

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. 3, 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.

For a period starting three weeks before a scheduled monetary policy decision and ending one day after the publication of that decision, staff members taking part in the preparation and/or making of the monetary policy decision are prohibited from initiating or carrying out any private financial investment transactions. This provision does not apply to payments into pension funds.

Black-out periods

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 2021, the cantons and cantonal banks increased their shareholdings by a total of 770 shares; at the end of 2021, they held 50.8% of the share capital, compared to 50.0% one year earlier. Of the remaining registered shares, which make up 26.1% of the share capital, 25,784 shares are owned by private sector shareholders. Of these, 14,276 are voting shares. The proportion of shares not entered in the share register (shares pending registration of transfer) rose from 22.6% to 23.1% year-on-year.

Total voting stock decreased compared to the previous year. At the end of 2021, 26 cantons (2020: 26) and 24 cantonal banks (2020: 23) held 77.6% of the voting shares (2020: 76.1%), while private sector shareholders accounted for 21.8% of voting rights (2020: 23.4%). 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 2021, 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 2021, 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. 202).

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, these 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 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. 155).

Notifications

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. They relate exclusively to information which is also available to the public.

Independent proxy

Powers of attorney and instructions can be issued to the independent proxy, either in writing or electronically.

1.3 ORGANISATIONAL STRUCTURE

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 and their deputy.

Departments

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 monetary 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.

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. 220–221.

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

Once again, due to the pandemic it was not possible to hold the 2021 General Meeting of Shareholders in the usual manner. Based on the Federal Council's COVID-19 Ordinance 3, the meeting was held without the physical presence of shareholders and broadcast live in German, French and Italian on the SNB's website. Voting rights could be exercised via the independent proxy. In addition, shareholders were given the opportunity to submit questions ahead of the General Meeting. The President of the Bank Council and the Chairman of the Governing Board then responded to these questions at the meeting.

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 2021, the Bank Council held nine meetings (in January, February, April, June, August, September, October and December); five 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 2020 submitted to the Federal Assembly and approved the financial report for 2020 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 2020 annual report of the pension fund. It also prepared the 2021 General Meeting of Shareholders and approved the 2020 budget statement as well as the 2022 budget, taking note of the medium-term resource and performance management plan.

The Bank Council also approved the new agreement between the Federal Department of Finance and the SNB on the SNB's profit distributions.

Furthermore, the Bank Council proposed to the 2021 General Meeting of Shareholders the election of two new members of the Bank Council for the remainder of the 2020–2024 term of office.

The Bank Council was briefed on the 'HR processes and strategies' initiative, in which it had participated through an ad hoc committee. It was also informed about the equal pay analysis carried out and about the 2020 status report on the 'Visitor centre Berne' project.

The Bank Council also approved the revision to the 'Regulations on the recognition and representation of shareholders of the Swiss National Bank'.

The Bank Council determined the membership of the Bank Council committees for the 2021–2022 term of office as well as the members of the Regional Economic Councils applicable from the 2021 General Meeting of Shareholders.

Moreover, the Bank Council conducted discussions on investment policy and was briefed on HR key figures and SNB communications.

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 2021, all of which were attended by the External Auditor. The Risk Committee met four times, the Compensation Committee once, and the Nomination Committee three times.

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 2021–2022 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 2021 financial year amounted to CHF 0.3 million (2020: CHF 0.3 million). Once again, KPMG Ltd provided no consulting services for the SNB in 2021.

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 2021 are listed in the tables on pp. 201–202.</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. 201.</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 reports on the monitoring of 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 discuss the risk reports 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 Risk Management unit’s reports 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. If necessary, the Head of Risk Management can also brief the Chair of the Governing Board and the Head of the Risk Committee directly.

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, where it overlaps with operational risk, by 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 monitors the appropriateness of, and adherence to, rules of conduct and specifications, 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, The SNB/Legal basis/ Constitution and laws
Organisation regulations (SR 951.153)	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Shareholders	www.snb.ch, Shareholders
Participation rights	www.snb.ch, Shareholders/General Meeting of Shareholders/Deadlines and participation
Listing in share register	www.snb.ch, Shareholders/General Meeting of Shareholders/Deadlines and participation
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, The SNB/Legal basis/ Guidelines and regulations
Bank Council	www.snb.ch, The SNB/ Supervisory and executive bodies/Bank Council
Members	Annual Report, p. 220
Nationality	Art. 40 NBA
Affiliations	www.snb.ch, The SNB/ Supervisory and executive bodies/Bank Council/ Members of the Bank Council
Election and term of office	Art. 39 NBA
Initial and current election	Annual Report, p. 220
Internal organisation	Arts. 10 et seq. Organisation regulations
Committees	www.snb.ch, The SNB/ Supervisory and executive bodies/Bank Council
Regulations on the Audit Committee Risk Committee Compensation Committee Nomination Committee	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Regulations on the compensation of SNB supervisory and executive bodies (Compensation regulations)	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Delimitation of powers	Art. 42 NBA; arts. 10 et seq. Organisation regulations
Internal control system	Annual Report, pp. 151–152; arts. 10 et seq. Organisation regulations
Information tools	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Remuneration	Annual Report, p. 201
Code of Conduct	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations

