

Business report

The business report provides information on the organisational and operational development as well as the financial result of the Swiss National Bank. Since the SNB is a listed company, the report also contains information on corporate governance in accordance with the SIX Swiss Exchange Ltd corporate governance directive.

The business report and the annual financial statements together constitute the financial report of the SNB, as stipulated under Swiss company law (art. 958 of the Swiss Code of Obligations (CO)). At the SNB, the business report fulfils the function of a management report (art. 961c CO).

The fulfilment of the SNB's statutory mandate is explained in the accountability report.

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Corporate governance

1.1 BACKGROUND

The Swiss National Bank 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.

Mandate

The SNB’s mandate is derived directly from the Federal Constitution. Under the terms of art. 99 of the Constitution, the SNB is required to pursue a monetary policy that serves the overall interests of the country. In addition, the article enshrines the SNB’s independence and requires it to set aside sufficient currency reserves from its earnings, also specifying that a part of these reserves be held in gold. Finally, the Constitution stipulates that the SNB must allocate at least two-thirds of its net profits to the cantons.

NBA and implementation decrees

The main legislation governing the activities of the SNB is the NBA, which sets out in detail the various elements of the SNB’s constitutional mandate (art. 5) and independence (art. 6). To counterbalance the SNB’s independence, the NBA specifies a duty of accountability and a duty to provide information to the Federal Council, parliament and the public (art. 7). The SNB’s scope of business is outlined in arts. 9–13 NBA. The instruments used by the SNB to implement its monetary policy and for investing its currency reserves are set out in the ‘Guidelines on monetary policy instruments’ and the ‘Investment policy guidelines’.

The NBA also sets out the legal basis for the collection of statistical data on financial markets, the imposition of minimum reserve requirements on banks and the oversight of financial market infrastructures. Provisions governing the implementation of these statutory powers may be found in the National Bank Ordinance (NBO) issued by the SNB Governing Board.

Finally, the NBA lays down the foundations of the SNB’s organisational structure (arts. 2, 33–48).

The Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (ERCO) does not apply to the SNB, since the SNB is not a company limited by shares within the meaning of arts. 620–763 CO. Where the NBA leaves room for manoeuvre, the SNB implements the ERCO requirements. This applies especially to the prohibition of voting rights for corporate bodies and deposited shares, as well as the requirements regarding independent proxy voting and the proxy's powers.

1.2 SHAREHOLDERS

The share capital of the SNB amounts to CHF 25 million and is fully paid up. It is divided into 100,000 registered shares with a nominal value of CHF 250 each. SNB registered shares are traded on the Swiss stock exchange (SIX Swiss Exchange) under the Swiss Reporting Standard.

Listed registered shares

In 2020, the cantons and cantonal banks increased their shareholdings by a total of 267 shares; at the end of 2020, they held 50.0% of the share capital, compared to 49.7% one year earlier. Of the remaining registered shares, which make up 27.5% of the share capital, 27,077 shares are owned by private individuals. Of these, 15,359 are voting shares. The proportion of shares not entered in the share register (shares pending registration of transfer) decreased from 24.0% to 22.6% year-on-year.

Total voting stock increased compared to the previous year. At the end of 2020, 26 cantons (2019: 26) and 23 cantonal banks (2019: 23) held 76.1% of the voting shares (2019: 77.2%), while private shareholders accounted for 23.4% of voting rights (2019: 22.3%). The Confederation is not a shareholder.

The major shareholders were the Canton of Berne with 6.63% (6,630 shares), the Canton of Zurich with 5.20% (5,200 shares), Theo Siegert (Düsseldorf) with 5.04% (5,039 shares), the Canton of Vaud with 3.40% (3,401 shares) and the Canton of St Gallen with 3.00% (3,002 shares).

In 2020, the members of the Bank Council did not hold any SNB shares. According to the 'Code of Conduct for members of the Bank Council', Bank Council members may not hold such shares. At 31 December 2020, a member of the Enlarged Governing Board and a party related to a member of the Governing Board held one share each (cf. table 'Remuneration for members of executive management (including employer social security contributions)', p. 206).

Shareholder rights Shareholder rights are governed by the NBA, with the provisions of company law being complementary 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. For shareholders from outside the public sector, voting rights are limited to 100 shares. Dividends may not exceed 6% of the share capital. Of the remaining distributable net profit, one-third accrues 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 for its approval. 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. Participation rights, p. 159).

Information for shareholders Notifications to shareholders are generally communicated in writing to the address listed in the share register, and by one-off publication in the Swiss Official Gazette of Commerce. Shareholders only receive information which is also available to the public.

Independent proxy The SNB allows its shareholders to grant their power of attorney and send instructions to the independent proxy, either in writing or electronically.

1.3 ORGANISATIONAL STRUCTURE

Departments The SNB has two head offices, one in Berne and one in Zurich. It is divided into three departments. For the most part, the organisational units of Departments I and III are located in Zurich, while those of Department II are mainly in Berne. Each of the three departments is headed by a member of the Governing Board, who is assisted in this task by a deputy.

The Singapore branch office enables the SNB to efficiently manage the Asia-Pacific part of its foreign exchange reserves and also serves in the implementation of monetary policy. Furthermore, this local presence allows in-depth monitoring and analysis of financial market developments and promotes understanding of market and economic conditions within the Asia-Pacific region.

Branch office

The delegates for regional economic relations are responsible for monitoring economic developments and explaining the SNB's policy in the regions. In addition to the head offices in Berne and Zurich, the SNB therefore maintains representative offices in Basel, Geneva, Lausanne, Lucerne, Lugano and St Gallen. The delegates are supported by the Regional Economic Councils, which analyse the economic situation and the effect of monetary policy in their regions and report the results to the Governing Board. The Regional Economic Councils also regularly exchange information with the delegates.

