expiry of the agreement on the observance of care by the banks

The Governing Board decided to terminate the agreement on the observance of care by the banks in accepting funds and on the practice of banking secrecy at the end of the current contractual period, i.e. as per 1 October 1987. The National Bank had consented in the special circumstances pre-

vailing in 1977 to become a party to this agreement. The fact that participation in the agreement was a borderline case in terms of the central bank's monetary policy mandate, as well as procedural and substantive weaknesses of the agreement itself, have induced the National Bank to free itself of the contractual obligations, which had never been considered more than a temporary solution.

Payments transactions

The planned new Swiss interbank payments system (SIC) is expected to come into operation in the course of 1987. The concept provides for a central computer system by means of which so-called SIC clearing accounts are administered. Every participant has a direct link to the system via his own computer. He can, among other things, dispose of the funds on his clearing account and retrieve the remaining balance at any time. Balances held on clearing accounts are sight liabilities of the National Bank and thus constitute central bank money. Telekurs AG has been commissioned by the National Bank to operate the system.

"Swiss Interbank Clearing"

In 1986 the legal and organisational basis for regulating cooperation between the banks, Telekurs AG and the National Bank within the framework of SIC was created. Moreover, the technical realisation neared completion and final operating tests were started.

Carrying out final operating tests

Cooperation of the National Bank in international monetary measures

In August 1986 the monetary authorities of the United States and of the other countries of the Group of Ten, Spain and a number of Latin American countries granted Mexico a bridging loan to the tune of \$ 1.1 billion to meet its immediate liquidity requirements. The Swiss National Bank entered into a substitution undertaking to the amount of \$ 30 million for that part of the bridging loan which was made available via the Bank for International Settlements (BIS). It is based on the decree of the Federal Parliament concerning Switzerland's cooperation in international monetary measures and is guaranteed by the Federal Government. The credit is due to be repaid in February 1987. At the end of the year the amount of the commitment still outstanding totalled \$ 10.9 million.

Switzerland participates in bridging loan for Mexico

In 1986 the IMF repaid the first tranche of a credit granted by the National Bank in April 1984. This loan to the amount of 180 million Special Drawing Rights (SDRs) represents the National Bank's contribution to a facility to-

Partial repayments of credits by the IMF and Turkey

talling 6 billion SDRs in favour of the IMF made available by the BIS and 19 industrialised countries and Saudi Arabia. Moreover, the IMF repaid a further tranche of the credit provided by the National Bank in 1979 under the "Witteveen" facility. In keeping with the terms of the agreement, a substantial amount of the credit of \$ 45.5 million granted by the National Bank to Turkey was repaid; this loan is equipped with a Federal guarantee.

Participation of the National Bank in stand-by arrangements at the end of 1986

	Original undertakings	Outstanding credits		Outstanding undertakings End 1986
		End 1985	End 1986	
1. Swap agreements				
Federal Reserve Bank of NY	\$ 4 billion		0	\$ 4 billion
Bank of Japan	Yen 200 billion		0	Yen 200 billion
BIS	\$ 600 million		0	\$ 600 million
2. Multilateral credits				
General Arrangements to Borrow (GAB)	SDR 1020 million		0	SDR 1020 million ¹
IMF "Witteveen" facility	SDR 650 million	SDR 500.7 million	SDR 369.8 million	0
Credit commitment to BIS in favour of IMF	SDR 180 million	SDR 180 million	SDR 176.4 million	0
3. Bilateral credits				
Turkey ²	\$ 45.5 million	\$ 45.5 million	\$ 15.5 million	0
Yugoslavia ²	\$ 80 million	\$ 58 million	\$ 58 million	0
4. Substitution undertaking				
Mexico ²	\$ 30 million	—	\$ 10.9 million	0

¹ It has been agreed that if the GAB are utilised the credits granted within the context of the SDR 180 million credit commitment vis-à-vis the BIS in favour of the IMF will be deductible. Thus the actual open undertaking at the end of 1986 amounted to SDR 843.6 million.

² With Federal Government guarantee.