Executive management	www.snb.ch, The SNB/ Supervisory and executive bodies/Governing Board/ Enlarged Governing Board
Members	Annual Report, p. 221
Affiliations	www.snb.ch, The SNB/ Supervisory and executive bodies/Governing Board/ Enlarged Governing Board
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, The SNB/Legal basis/ Guidelines and regulations
Regulations on the compensation of SNB supervisory and executive bodies (Compensation regulations)	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Regulations on private financial investments and financial transactions by members of SNB management	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Regulations on the acceptance by members of the Enlarged Governing Board of gifts, invitations and third-party considerations	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Federal Personnel Act	www.admin.ch, Bundesrecht/Systematische Rechtssammlung/Landesrecht/1 Staat – Volk – Behörden/17 Bundesbehörden/172.220 Arbeitsverhältnis/172.220.1 Bundespersonalgesetz vom 24. März 2000 (BPG) Not available in English
Remuneration	Annual Report, p. 202
Code of Conduct	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Staff	
Charter	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Code of Conduct	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Private financial investments and financial transactions	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
Principles governing procurement	www.snb.ch, The SNB/Legal basis/ Guidelines and regulations
External Auditor	
Election and requirements	Art. 47 NBA
Tasks	Art. 48 NBA

Information policy	Annual Report, p. 144, pp. 226 et seq. as well as information for shareholders at www.snb.ch , Shareholders/ Ad hoc announcements – messaging service
Corporate structure and shareholders	Annual Report, pp. 142 et seq., pp. 195–196
Head offices	Art. 3 para. 1 NBA
Ticker symbol/ISIN	SNBN/CH0001319265
Breakdown of capital	Annual Report, p. 195
Accounting principles	Annual Report, p. 176

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Resources

2.1 ORGANISATIONAL CHANGES

Organisation

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.

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.

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. 224–225.

Organisational development is steered by the strategic priorities set by executive management and is aimed at ensuring that the SNB is able to perform its tasks effectively and efficiently at all times in a changing environment. Executive management also ensures that the organisation remains adaptable with regard to performance, human resources, processes and costs. The most important management tools are resource and performance planning, project and project portfolio planning, and budgeting.

2.2 HUMAN RESOURCES

At the end of 2021, the SNB employed 950 people, unchanged from 2020. In terms of full-time equivalents, the number of employees declined slightly by 0.3% to 868.6. The SNB also employed 23 apprentices. Averaged over the year, the number of full-time equivalents was 871.2. The overall staff turnover rate was 0.1 percentage points higher at 5.4%. Net fluctuation (excluding retirements and deaths) increased by 0.2 percentage points to 3.3%.

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 'Employment' chapter of the Sustainability Report for 2021.

The revision of the Federal Act on Gender Equality (GEA), which entered into force on 1 July 2020, requires employers to conduct an internal equal pay analysis, and to have an independent body confirm that it has been carried out correctly.

Equal pay analysis required by law

This equal pay analysis is to be conducted according to a demonstrably scientific method and in accordance with Swiss law. It is to use statistical examination to determine whether there is a pay gap between the female and male employees of a given employer. A company is deemed to comply with pay equality if any residual, unexplained pay gap is below the defined tolerance threshold of 5%.

The SNB had the analysis conducted by an external specialist. The Competence Centre for Diversity & Inclusion (CCDI-FIM) at the University of St. Gallen (HSG) prepared a statistical equal pay analysis using the Logib method by the statutory deadline, with the reference date of 1 February 2021. The analysis covered the 939 people employed by the SNB at that time. In accordance with the law, the analysis excluded only apprentices, interns and employees abroad, as well as those on disability insurance and other similar cases.

Equal pay compliance

The analysis found that the SNB complies with internal pay equality for women and men within the tolerance threshold defined by Logib, and it therefore received the CCDI-FIM 'We Pay Fair' label.

The revised GEA also requires an independent audit of the equal pay analysis conducted. The SNB took the option of having the audit carried out by a social partner organisation. It was conducted by SoPaCEB, the Social Partnership Centre for Equal Pay in the Banking Industry, which confirmed not only that the analysis had been conducted in a formally correct manner, but also that all of the requirements for the award of SoPaCEB industry certification had been met.