Representative offices

The SNB maintains 13 agencies for the receipt and distribution of banknotes and coins. These agencies are run by cantonal banks. The agency in Altdorf was closed at the end of December 2020 following termination of the corresponding agreement by Urner Kantonalbank.

Agencies

1.4 CORPORATE BODIES AND RESPONSIBILITIES

The corporate bodies of the SNB are the General Meeting of Shareholders, the Bank Council, the Governing Board and the External Auditor. The composition of these bodies is described on pp. 225–226.

The General Meeting of Shareholders elects five of the Bank Council's eleven members (via separate ballot per member) and appoints the External Auditor. It approves the business report and the annual financial statements, and grants discharge to the Bank Council. Furthermore, within the context of the profit appropriation, the General Meeting of Shareholders determines the dividend. This may not exceed 6% of the share capital.

**General Meeting
of Shareholders**

Due to the pandemic, it was not possible to hold the 2020 General Meeting of Shareholders in the usual manner in Berne. Based on the Federal Council's COVID-19 Ordinance 2, the meeting was held at the Zurich head office without the physical presence of shareholders but with the independent proxy in attendance.

Bank Council

The Bank Council is the SNB's supervisory and control body. Six of its members are elected by the Federal Council; five by the General Meeting of Shareholders. The Federal Council is also responsible for appointing the President and Vice President. The Bank Council oversees and controls the conduct of business by the SNB. The individual tasks of the Bank Council are described in art. 42 NBA and art. 10 of the 'Organisation regulations'. The Bank Council's responsibilities cover, in particular, the determination of the basic principles according to which the SNB should be organised (including the structure of its accounting and financial control systems and its financial planning) and the approval of the budget and the provisions for currency reserves (art. 30 NBA). The Bank Council also assesses risk management and the basic principles underlying the investment process, and is kept informed of the SNB's operational resource strategies. The Bank Council submits proposals to the Federal Council for the appointment of Governing Board members and their deputies. It determines, in a set of regulations, the remuneration of its own members, and the remuneration of Governing Board members and deputies. Finally, the Bank Council approves the agreement with the Federal Department of Finance (FDF) on profit distribution, decides on the design of banknotes and appoints the members of the Regional Economic Councils. Monetary policy does not form part of its remit; this falls to the Governing Board.

Bank Council activities

In 2020, the Bank Council held eight meetings (in January, February, April, June, September, October and December); six of the meetings were held by telephone conference and all were attended by the members of the Governing Board.

The Bank Council took note of the accountability report for 2019 submitted to the Federal Assembly and approved the financial report for 2019 for submission to the Federal Council and the General Meeting of Shareholders. It discussed the reports submitted by the External Auditor to the Bank Council and the General Meeting of Shareholders, and took note of the annual reports on financial and operational risks, the annual report of the Compliance unit, and the 2019 annual report of the pension fund. It also prepared the 2020 General Meeting of Shareholders and approved the 2019 budget statement as well as the 2021 budget, taking note of the medium-term resource and performance plan.

The Bank Council also approved the supplementary agreement concerning the profit distribution for 2019 and 2020 between the Federal Department of Finance and the SNB.

Furthermore, the Bank Council proposed to the 2020 General Meeting of Shareholders the re-election of five existing members of the Bank Council for the 2020–2024 term of office.

The Bank Council also decided to recommend to the Federal Council that the existing members of the Governing Board and their deputies be re-appointed for the 2021–2027 term of office.

The Bank Council determined the membership of the Bank Council committees for the 2020–2021 term of office as well as the members of the Regional Economic Councils applicable from the 2020 General Meeting of Shareholders. It also confirmed the full re-election of the Regional Economic Councils for the 2020–2024 term of office.

Moreover, the Bank Council conducted discussions on investment policy and was briefed on HR key figures at the SNB and on the SIC payment system.

The Bank Council also addressed the allegations of discrimination, bullying and sexism made against the SNB. It decided, as part of its supervisory and monitoring responsibility, to support the Governing Board in this regard and to further develop HR processes. To this end, the Bank Council set up an ad hoc committee, chaired by the President of the Bank Council (cf. chapter 2.2).

Furthermore, the Bank Council took note of the final report on the renovation and conversion of the building at Fraumünsterstrasse 8 in Zurich.

Finally, the Bank Council approved the level of provisions for currency reserves.

Bank Council committees

The Bank Council has an Audit Committee, a Risk Committee, a Compensation Committee and a Nomination Committee, each of which has three members.

The Audit Committee supports the Bank Council in monitoring financial reporting, and oversees the activities of the External Auditor and the Internal Audit unit. It also assesses the appropriateness and efficacy of the internal control system (ICS), in particular regarding the processes for managing operational risk and ensuring compliance with laws, regulations and directives.

The Risk Committee assists the Bank Council in monitoring risk management and in assessing the governance of the investment process. The Audit Committee and the Risk Committee coordinate their activities and collaborate in areas where their tasks overlap.

The Compensation Committee supports the Bank Council in determining the principles of the SNB's compensation and salary policy, and submits proposals to the Bank Council regarding the salaries of Governing Board members and their deputies.

The Nomination Committee submits proposals to the Bank Council for those Bank Council members who are elected by the General Meeting of Shareholders, and for members of the Governing Board and their deputies, who are appointed by the Federal Council.

The Audit Committee held four meetings in 2020, all of which were attended by the External Auditor. The Risk Committee met three times, the Compensation Committee once, and the Nomination Committee twice.

The Governing Board is the SNB's highest 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 Governing Board is responsible, in particular, for monetary policy, asset management strategy, contributing to the stability of the financial system, and international monetary cooperation.