3. Balance sheet and profit and loss account

3.1 Main components of the balance sheet since 1951

Assets

End of year	Gold holdings ¹	Foreign exchange	Foreign treasury bonds in Swiss francs; SDRs ²	Balances with foreign central banks covered by exchange rate guarantee	Domestic portfolio				Lombard advances	Securities	Balances with domestic correspondents	Loss on foreign exchange and gold holdings
					Swiss bills	Treasury bonds ³	Dis-counted bonds	Total				
<i>In millions of francs</i>												
1951	6 003,8	227,6	—	—	233,8	4,6	12,7	251,1	58,9	39,9	53,0	—
1952	5 876,1	490,9	—	—	243,9	—	1,8	245,7	64,0	40,1	37,5	—
1953	6 086,1	522,2	—	—	190,8	14,7	1,1	206,6	65,2	35,5	34,9	—
1954	6 323,4	649,8	—	—	91,6	2,0	9,6	103,2	116,6	46,5	41,3	—
1955	6 686,3	624,1	—	—	129,2	2,0	23,0	154,2	131,8	45,9	47,8	—
1956	7 102,9	627,0	—	—	170,9	21,5	80,0	272,4	186,9	45,7	56,1	—
1957	7 383,5	781,4	—	—	193,9	—	31,9	225,8	52,0	45,3	41,4	—
1958	8 329,3	560,9	—	—	56,0	—	2,3	58,3	21,8	44,6	33,0	—
1959	8 369,3	534,6	—	—	50,6	—	7,3	57,9	39,7	44,2	45,2	—
1960	9 454,7	583,0	—	—	49,2	—	4,3	53,5	37,8	43,3	45,1	—
1961	11 078,0	842,4	—	—	62,2	—	7,3	69,5	66,3	42,9	58,3	—
1962	11 543,3	867,4	207,0	—	67,4	45,0	11,2	123,6	71,7	42,8	77,8	—
1963	12 203,8	1 083,3	207,0	—	87,5	35,0	19,7	142,2	97,5	51,7	61,5	—
1964	11 793,6	1 679,1	432,0	431,3	109,8	24,8	28,0	162,6	77,7	65,3	75,3	—
1965	13 164,2	852,6	432,0	428,5	98,1	9,5	31,5	139,1	38,9	92,9	66,1	—
1966	12 297,4	2 060,3	432,0	518,9	97,8	16,7	43,3	157,8	109,3	181,7	81,5	—
1967	13 369,7	1 986,7	432,0	173,9	99,4	—	43,1	142,5	86,6	181,9	72,4	—
1968	11 355,8	5 601,2	1 442,0	108,3	256,2	6,8	25,5	288,5	160,1	180,6	99,7	—
1969	11 434,5	5 792,9	1 851,0	—	584,7	118,5	28,2	731,4	277,1	170,2	89,5	—
1970	11 821,3	8 441,1	1 851,0	—	306,6	71,0	21,4	399,0	223,5	156,0	82,8	—
1971	11 879,4	10 323,3	4 278,0	—	78,1	—	2,4	80,5	28,5	10,8	72,4	1 243,5 ⁴
1972	11 879,7	12 323,1	4 278,0	—	770,3	152,0	13,8	936,1	418,8	—	142,3	1 243,5 ⁴
1973	11 892,7	12 519,9	4 613,0	—	862,7	200,0	35,0	1 097,7	557,7	—	281,8	1 243,5 ⁴
1974	11 892,7	11 570,6	5 403,0	—	2 166,8	484,0	43,5	2 694,3	699,9	92,5	166,9	621,5 ⁴
1975	11 892,7	14 705,8	5 403,0	—	1 706,5	227,0	5,4	1 938,9	200,2	3,7	136,3	621,5 ⁴
1976	11 903,9	20 426,5	5 222,0	—	912,5	375,0	13,3	1 300,8	157,0	63,8	160,3	—
1977	11 903,9	20 514,2	3 949,0	—	1 207,4	267,0	44,7	1 519,1	197,5	559,1	171,6	—
1978	11 903,9	28 981,8	2 028,5	—	214,6	—	21,5	236,1	49,6	348,0	185,7	2 593,5 ⁵
1979	11 903,9	26 390,4	—	—	1 532,2	10,0	38,3	1 580,5	886,4	963,4	288,6	1 110,9 ⁵
1980	11 903,9	27 355,6	11,4	—	2 285,1	152,0	48,4	2 485,5	919,8	1 212,2	289,6	—
1981	11 903,9	25 494,8	0,2	—	2 710,0	256,0	40,9	3 006,9	2 513,9	1 018,4	399,6	—
1982	11 903,9	31 872,8	6,3	—	2 076,8	109,2	2,1	2 188,1	1 559,6	1 268,3	314,0	—
1983	11 903,9	32 677,5	28,7	—	2 524,5	149,2	2,6	2 676,3	2 408,6	1 562,5	346,4	—
1984	11 903,9	38 876,0	23,2	—	2 455,4	293,5	—	2 748,9	2 677,9	1 773,6	500,8	—
1985	11 903,9	38 133,8	6,8	—	2 465,9	372,5	—	2 838,4	2 973,6	1 911,1	529,7	—
1986	11 903,9	36 262,0	—	—	2 411,9	335,5	—	2 747,4	3 204,0	2 045,0	564,4	—