HR processes and reporting system

In 2021, the SNB subjected its processes for hiring and promotion, as well as salary-setting and wage development, to detailed review. To this end it also consulted external specialists; the project was supervised by an ad hoc committee of the Bank Council. The objective was to ensure that the SNB have effective, up-to-date processes in place, in particular to ensure equal opportunity and to prevent any form of discrimination. The processes, adapted in line with the findings, were already applied in the course of 2021. They were harmonised throughout the SNB, and the role of the HR unit was significantly strengthened.

The reporting system for violations of regulations was adapted and is now in line with the principles of a new global standard (ISO 37002). It was also certified in accordance with this ISO standard by an external company in a two-step process. The reporting system offers easy accessibility and a high degree of protection for all persons involved in reporting.

Diversity strategy

In 2021, the SNB Charter was developed further with regard to diversity, with more specific detail being added in this respect. The SNB believes that diversity helps it fulfil its mandate while at the same time making it a more attractive employer. Accordingly, it contributes to ensuring conditions for all employees to be able to work successfully and with commitment in the interests of the performance mandate, and to feel they are part of the institution.

The diversity strategy comprises measures that address three levels: first, ensuring equal opportunity and non-discrimination; second, removing structural and cultural obstacles (e.g. by strategically adapting terms of employment and general conditions); and third, implementing additional measures to ensure the focused and discrete fostering of under-represented groups. Ongoing development with regard to diversity and inclusion is to be measured by way of internal diversity controlling and regular participation in a benchmarking process.

SNB operations during the coronavirus pandemic

The coronavirus pandemic continued to exert a strong influence on the SNB's operations in 2021. Thanks to the measures taken, the SNB was able to ensure the performance of its mandate in full at all times in the year under review, even under difficult conditions. The internal set of precautionary measures developed was subject to regular review and adapted to the course of the pandemic. The corresponding rules of behaviour focus on protecting the health of employees. The entire set of precautionary measures is based on the principle of safety first, on the measures taken by the authorities (federal and cantonal), and on the operational situation. The core element was that employees who do not need to be on-site worked from home, so as to reduce the risk of infection. For the same reason, teams performing critical activities that require on-site presence were temporarily split up and moved to alternative workplaces. In addition to the general hygiene and distancing rules, the precautionary measures also included COVID-19 tests and guidelines on what to do in the event of symptoms of the disease or contact with people who have tested positive. Furthermore, the internal contact tracing system was continued, to track chains of infection and interrupt possible transmission within the company at an early stage. During the second year of the coronavirus crisis, too, an average of 70% to 80% of employees worked from home (cf. also chapter 2.4 of the SNB's Sustainability Report for 2021).

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**

In the Kaiserhaus, the demolition of structural components and preliminary building work were largely completed in 2021. Construction of the new building technology facilities commenced in the second half of the year. Detailed planning of the interior of the areas to be used by the SNB is currently underway. Furthermore, intensive planning continues with the user groups for the catering, retail, visitor centre and apartment spaces.

Construction project
in Zurich

In Zurich, the renovation of the building envelope at the Metropoli premises was successfully completed.

2.4 INFORMATION TECHNOLOGY

IT operations

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

Since the outbreak of the pandemic, the majority of staff have been working from home without any technical interruptions. Communications infrastructure and services have been further expanded to optimally support new forms of work, e.g. collaboration between on-site staff and staff working at home.

IT projects

Strengthening the resilience of the SNB's IT systems to cyberattacks continues to be a key priority. Among other things, an application system was set up to detect and prevent potentially fraudulent payments and the Computer Emergency Response Team was expanded into a 24/7 Cyber Defense Center in order to be able to react promptly to possible cyberattacks.

Together with SIX Group Ltd (SIX) and three Swiss network operators, the SNB has been piloting and rolling out the Secure Swiss Finance Network (SSFN) communication network to strengthen the financial system's resilience to cyber risks. This network enables participants to communicate securely in an environment that is protected and shielded from cyberthreats (cf. accountability report, chapter 4.2).

As part of ongoing efforts to digitalise business processes, some of the manual workflows involved in foreign exchange reserve management were automated. Furthermore, the acquisition, distribution and processing of financial market data were optimised with the introduction of a central financial market and reference data system.

3

Changes in bank bodies

The General Meeting of 30 April 2021 elected Romeo Lacher and Christoph Mäder to the Bank Council for the remainder of the 2020–2024 term of office. Furthermore, Romeo Lacher has served as Vice President of the Bank Council since 1 May 2021.

Bank Council

Monika Bütler will step down at the end of April 2022 due to the statutory limit on the maximum term of office. Ernst Stocker will also leave the Bank Council having served the maximum tenure.

Monika Bütler was elected to the Bank Council by the General Meeting of Shareholders in 2010. She was a longstanding member of the Compensation Committee and also served on the Risk Committee in the last three years of her period in office.