Executive management

The Enlarged Governing Board is made up of the three Governing Board members and their deputies. It issues the strategic guidelines for the SNB's business operations.

The Board of Deputies is responsible for the planning and implementation of these strategic guidelines. It ensures coordination in all operational matters of interdepartmental importance.

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

External Auditor

KPMG Ltd has been the External Auditor since 2015 and was reappointed by the General Meeting of Shareholders for the 2020–2021 term of office. Philipp Rickert has been the auditor in charge since 2015. The role of auditor in charge is rotated at least every seven years in compliance with the regulations on terms of office stipulated in the Swiss Code of Obligations. Auditing fees for the 2020 financial year amounted to CHF 0.3 million (2019: CHF 0.3 million). Once again, KPMG Ltd provided no consulting services for the SNB in 2020.

The Internal Audit unit is an independent instrument for overseeing and monitoring the SNB's business activities. It reports to the Audit Committee of the Bank Council.

Internal Audit

1.5 REMUNERATION REPORT

Remuneration	<p>When remunerating the members of the Bank Council and the Enlarged Governing Board, the Bank Council is required to comply analogously with the Confederation's principles governing the remuneration and other contractual conditions for senior staff and management officers of federal enterprises and institutions, as outlined in art. 6a of the Federal Personnel Act. The Bank Council laid down the principles governing remuneration in the 'Regulations on the compensation of SNB supervisory and executive bodies' of 14 May 2004 (Compensation regulations).</p> <p>Remuneration and compensation remitted in 2020 are listed in the tables on pp. 205–206.</p>
Bank Council	<p>The compensation for members of the Bank Council is made up of a fixed annual remuneration plus per diem payments for special assignments and committee meetings. No compensation is due for committee meetings that are held on the same day as Bank Council meetings.</p>
Executive management	<p>The remuneration paid to members of the Enlarged Governing Board comprises a salary and a lump sum for representation expenses. It is based on the level of remuneration in other financial sector companies of a similar size and complexity, and in large federally run companies.</p>
Regional Economic Councils	<p>Information on the remuneration for members of the Regional Economic Councils can be found on p. 205.</p>
Severance payments and compensation for restrictions	<p>The SNB does not make severance payments to departing members of the Bank Council. In accordance with the SNB's Regulations on the Governing Board, members of the Governing Board and their deputies are understood to be employed for a further six months after their term of office has come to an end, although they will be released from their duties during these six months ('cooling-off period'). The continuation of salary payments during this period of release from duties compensates them for any restrictions imposed on them after the end of their term of office. If a member of the Enlarged Governing Board is not reappointed or is removed from office, the Bank Council may grant a severance payment amounting to a maximum of one year's salary. The same applies in the case of retirement or termination of employment of a member of the Enlarged Governing Board in the interest of the bank.</p>

1.6 INTERNAL CONTROL SYSTEM

The ICS comprises all the structures and processes which ensure orderly procedures for operational activities and contribute to the attainment of business goals.

Aim and purpose

The ICS makes a major contribution towards compliance with legal requirements and internal specifications, the prudential protection of corporate assets, the prevention, reduction and disclosure of errors and irregularities, as well as ensuring that accounts are reliable and complete, that reporting is timely and dependable, and that the bankwide management of risk is appropriate and efficient.

The ICS comprises the management of financial risk, operational risk, compliance risk and risk associated with financial reporting pursuant to art. 728a CO.

Elements

The ICS is divided into three levels. The three organisationally separate levels (lines of defence) are line management (heads of department and line managers), risk monitoring and internal audit.

Organisation

The first level is ensured through the line management's responsibility to provide verification of its duty of care and orderly business procedures. Organisational units define their structures and procedures so as to ensure that tasks are carried out efficiently and their objectives achieved. To this end, they specify operational goals and control measures to manage the risks they are exposed to in their business activities.

First level

The second level is risk monitoring. The units responsible (Operational Risk and Security, Compliance, and Risk Management) advise and support line managers in the management of risk in their units. They monitor and report on the appropriateness and efficacy of risk management. In addition, they make their own assessment of the risk situation. They draw up specifications and measures to identify and limit risk, and submit corresponding proposals to executive management.

Second level

Third level	<p>Finally, at a third, independent level, Internal Audit examines the SNB's business activities by applying a systematic and targeted approach to assessing and helping to improve the effectiveness of risk management and processes for internal monitoring, control and governance. Internal Audit's approach is first and foremost risk-oriented.</p>
Responsibilities of Bank Council and executive management	<p>The Bank Council and, in particular, its Audit Committee and Risk Committee, assess the appropriateness and efficacy of the ICS and satisfy themselves with regard to the security and integrity of the business processes.</p> <p>The Enlarged Governing Board approves strategies for the SNB's business operations.</p> <p>The Board of Deputies approves the specifications with respect to the ICS and ensures compliance therewith. To this end, it issues directives and guidelines on operational management.</p>
Reporting	<p>Individual risk monitoring reports on financial, operational and compliance risks are submitted via the ICS to executive management and the Bank Council on an annual basis. In addition, Internal Audit communicates its audit findings to executive management and to the Bank Council's Audit Committee at least twice a year.</p>
ICS for financial reporting	<p>The SNB has extensive control mechanisms in place for the prevention or early identification of errors in financial reporting (accounting procedures and bookkeeping). This ensures that the SNB's financial position is correctly reported. Together, these controls make up the ICS for financial reporting, which is managed by the Accounting unit.</p>

1.7 RISK MANAGEMENT

In fulfilling its statutory mandate, the SNB incurs various risks. These include financial risks in the form of market, credit, country and liquidity risks. It is also exposed to compliance and operational risks. These include personal injury, financial loss or reputational damage arising as a result of inadequate internal processes, incorrect reporting, a lack of – or disregard for – regulations or rules of conduct, insufficient oversight, technical failure and the impact of various external events.