¹ Valuation since 10 May 1971: 1 kg fine gold = Sfr 4595.74; previously: 1 kg = Sfr 4869.80.

² Since 1980, Special Drawing Rights.

³ Since 1979 including money market debt register claims.

⁴ Liability of the Federal Government in accordance with the Decree of the Federal Parliament of 15 December 1971.

⁵ Covered by hidden reserves on gold.

Liabilities

Note circulation	Cover- age of note circulation by gold holdings	Sight liabilities					Banks' minimum reserves	Time liabilities	Foreign exchange valuation adjust- ment	Capital and reserves	Provisions for foreign exchange risks	others	Balance sheet total	End of year
		Total	of which giro accounts of domestic banks and finance compa- nies ⁶	Ac- counts of the Confe- deration	Ac- counts held under payment and clearing agree- ments	Balan- ces of foreign banks ⁷								
In millions of francs	%	In millions of francs												
4 927,3	121,85	1 528,8	1 101,9	225,4	159,9	—	—	—	70,0	—	3,6	6 675,9	1951	
5 121,9	114,73	1 453,9	1 209,2	78,9	126,8	—	—	—	70,5	—	3,9	6 796,8	1952	
5 228,5	116,40	1 540,9	1 147,3	157,3	171,5	—	—	—	71,0	—	5,3	6 996,8	1953	
5 411,6	116,85	1 692,2	1 255,2	216,1	171,5	—	—	—	71,5	—	4,8	7 327,2	1954	
5 515,5	121,23	1 990,4	1 623,8	268,9	82,1	—	—	—	72,0	—	13,4	7 738,2	1955	
5 809,7	122,26	2 286,4	1 570,6	609,2	89,2	—	—	—	73,0	—	16,0	8 340,1	1956	
5 931,2	124,49	2 393,0	1 831,1	471,1	74,7	—	—	—	74,0	—	17,1	8 574,6	1957	
6 109,3	136,34	2 726,4	2 541,2	105,7	61,3	—	—	—	75,0	—	16,8	9 098,9	1958	
6 343,9	131,93	2 535,3	2 330,7	165,6	22,1	—	—	—	76,0	—	17,0	9 141,5	1959	
6 854,1	137,94	2 756,4	2 288,4	416,6	33,3	—	—	390,3	77,0	—	18,4	10 266,2	1960	
7 656,0	144,70	2 947,0	1 996,1	662,5	37,2	231,5	1 035,0 ⁸	293,5	78,0	—	21,7	12 206,6	1961	
8 506,1	135,71	2 799,7	2 294,2	355,9	30,0	98,0	1 035,0 ⁸	373,0	79,0	—	22,9	12 994,7	1962	
9 035,4	135,07	3 187,8	2 700,0	389,4	39,3	31,8	1 035,0 ⁸	357,3	80,0	—	26,1	13 910,2	1963	
9 721,8	121,31	3 270,6	2 907,9	291,5	24,4	25,6	1 035,0 ⁸	433,2	81,0	—	28,7	14 787,6	1964	
10 042,5	131,08	3 215,4	3 005,0	126,2	20,9	44,3	1 035,0 ⁸	602,0	82,0	—	37,1	15 287,6	1965	
10 651,1	115,46	3 430,5	2 982,2	375,2	23,3	34,4	1 035,0 ⁸	389,0	83,0	—	37,2	15 922,3	1966	