Risks

The Bank Council oversees and monitors the conduct of business by the SNB. It is responsible for assessing risk management and monitors its implementation. The Risk Committee and the Audit Committee prepare the business agenda and support the Bank Council in overseeing risk management.

Assessment of risk management

The Governing Board issues the ‘Investment Policy Guidelines of the Swiss National Bank (SNB)’ and annually determines the strategy for the investment of assets. In so doing, it determines the framework for the financial risks associated with investments.

Risk strategy

The Enlarged Governing Board approves strategies for business operations and has strategic responsibility for the management of operational and compliance risks. It defines the corresponding guidelines.

Financial risk associated with investment is continuously monitored by the Risk Management unit. Each quarter, the Governing Board discusses the reports on investment activities and risk management. The reports on risk management are discussed by the Risk Committee of the Bank Council, and the annual report on financial risk is also discussed by the Bank Council. Details of the investment and risk control process for financial investments can be found in chapter 5 of the accountability report.

Monitoring of financial risks

The department heads ensure implementation of the operational risk guidelines issued by the Enlarged Governing Board in their organisational units. Management of operational risk is the responsibility of line managers.

Monitoring of operational risks

Operational risk, which specifically includes cyber and information security, business continuity management and operational security, is monitored by the Operational Risk and Security unit. The Board of Deputies is responsible for the management and control of operational risk. It prepares the relevant guidelines, is responsible for their implementation throughout the SNB, and ensures reporting to the Enlarged Governing Board. The Audit Committee discusses the business report on the management of operational risk before it is submitted to the Bank Council. The Risk Committee and the Audit Committee are jointly responsible for monitoring operational risk arising from the SNB's investment activities.

Monitoring of compliance risks

The department heads also ensure implementation of the compliance risk guidelines issued by the Bank Council and the Enlarged Governing Board in their organisational units. Management of compliance risk is the responsibility of line managers.

Compliance risk is monitored by the Compliance unit and the Operational Risk and Security unit. The Compliance unit advises and supports the department heads, line managers and staff with regard to the handling of compliance risks. It carries out spot checks to monitor adherence to, and the appropriateness of, specifications and rules of conduct, and reports on the status of compliance risks arising from the disregard for rules of conduct and specifications. In connection with its responsibilities, the Compliance unit may at any time approach the Head of the Audit Committee or where appropriate the President of the Bank Council, should this prove necessary. The Compliance unit submits a report on its activities annually to executive management, the Audit Committee and the Bank Council.

The following table summarises the organisation of risk management.

ORGANISATION OF RISK MANAGEMENT

	Specifications	Risk management (first level)	Independent oversight (second level)	Supervisory bodies of the Bank Council
Financial risk	Governing Board	Line management	Risk Management unit	Risk Committee
Operational risk	Enlarged Governing Board, Board of Deputies	Line management	Operational Risk and Security unit	Audit Committee, Risk Committee
Compliance risk	Bank Council and Enlarged Governing Board, Board of Deputies	Line management	Compliance unit, Operational Risk and Security unit	Audit Committee

1.8 CROSS REFERENCE TABLES

Further information on corporate governance may be found in other sections of the *Annual Report*, on the SNB website, in the NBA, in the ‘Organisation regulations’ and in the following places:

NBA (SR 951.11)	www.snb.ch , <i>The SNB, Legal basis, Constitution and laws</i>
Organisation regulations (SR 951.153)	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Shareholders	www.snb.ch , <i>Shareholders</i>
Participation rights	www.snb.ch , <i>Shareholders, General Meeting of Shareholders, Deadlines and participation</i>
Listing in share register	www.snb.ch , <i>Shareholders, General Meeting of Shareholders, Deadlines and participation</i>
Decision-making quorums	Art. 38 NBA; art. 9 Organisation regulations
General Meeting of Shareholders	Arts. 34–38 NBA; arts. 8–9 Organisation regulations
Regulations on the recognition and representation of shareholders of the Swiss National Bank	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Bank Council	www.snb.ch , <i>The SNB, Supervisory and executive bodies, Bank Council</i>
Members	<i>Annual Report</i> , p. 225
Nationality	Art. 40 NBA
Affiliations	www.snb.ch , <i>The SNB, Supervisory and executive bodies, Bank Council, Members of the Bank Council</i>
Election and term of office	Art. 39 NBA
Initial and current election	<i>Annual Report</i> , p. 225
Internal organisation	Arts. 10 et seq. Organisation regulations
Committees	www.snb.ch , <i>The SNB, Supervisory and executive bodies, Bank Council</i>
Regulations on the Audit Committee Risk Committee Compensation Committee Nomination Committee	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Regulations on the compensation of SNB supervisory and executive bodies (Compensation regulations)	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Delimitation of powers	Art. 42 NBA; arts. 10 et seq. Organisation regulations
Internal control system	<i>Annual Report</i> , pp. 155–156; arts. 10 et seq. Organisation regulations
Information tools	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Remuneration	<i>Annual Report</i> , p. 205
Code of Conduct	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>

Executive management	www.snb.ch , <i>The SNB, Supervisory and executive bodies, Governing Board/Enlarged Governing Board</i>
Members	<i>Annual Report</i> , p. 226
Affiliations	www.snb.ch , <i>The SNB, Supervisory and executive bodies, Governing Board/Enlarged Governing Board</i>
Election and term of office	Art. 43 NBA
Internal organisation	Arts. 18–24 Organisation regulations
Regulations on the office-holder relationship and employment relationship of members of the Governing Board of the Swiss National Bank and their deputies (Regulations on the Governing Board)	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Regulations on the compensation of SNB supervisory and executive bodies (Compensation regulations)	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Regulations on private financial investments and financial transactions by members of SNB management	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Regulations on the acceptance by members of the Enlarged Governing Board of gifts, invitations and third-party considerations	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Federal Personnel Act	www.admin.ch , <i>Bundesrecht, Systematische Rechtssammlung, Landesrecht, 1 Staat – Volk – Behörden, 17 Bundesbehörden, 172.220 Arbeitsverhältnis, 172.220.1 Bundespersonalgesetz vom 24. März 2000 (BPG)</i> Not available in English
Remuneration	<i>Annual Report</i> , p. 206
Code of Conduct	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Staff	
Charter	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Code of Conduct	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Private financial investments and financial transactions	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
Principles governing procurement	www.snb.ch , <i>The SNB, Legal basis, Guidelines and regulations</i>
External Auditor	
Election and requirements	Art. 47 NBA
Tasks	Art. 48 NBA

Information policy	<i>Annual Report</i> , p. 148, pp. 230 et seq. as well as information for shareholders at www.snb.ch , <i>Shareholders</i> , <i>Ad hoc announcements – messaging service</i>
Corporate structure and shareholders	<i>Annual Report</i> , pp. 146 et seq., pp. 199–200
Head offices	Art. 3 para. 1 NBA
Ticker symbol/ISIN	SNBN/CH0001319265
Breakdown of capital	<i>Annual Report</i> , p. 199
Accounting principles	<i>Annual Report</i> , p. 180

2

Resources

Organisation

2.1 ORGANISATIONAL CHANGES

The departments are made up of divisions and organisational units that report directly to them. Divisions encompass large specialised areas that are covered by several organisational units; they are led by division heads, who report to the department management.

The divisions making up Department I are the Secretariat General, Economic Affairs, International Monetary Cooperation and Statistics. It also includes the Legal Services, Compliance, Human Resources, and Premises and Technical Services units, which report directly to the department management. Internal Audit reports administratively to Department I.

Within the Secretariat General, the Research Coordination and Economic Education unit was renamed the Research Coordination, Education and Sustainability unit. The new specialist unit for sustainability will commence its activities in 2021.

The Economic Affairs division was reorganised on 1 January 2021 in order to meet new business demands and improve internal processes. In particular, the new organisational structure enables more extensive economic analysis of large volumes of unstructured data (big data) and optimises existing activities carried out in preparation for monetary policy decisions. The Economic Affairs division now comprises the following five units: Monetary Policy Analysis, Forecast and Analysis Switzerland, Forecast and Analysis International, Economic Data Science, and Regional Economic Relations.

In addition to the Financial Stability and Cash divisions, Department II includes the Accounting, Controlling, Risk Management, and Operational Risk and Security units, which report directly to the department management.

Department III comprises the Money Market and Foreign Exchange, Asset Management, Banking Operations, and Information Technology divisions, as well as the Financial Market Analysis unit and the Singapore branch office, which report directly to the department management.

The organisational structure is presented on pp. 228–229.

Organisational development is based on strategic management. SNB management's strategic guidelines relating to challenges, priorities and organisation feed into operational management. The latter comprises resource and performance management, project and project portfolio planning, as well as budgeting.

Operational management processes are aimed at the effective and efficient fulfilment of tasks and a gradual increase in organisational flexibility. The focus is on the management dimensions of performance, human resources, processes and costs. Increased flexibility helps the SNB to perform its tasks effectively in a changing environment.

2.2 HUMAN RESOURCES

At the end of 2020, the SNB employed 950 people, an increase of 16 or 1.7% on the previous year. In terms of full-time equivalents, the number of employees rose by 1.8% to 870.8. The SNB also employed 24 apprentices. Averaged over the year, the number of full-time equivalents was 865.0. The overall staff turnover rate was 1.2 percentage points lower at 5.3%. Net fluctuation (excluding retirements and deaths) decreased by 1.3 percentage points to 3.1%.

Number of staff

The development of staff numbers falls within the parameters laid down in the medium-term resource and performance plan approved by the Bank Council.

More information and key figures on human resources and the SNB as an employer can be found in the 'Employees' chapter of the *Sustainability Report 2020*.

In the autumn, certain media reports raised allegations of bullying, discrimination and sexism at the SNB. The Governing Board emphasised that such behaviour contravenes the SNB's Charter and is not tolerated. It arranged for a full examination of all such alleged cases reported since 2015. The findings showed that there were only a few cases, that these were very different in nature, and that they did not follow any pattern. There were no indications that bullying, discrimination or sexism is a systemic problem at the SNB.

The SNB has been consistently optimising its HR processes over recent years. To ensure that they are up to date across the board, and that they guarantee equal opportunities and do not permit any form of discrimination, the Governing Board in consultation with the Bank Council commissioned a comprehensive review of HR processes at the SNB. In particular, processes relating to the reporting of misconduct – as well as to hiring, salary-setting and promotion – are being externally certified. This work is due to be completed at the end of 2021.

SNB operations during the coronavirus pandemic

The coronavirus pandemic exerted a strong influence on the SNB's operations in 2020. Following the outbreak of the pandemic in spring, the SNB developed an internal set of precautionary measures and established corresponding rules of behaviour, subject to regular review and adjusted as required. These guidelines were based on the principle of safety first, on the measures taken by the authorities (federal and cantonal) and on the operational situation; the SNB mandate was to be fulfilled and its employees were to be protected at all times. A central element was for employees who do not need to be on-site to work mainly from home, so as to reduce the risk of infection. For the same reason, teams performing critical activities that require on-site presence were split and moved to alternative workplaces. In addition to the general hygiene and distancing rules, the precautionary measures also included guidelines on what to do in the event of symptoms of the disease or contact with people who have tested positive. In addition, an internal contact tracing system was set up to track chains of infection and interrupt possible transmission within the company at an early stage. During the coronavirus crisis, an average of around 70% of employees worked from home (cf. also chapter 2.4 of the SNB's *Sustainability Report 2020*). Thanks to the measures taken, the SNB was able to ensure the fulfilment of its mandate, even under difficult conditions. The workload increased, in some cases considerably, in those divisions involved in the SNB's monetary policy contribution to crisis management. Flexibility was also demanded of employees in this regard.