11 326,8	118,04	4 144,9	3 810,8	230,7	29,0	53,9	—	550,0	84,0	—	52,2	16 519,0	1967	
12 047,3	94,26	6 413,6	5 776,2	505,0	33,4	75,1	—	233,1	85,0	—	69,2	19 339,7	1968	
12 518,4	91,34	6 954,8	6 353,4	493,0	40,0	49,6	—	141,9	86,0	—	105,0	20 482,5	1969	
13 106,0	90,20	8 410,1	7 749,6	405,3	18,3	208,4	—	401,7	87,0	—	145,0	23 095,3	1970	
14 309,9	83,01	11 854,4	10 701,6	713,7	15,3	393,1	516,4 ⁹	313,1	88,0	665,2	160,0	28 014,6	1971	
16 635,0	71,41	11 020,8	9 312,6	1 380,3	17,0	279,5	2 029,3 ¹⁰	75,2	89,0	783,7	210,0	31 362,9	1972	
18 296,2	65,00	9 036,1	8 234,9	458,2	7,8	296,7	2 872,0 ¹⁰	229,6	90,0	547,7	290,0	32 297,8	1973	
19 435,8	61,19	10 367,1	9 505,0	714,5	—	114,8	347,8 ¹⁰	1 233,2	91,0	157,7	360,0	33 260,6	1974	
19 127,8	62,17	13 296,0	11 478,5	1 623,8	—	150,0	165,3 ¹⁰	379,8	92,0	389,7	380,0	34 991,0	1975	
19 730,9	60,33	16 648,7	12 643,7	3 817,5	—	146,2	246,2 ¹⁰	954,8	93,0	—	390,0	39 324,0	1976	
20 396,8	58,36	16 330,2	13 622,8	2 513,8	—	149,3	—	772,2	94,0	—	226,2	38 921,0	1977	
22 499,1	52,91	20 062,8	15 583,9	3 437,7	—	990,6	—	2 893,2	95,0	—	190,2	46 421,0	1978	
23 760,9	50,10	17 735,6	13 207,1	2 209,4	—	2 252,8	—	630,1	95,0	—	143,5	43 244,5	1979	
24 106,3	49,38	16 376,1	13 661,0	402,8	—	2 254,0	—	273,5	95,0	2 157,1	270,0	44 318,7	1980	
23 336,7	51,01	14 958,0	12 466,7	1 513,9	—	908,0	—	500,0	96,0	4 531,3	340,0	44 584,5	1981	
24 477,0	48,63	15 713,5	13 992,7	798,9	—	852,0	—	250,0	97,0	6 564,6	450,0	49 374,2	1982	
24 759,4	48,08	15 229,4	14 229,2	812,0	—	125,4	—	—	98,0	8 565,8	500,0	51 869,2	1983	
26 489,3	44,94	15 537,1	14 227,8	1 102,9	—	130,1	—	—	99,0	10 811,7	490,0	58 748,8	1984	
25 861,6	46,03	16 872,7	14 105,2	2 537,1	—	128,1	—	—	100,0	13 467,7	490,0	58 546,7	1985	
27 018,9	44,06	16 113,7	14 911,8	1 042,3	—	86,7	—	—	101,0	13 056,2	490,0	56 980,4	1986	

⁶ Prior to 1986: Giro accounts of banks, trade and industry.

⁷ Prior to 1961 under "Giro accounts of banks, trade and industry".

⁸ Giro accounts of banks temporarily blocked.

⁹ In accordance with the agreement of 16 August 1971 concerning extraordinary minimum reserves.

¹⁰ Minimum reserves of banks in respect of domestic and foreign liabilities, in accordance with the Decree of the Federal Parliament of 20 December 1972 and 19 December 1975 respectively.