As it sought to safeguard operations during the coronavirus pandemic, the SNB was able to rely on structures, resources and processes developed in recent years under business continuity management. The SNB's extensive precautions to ensure that it could continue the operations necessary for the fulfilment of its tasks, even under adverse circumstances, proved valuable. For instance, the alternative workplaces required for team splitting had been set up already in recent years. The long-standing drive to develop a robust IT infrastructure, including remote access for working from home, was a further key success factor (cf. chapter 2.4) in ensuring the continuity of operations under difficult conditions. In addition, the experience garnered during the annual emergency and crisis management tests was also useful.

2.3 PREMISES

The SNB owns premises in Berne and Zurich for its own use. These are managed according to a long-term strategy. As part of this strategy, various buildings at both locations are currently undergoing renovation and alteration work. Despite the pandemic, construction work in Berne and Zurich continued according to schedule, with appropriate protection and hygiene measures being observed.

Renovation and alteration work on the SNB premises in Berne began in early 2015. Full operations resumed in the main building at Bundesplatz 1 with the return of staff in the fourth quarter of 2019. Renovation of the six buildings making up the Kaiserhaus (Marktgasse 37–41 and Amthausgasse 22–26) is expected to continue until 2024.

Construction projects
in Berne

The removal of hazardous substances and demolition of non-structural components in the Kaiserhaus was largely completed in 2020. The demolition of structural components and preparatory work for the construction of new building technology facilities began in the second half of the year. Detailed planning of the interior is currently underway.

In Zurich, the building envelope of the Metropol premises is in need of renovation. Work on the three facades is to be carried out in stages and is scheduled to be completed in 2022. In 2020, renovations on the first facade were concluded and work commenced on the second stage.

Construction projects
in Zurich

2.4 INFORMATION TECHNOLOGY

IT operations

Internal IT systems and applications were reliable and stable. Any occasional disruptions were swiftly resolved.

Due to the pandemic, infrastructure had to be put in place – within a short space of time – to enable approximately 70% of staff to work from home. Thanks to the existing robust IT infrastructure, sufficient capacity was ensured in just a few days.

IT projects

The planned measures set out under the cybersecurity strategy were implemented on schedule in 2020 and important milestones were reached. This multi-year programme will bolster the resilience of the SNB's IT systems to cyberattacks.

The SNB is working closely with the Bank for International Settlements Innovation Hub Swiss Centre. In Project Helvetia, the SNB has joined forces with SIX Digital Exchange (SDX) to experiment with using digital central bank money for settling financial market transactions on SDX's near-live, distributed ledger-based trading and settlement platform. The results of Phase 1 were set out in a progress report produced in partnership with the BIS and SDX and published in December 2020 (cf. accountability report, chapter 7.2.2).

The SNB conducted feasibility studies in 2020 for projects investigating the processing of large volumes of unstructured data (big data) as well as the application of new analytical methods (machine learning and deep learning). These studies demonstrated that such data science applications can offer substantial added value over conventional data processing.

In order to cushion the economic impact of the coronavirus pandemic, the Federal Council launched a loan programme. Commercial banks granting such COVID-19 bridging loans are able to refinance themselves via a credit facility set up by the SNB (the SNB COVID-19 refinancing facility, CRF). The SNB set up the CRF, and its corresponding IT solution, within a very short period of time in spring 2020 (cf. accountability report, chapter 2.3).

3

Changes in bank bodies

The General Meeting of Shareholders of 24 April 2020 re-elected Vania Alleva, Monika Bütler, Heinz Karrer, Olivier Steimer and Cédric Pierre Tille as members of the Bank Council for the 2020–2024 term of office.

Bank Council

Olivier Steimer, Vice President of the Bank Council, will step down at the end of April 2021 due to the statutory limit on the maximum term of office. Owing to a change in position, Heinz Karrer will also be leaving the Bank Council at the end of April 2021. The SNB thanks them both for their valuable service.

Special thanks go to Olivier Steimer, who held the position of Vice President of the Bank Council for many years. He was elected to the Bank Council by the General Meeting of Shareholders in 2009. Three years later, the Federal Council appointed him Vice President of the Bank Council. Mr Steimer initially served on the Risk Committee. Later, he became Head of the Compensation Committee and a member of the Nomination Committee. Olivier Steimer fulfilled his duties as Vice President with great commitment and prudence.

The SNB also thanks Heinz Karrer for his valuable service. Mr Karrer made a particular contribution in his role as member of the Audit Committee, a body whose work has gained in importance and become increasingly complex in recent years.

On 25 November 2020, the Federal Council appointed Romeo Lacher, Chairman of the Board of Directors of Julius Baer Group Ltd. and Bank Julius Baer & Co. Ltd., as Vice President of the Bank Council for the remainder of the current term of office (1 May 2020 until 30 April 2024) with effect from 1 May 2021, subject to his election by the 2021 General Meeting of Shareholders.

Heinz Karrer's successor will be elected by the General Meeting of Shareholders.

On 24 April 2020, the General Meeting of Shareholders appointed KPMG Ltd as External Auditor for the 2020–2021 term of office, with Philipp Rickert as auditor in charge.