3.2 Profit and loss account since 1979

Expenditure (in Sfr 1000)

	1979	1980	1981	1982	1983	1984	1985	1986
Operating expenses	79 369	80 731	71 604	86 920	106 160	120 232	93 998	95 489
Bank authorities	643	581	594	688	722	726	718	714
Personnel	32 625	34 401	40 815	47 790	46 602	49 984	52 123	52 025
Premises	8 614	14 354	6 083	9 464	20 355	16 115	9 379	4 918
Furniture and fixtures	13 829	6 351	1 829	2 652	9 658	17 858	2 402	3 034
Business and office equipment and supplies	1 592	1 782	1 720	2 117	2 248	2 754	2 914	2 861
Information and communication	1 144	1 183	1 355	1 867	1 639	1 859	1 951	2 436
Printing, publications	628	714	1 617	1 045	615	548	635	693
Expenditure in respect of note circulation	13 452	15 263	14 190	16 116	18 659	18 601	17 105	18 689
Other expenditure on materials	6 842	6 102	3 401	5 181	5 662	11 787	6 771	10 119
Other expenses	1 948 544	1 272 895	258 323	182 890	197 099	132 687	122 193	2 321 042
Interest payable to depositors								
Interest payable to Federal Government	1 431	1 740	2 482	2 664	2 409	2 767	3 077	2 926
Interest payable on Federal Treasury bonds	13 060	5 040	18 179	24 086	42 289	39 296	56 767	58 492
Interest payable on bonds	23 958	2 644	33	—	—	—	—	—
Other sterilisation expenses	—	32 127	19 772	34 600	13 126	—	—	—
Write-down of own securities	29 578	41 285	20 506	4 533	167	—	—	—
Depreciation of bank buildings	109 364	54 166	183 038	114 510	138 467	90 624	62 349	94 499
Write-down of foreign exchange holdings	40 315	24 950	14 313	2 497	641	—	—	26 000
Amortisation of the loss on foreign exchange holdings entered in the balance sheet per 31. 12. 1978	248 328	—	—	—	—	—	—	2 139 125 ²
Taxes	—	—	—	8 898	—	2 851	—	1 789
Appropriation to staff and pensioners' welfare facilities funds	—	10 000	4 000	3 000	2 500	5 000	3 000	3 000
Donation to the Gerzensee study centre foundation	—	—	—	—	—	32 733	—	—
Provisions	—	2 290 149	2 444 142	2 143 355	2 051 141	2 245 993	2 655 953	—
Provisions for foreign exchange risks	—	2 157 117	2 374 142	2 033 355	2 001 141	2 245 993	2 655 953	—
Other provisions	—	133 032	70 000	110 000	50 000	—	—	—
Net profit	—	7 516	7 593	7 593	7 593	7 593	7 593	7 593
Allocation to the reserves	—	1 000	1 000	1 000	1 000	1 000	1 000	1 000
Dividend	—	1 500	1 500	1 500	1 500	1 500	1 500	1 500
Payment to the Federal Finance Administration	(1500) ¹	5 016	5 093	5 093	5 093	5 093	5 093	5 093
	(5016) ¹							
Total	2 027 913	3 661 291	2 785 662	2 432 656	2 364 493	2 547 089	2 882 737	2 428 913

¹ To the debit of provisions.

² Total write-down of foreign exchange holdings less liquidation of the balance sheet item "Valuation adjustment to foreign exchange holdings"

3 703 300

1 564 175

2 139 125

Income (in Sfr 1000)