External Auditor

On 25 November 2020, the members of the Governing Board, Thomas Jordan, Fritz Zurbrügg and Andréa Maechler, as well as their deputies, Martin Schlegel, Dewet Moser and Thomas Moser, were re-appointed by the Federal Council for the 2021–2027 term of office on the recommendation of the Bank Council, and were confirmed in their respective positions.

**Governing Board and
Enlarged Governing Board**

4

Business performance

4.1 ANNUAL RESULT

Summary

The Swiss National Bank reported a profit of CHF 20.9 billion for the year 2020 (2019: CHF 48.9 billion).

The profit on foreign currency positions amounted to CHF 13.3 billion. A valuation gain of CHF 6.6 billion was recorded on gold holdings. The profit on Swiss franc positions was CHF 1.3 billion. Operating expenses came to CHF 0.4 billion.

For the financial year just ended, the SNB has set the allocation to the provisions for currency reserves at CHF 7.9 billion. After taking into account the distribution reserve of CHF 84.0 billion, the net profit comes to CHF 96.9 billion. This will allow a dividend payment of CHF 15 per share, which corresponds to the legally stipulated maximum amount, as well as a profit distribution to the Confederation and the cantons totalling CHF 6 billion.

The profit distribution will be made on the basis of the new agreement between the Federal Department of Finance and the SNB of 29 January 2021, which replaces the agreement of 2016 for the financial years 2016–2020 and the supplementary agreement of 2020.

Of the total amount to be distributed (CHF 6 billion), one-third goes to the Confederation and two-thirds to the cantons. After these payments, the distribution reserve will stand at CHF 90.9 billion.

Valuation gain on gold holdings

At the end of 2020, the price of gold stood at CHF 53,603 per kilogram, 13.5% higher than at the end of 2019 (CHF 47,222). This gave rise to a valuation gain of CHF 6.6 billion on the unchanged holdings of 1,040 tonnes of gold (2019: CHF 6.9 billion).

Profit on foreign currency positions

The profit on foreign currency positions was CHF 13.3 billion (2019: CHF 40.3 billion). Interest and dividend income totalled CHF 8.0 billion and CHF 3.4 billion respectively. A gain of CHF 12.1 billion was recorded on interest-bearing paper and instruments, while equity securities and instruments registered a gain of CHF 27.6 billion. Exchange rate-related losses totalled CHF 37.7 billion.

The profit on Swiss franc positions totalled CHF 1.3 billion (2019: CHF 2.1 billion). It largely resulted from negative interest charged on sight deposit account balances.

Profit on Swiss franc positions

Operating expenses are made up of banknote and personnel expenses, general overheads and depreciation on the SNB's tangible assets. They decreased by CHF 15.7 million to CHF 379.9 million.

Operating expenses

The SNB's financial result depends largely on developments in the gold, foreign exchange and capital markets. Consequently, very strong fluctuations in quarterly and annual results are to be expected. In view of the considerable volatility in its results, the SNB does not exclude the possibility that, in some years, profit distributions will only be able to be carried out on a reduced scale or will have to be suspended completely.

Outlook

4.2 PROVISIONS FOR CURRENCY RESERVES

Purpose	<p>In accordance with art. 30 para. 1 of the NBA, the SNB sets up provisions to maintain the currency reserves at the level necessary for monetary policy. Independent of this financing function, the provisions for currency reserves have a general reserve function and thus serve as equity capital. They act as a buffer against all the different forms of loss risk at the SNB.</p>
Level of provisions	<p>When setting aside provisions for currency reserves, the SNB must take into account the development of the Swiss economy (art. 30 para. 1 NBA).</p>
Allocation from 2020 annual result	<p>Given the high market risks present in the SNB balance sheet, the percentage increase in provisions is generally calculated on the basis of double the average nominal GDP growth rate for the previous five years. In addition, a minimum annual allocation of 8% of the provisions at the end of the previous year had applied since 2016. In light of the significant increase in balance sheet risks since then, the minimum annual allocation has now been raised to 10% from 2020. This is aimed at ensuring that sufficient allocations are made to the provisions and the balance sheet is further strengthened, even in periods of low nominal GDP growth.</p> <p>Since nominal GDP growth over the last five years has averaged just 1.7%, the minimum allocation of 10% will thus be applied for the 2020 financial year. This corresponds to CHF 7.9 billion (2019: CHF 5.9 billion). As a result, the provisions for currency reserves will grow from CHF 79.1 billion to CHF 87.0 billion.</p>

PROVISIONS

Multi-year comparison of provisions

	Growth in nominal GDP In percent (average period) ¹	Annual allocation In CHF millions	Provisions after allocation In CHF millions
2016 ²	1.9 (2010–2014)	4 649.7	62 771.2
2017 ²	1.4 (2011–2015)	5 021.7	67 792.9
2018 ²	1.2 (2012–2016)	5 423.4	73 216.3
2019 ²	1.3 (2013–2017)	5 857.3	79 073.6
2020 ³	1.7 (2014–2018)	7 907.4	86 981.0

1 The average nominal GDP growth rate is based on the last five years for which definite values are available. GDP figures are revised on a regular basis. This means that the latest available growth rates may deviate from reported figures. This does not affect the allocation.

2 Minimum allocation of 8% of the provisions at the end of the previous year.

3 Minimum allocation of 10% of the provisions at the end of the previous year.

The portion of the annual result remaining after the allocation to the currency reserves corresponds to the distributable profit as per art. 30 para. 2 NBA. Together with the distribution reserve, this makes up the net profit/net loss (art. 31 NBA). If a net profit is achieved, this is used for distributions.

Distributable annual result and net profit

For 2020, the distributable annual result amounts to CHF 13.0 billion. The net profit is CHF 96.9 billion.