	1979	1980	1981	1982	1983	1984	1985	1986
Operating income	5 085	5 776	6 933	7 389	9 319	8 245	7 569	8 069
Commissions	3 661	2 913	2 832	3 006	4 756	3 935	2 945	2 216
Income from bank buildings	927	2 161	2 465	2 603	2 892	2 816	3 170	5 313
Sundry income	497	702	1 636	1 780	1 671	1 494	1 454	540
Other income	1 982 578	3 655 515	2 778 729	2 425 267	2 355 174	2 538 844	2 875 168	2 009 363
Income from foreign exchange and gold	1 957 316	2 313 747	2 552 937	2 307 193	2 228 957	2 391 222	2 709 177	1 834 097
Valuation adjustment to foreign exchange holdings	—	1 264 579	90 019	—	—	—	—	—
Income from discounting	4 307	19 461	43 844	37 518	23 651	23 442	25 511	20 848
Income from secured advances	1 529	8 513	25 096	15 656	17 738	21 536	25 257	28 448
Income from own securities	19 282	47 880	64 840	62 801	83 232	100 691	113 281	123 449
Income from domestic correspondents	144	1 335	1 993	2 099	1 596	1 953	1 942	2 521
Drawings on provisions	40 250	—	—	—	—	—	—	411 481
Drawing on provisions for currency risks	—	—	—	—	—	—	—	411 481
Drawing on other provisions	40 250	—	—	—	—	—	—	—
Shortfall due to write-down of foreign exchange holdings	—	—	—	—	—	—	—	—
Total	2 027 913	3 661 291	2 785 662	2 432 656	2 364 493	2 547 089	2 882 737	2 428 913

Explanatory notes on the profit and loss account

The chief feature of the profit and loss account in 1986 was again the high level of write-offs – amounting to Sfr 3.7 billion (1985: Sfr 3.6 billion) – on foreign currency holdings. This book loss is due to the decline of the dollar rate from Sfr 2.103 at the end of 1985 to Sfr 1.666 at the end of 1986 (in each case December averages). Write-downs were covered by the liquidation of the balance sheet item “valuation adjustment to foreign exchange holdings” (Sfr 1.6 billion), by current income (Sfr 1.7 billion) and by drawing on the provisions for currency risks (Sfr 0.4 billion). Following an allocation of Sfr 3 million to the staff welfare facilities a net profit of Sfr 7.6 million remained.

Earnings in the foreign exchange sector tumbled from Sfr 2.7 billion in 1985 to Sfr 1.8 billion in 1986 in the wake of falling US interest rates and due to the conversion of foreign currency into Swiss francs. With rates unchanged at 4% and 5.5% respectively, income from discount and lombard business – totalling Sfr 49.3 million – was slightly down from the previous year’s level. The decline is attributable to a fall-off in the utilisation of discount credits. Earnings from lombard business, on the other hand, continued to improve. Income from securities increased to Sfr 123.4 million – the result of a larger portfolio.

Total staff expenditure fell to Sfr 52 million concomitant with a small reduction in the number of employees. Expenditure on premises receded to Sfr 4.9 million; the outlays were for current expenses. The cost – totalling Sfr 26 million – of purchasing the share company Hotel Bellerive au Lac, Zurich, was written off via the profit and loss account. For the first time the item “other expenditure on materials” included an advance for running expenditure to the Gerzensee study centre foundation (Sfr 4.2 million).

Expenditure in connection with the issue and circulation of bank notes climbed to Sfr 18.7 million. The increase derives chiefly from the higher cost of paper, printing and insurance. Interest payments on the Federal Government’s balances rose to a total of Sfr 58.5 million.

Book profits on repayments of securities previously written off (Sfr 60.6 million) were set off against the cost of depreciation of securities acquired in the year under review (Sfr 155.1 million). On balance, this resulted in a write-off totalling Sfr 94.5 million.

4. Organisation (as on 1 January 1987)

4.1 Supervisory authorities

Bank Council	40 members President: François Schaller Vice-President: Peter Gerber
Bank Committee	10 members of the Bank Council, including its president and vice-president
Local committees	3 members each; at both head offices and the eight branches
Auditing Committee	Chairman: Gilbert Grenier

4.2 Bank management

Governing Board	Pierre Languetin, Zurich Markus Lusser, Berne Hans Meyer, Zurich
Secretariat General	
Secretary General	Andreas Frings, Director, Zurich
Deputy Secretary General	Theodor Scherer, Deputy Director, Berne

Department I (Zurich)

Head of Department	Pierre Languetin, Chairman of the Governing Board
Secretariat	Anna Elisabeth Heeb, Senior Officer
Press Relations	Werner Abegg
Deputy Heads of Department	Peter Klauser, Director Georg Rich, Director
Economic Section	Georg Rich, Director
Economic Studies	Jean-Pierre Béguelin, Director Hans-Jürg Büttler, Economic Adviser Franz Ettlin, Economic Adviser
Banking Studies	Max Baltensperger, Director Urs W. Birchler, Assistant Director Daniel W. Hefti, Senior Officer
Banking Statistics	Christoph Menzel, Deputy Director Rolf Gross, Senior Officer
Legal and Administrative Section	Peter Klauser, Director
Legal Department	Peter Merz, Legal Adviser
Personnel	Gerhard Nideröst, Director
Staff Welfare Facilities	Peter Hadorn, Deputy Director
Technical Services	Theo Birchler, Senior Officer
Auditing and Controlling	Hans Baumgartner, Director (until 28.2.1987) Ulrich Willi Gilgen, Assistant Director

Department II (Berne)

Head of Department	Markus Lusser, Vice-Chairman of the Governing Board
Deputy Head of Department	Hans Theiler, Director
Staff	Hans-Christoph Kesselring, Assistant Director
Banking Section	Walter Bretscher, Director
Central Accounting	Hans-Peter Dosch, Deputy Director
Cashier's Office (Berne)	Paul Bürgi, Assistant Director
Correspondence, Bills and Cheques	
Securities	Daniel Ambühl, Assistant Director
	Max Isenschmid, Deputy Director
Cash and Collection, Security, Services	Johann Ammann, Director
Chief Cashier's Office	Roland Tornare, Chief Cashier
	Peter Trachsel, Deputy Chief Cashier
Security	Alex Huber, Assistant Director

Department III (Zurich)

Head of Department	Hans Meyer, Member of the Governing Board
Deputy Heads of Department	Jean-Pierre Roth, Director
	Christian Vital, Director
Staff	Monique Dubois, Assistant Director
Monetary Operations	Jean-Pierre Roth, Director
	Hans Stahel, Director
Foreign Exchange	Werner Bächtold, Assistant Director
Investment Group	Martin Papp, Assistant Director
Money Market Operations, Bills and Cheques	
Securities	Beat Spahni, Senior Officer
	Karl Hug, Assistant Director
General Processing and Back Office	Christian Vital, Director
	Eugen Guyer, Deputy Director
Payments Transactions	Eugen Guyer, Deputy Director
Accounting	Werner Bolliger, Assistant Director
Correspondence	Walter Obi, Assistant Director
Cashier's Office	Roland-Michel Chappuis, Assistant Director
Electronic Data Processing	Raymond Bloch, Assistant Director
	Jürg Ziegler, Economic Adviser

Branches

Aarau	Heinrich Herzog, Director Fritz Merz, Senior Officer
Basle	Anton Föllmi, Director Karl Schär, Senior Officer
Geneva	Hans Baumgartner, Director (ad interim) Daniel Allamand, Senior Officer
Lausanne	Willy Schreyer, Director Georges Mounoud, Senior Officer
Lucerne	Max Galliker, Director (as from 1.3.1987) Daniel Wettstein, Senior Officer
Lugano	Cesare Gaggini, Director Franco Poretti, Senior Officer
Neuchâtel	Jean-Pierre Borel, Director Jean-Pierre Veluzat, Senior Officer
St. Gall	René Kästli, Director Alfred Geiger, Senior Officer

Sub-Branch

La Chaux-de-Fonds (attached to Neuchâtel branch)	Jacques Jolidon, Head of Sub-Branch
--	-------------------------------------

Agencies at other banks:

The National Bank maintains agencies operated by cantonal banks in the following towns:

Altdorf, Appenzell, Bellinzona, Bienne, Chur, Fribourg, Glarus, Herisau, Liestal, Sarnen, Sion, Solothurn, Schaffhausen, Schwyz, Stans, Thun, Weinfelden, Winterthur, Zug.

This annual report of Banque nationale suisse is published in German and French and as an abridged version in Italian and English. All four editions are available at the Secretariat General of Banque nationale suisse, 3003 Berne, telephone 031/210211.

Setting and Printing: Stämpfli + Cie AG, Berne