4.3 DIVIDEND AND PROFIT DISTRIBUTION

Dividend	Art. 31 para. 1 NBA specifies that a dividend not exceeding 6% of the share capital shall be paid from the net profit, with the decision on this matter being taken by the General Meeting of Shareholders on the basis of a Bank Council proposal.
Profit distribution to Confederation and cantons	In accordance with art. 31 para. 2 NBA, one-third of any net profit remaining after the payment of a dividend will accrue to the Confederation and two-thirds to the cantons.
New distribution agreement	<p>The amount of the annual profit distribution to the Confederation and the cantons is laid down in an agreement between the FDF and the SNB. Given the considerable fluctuations in the SNB's earnings, the NBA stipulates that profit distribution be maintained at a steady level. Consequently, a constant flow of payments over several years is provided for in the agreement and a distribution reserve carried on the balance sheet.</p> <p>In January 2021, the FDF and the SNB signed a new agreement on the SNB's profit distributions. Provided that the SNB's financial situation permits, an amount of up to CHF 6 billion per annum will now be distributed to the Confederation and the cantons. The new agreement governs the SNB's profit distributions through to the 2025 financial year. It also retroactively covers the 2020 financial year. The maximum distribution of CHF 6 billion per annum comprises a base amount of CHF 2 billion, which will be distributed if there is a net profit of at least CHF 2 billion. If the net profit is less than CHF 2 billion, the amount of the net profit – after deduction of the dividend to shareholders (max. CHF 1.5 million) – is distributed to the Confederation and the cantons. Added to this are four possible supplementary distributions of CHF 1 billion each, which are made if the net profit reaches the thresholds of CHF 10 billion, CHF 20 billion, CHF 30 billion and CHF 40 billion respectively.</p>
Distribution for 2020	The criteria for making the maximum distribution have been met for the 2020 financial year. After the allocation to the provisions for currency reserves, the SNB will thus distribute a total of CHF 6 billion to the Confederation and the cantons.

The distribution reserve forms part of the loss-absorbing capital alongside the provisions for currency reserves. The non-distributed annual profit is allocated to the distribution reserve, or the shortfall for the appropriation of profit is drawn from it. The distribution reserve is a form of profit carried forward and serves as a fluctuation reserve to enable the legally required medium-term smoothing of the annual distributions.

Distribution reserve

Following last year's profit appropriation, the distribution reserve showed a value of CHF 84.0 billion. After offsetting against the annual result and the profit appropriation for 2020, the distribution reserve will amount to CHF 90.9 billion.

PROFIT DISTRIBUTION AND DISTRIBUTION RESERVE

In CHF millions

	2016	2017	2018	2019	2020 ²
Annual result	24 476.4	54 371.6	-14 934.0	48 851.7	20 869.6
- Allocation to provisions for currency reserves	-4 649.7	-5 021.7	-5 423.4	-5 857.3	-7 907.4
= Distributable annual result	19 826.7	49 349.9	-20 357.4	42 994.4	12 962.2
+ Distribution reserve before appropriation of profit ¹	1 904.5	20 000.0	67 348.4	44 989.5	83 982.4
= Net profit	21 731.2	69 349.9	46 991.0	87 983.9	96 944.6
- Payment of a dividend of 6%	-1.5	-1.5	-1.5	-1.5	-1.5
- Profit distribution to Confederation and cantons	-1 729.7	-2 000.0	-2 000.0	-4 000.0	-6 000.0
= Distribution reserve after appropriation of profit	20 000.0	67 348.4	44 989.5	83 982.4	90 943.1

1 Year-end total as per balance sheet.

2 In accordance with proposed appropriation of profit.

4.4 MULTI-YEAR COMPARISON OF ASSETS AND LIABILITIES

The following summary provides an overview of the movements in key balance sheet positions over the last five years.

Year-end values in CHF millions

	2016	2017	2018	2019	2020
Gold holdings	39 400	42 494	42 237	49 111	55 747
Foreign currency investments	696 104	790 125	763 728	794 015	910 001
Reserve position in the IMF	1 341	871	1 188	1 369	1 850
International payment instruments	4 406	4 496	4 441	4 381	4 364
Monetary assistance loans	155	210	260	276	908
Claims from US dollar repo transactions	–	–	–	–	8 842
Claims from Swiss franc repo transactions	–	–	–	6 529	550
Swiss franc securities	3 998	3 956	3 977	4 074	4 073
Secured loans	–	–	–	–	11 176
Tangible assets	375	396	435	450	438
Participations	137	157	151	135	134
Other assets	585	601	651	616	946
Total assets	746 502	843 306	817 069	860 956	999 028
Banknotes in circulation	78 084	81 639	82 239	84 450	89 014
Sight deposits of domestic banks	468 199	470 439	480 634	505 811	628 825
Liabilities towards the Confederation	7 230	14 755	15 613	23 481	13 755
Sight deposits of foreign banks and institutions	24 585	54 086	37 102	30 164	28 120
Other sight liabilities	30 036	34 399	41 479	31 997	32 161
Liabilities from Swiss franc repo transactions	–	–	–	–	–
SNB debt certificates	–	–	–	–	–
Other term liabilities	–	–	–	–	9 027
Foreign currency liabilities	49 096	45 934	34 812	13 315	9 573
Counterpart of SDRs allocated by the IMF	4 493	4 573	4 487	4 418	4 214
Other liabilities	252	315	472	238	388
Equity					
Provisions for currency reserves ¹	58 122	62 771	67 793	73 216	79 074
Share capital	25	25	25	25	25
Distribution reserve ¹	1 905	20 000	67 348	44 989	83 982
Annual result	24 476	54 372	–14 934	48 852	20 870
Total equity	84 527	137 168	120 232	167 083	183 951
Total liabilities	746 502	843 306	817 069	860 956	999 028

¹ Before appropriation of profit, cf. p. 178.