Ernst Stocker was elected to the Bank Council by the Federal Council, also in 2010. Throughout almost his entire term of office, he was a member of the Audit Committee, a body whose work has gained in importance and become increasingly complex in recent years.

The SNB thanks the departing members of the Bank Council for their strong commitment and valuable service to the bank.

On 8 September 2021, the Federal Council elected Cornelia Stamm Hurter, Vice President of the Cantonal Government and Head of the Department of Finance of the Canton of Schaffhausen, to serve for the remainder of the current term of office (1 May 2020 until 30 April 2024) with effect from 1 May 2022, as the successor to Ernst Stocker.

Monika Bütler's successor will be elected by the General Meeting of Shareholders.

On 30 April 2021, the General Meeting of Shareholders appointed KPMG Ltd as External Auditor for the 2021–2022 term of office, with Philipp Rickert as auditor in charge.

External Auditor

Fritz Zurbrügg announced his retirement with effect from 31 July 2022. He was appointed by the Federal Council as Member of the Governing Board in August 2012 and assumed the role of Head of Department III. Following his appointment as Vice Chairman of the Governing Board on 1 July 2015, he headed Department II. The SNB thanks Fritz Zurbrügg for his strong commitment to a stability-oriented monetary policy over ten extremely challenging years and for his outstanding service.

**Governing Board and
Enlarged Governing Board**

The Bank Council appointed Peter Thüring, Head of Information Technology, to the position of Director with effect from 1 September 2021 and Sophie Faber, Head of Risk Management, to the position of Director with effect from 1 January 2022.

Bank management

4

Business performance

4.1 ANNUAL RESULT

Summary

The Swiss National Bank reported a profit of CHF 26.3 billion for 2021 (2020: CHF 20.9 billion).

The profit on foreign currency positions amounted to CHF 25.7 billion. A valuation loss of CHF 0.1 billion was recorded on gold holdings. The profit on Swiss franc positions was CHF 1.1 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 8.7 billion. After taking into account the distribution reserve of CHF 90.9 billion, the net profit comes to CHF 108.5 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 agreement between the Federal Department of Finance and the SNB of 29 January 2021. 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 102.5 billion.

Valuation loss on gold holdings

At the end of 2021, the price of gold stood at CHF 53,548 per kilogram, 0.1% lower than at the end of 2020 (CHF 53,603). This gave rise to a valuation loss of CHF 0.1 billion on the unchanged holdings of 1,040 tonnes of gold (2020: valuation gain of CHF 6.6 billion).

Profit on foreign currency positions

The profit on foreign currency positions was CHF 25.7 billion (2020: CHF 13.3 billion). Interest and dividend income totalled CHF 7.0 billion and CHF 3.8 billion respectively. There was a divergence between bond and equity valuations. A price loss of CHF 16.1 billion was recorded on interest-bearing paper and instruments. Equity securities and instruments on the other hand registered a price gain of CHF 37.1 billion. Exchange rate-related losses totalled CHF 6.1 billion.

The profit on Swiss franc positions totalled CHF 1.1 billion (2020: CHF 1.3 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 totalled CHF 382.0 million (2020: 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. The SNB aims for a robust balance sheet with sufficient equity capital, to ensure that it can also absorb potentially high losses.</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 2021 annual result	<p>The allocation in a given year is determined on the basis of double the average nominal GDP growth rate over the previous five years. To ensure that sufficient allocations are made to the provisions for currency reserves even in periods of low nominal GDP growth, the minimum annual allocation is currently set at 10% of the provisions at the end of the previous year.</p> <p>Since nominal GDP growth over the last five years has averaged just 1.6%, the minimum allocation of 10% will be applied for the 2021 financial year. This corresponds to CHF 8.7 billion (2020: CHF 7.9 billion). As a result, the provisions for currency reserves will grow from CHF 87.0 billion to CHF 95.7 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
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
2021 ³	1.6 (2015–2019)	8 698.1	95 679.1

1 The average nominal GDP growth rate is based on the last five years for which definitive 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 2021, the distributable annual result amounts to CHF 17.6 billion. The net profit is CHF 108.5 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.
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>The existing agreement covers the profit distributions for the financial years 2020–2025. The profit distribution 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. This allows for an annual distribution of up to CHF 6 billion to the Confederation and the cantons.</p>
Distribution for 2021	The criteria for making the maximum distribution have been met for the 2021 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 90.9 billion. After offsetting against the annual result and the profit appropriation for 2021, the distribution reserve will amount to CHF 102.5 billion.

PROFIT DISTRIBUTION AND DISTRIBUTION RESERVE

In CHF millions

	2017	2018	2019	2020	2021 ²
Annual result	54 371.6	-14 934.0	48 851.7	20 869.6	26 300.0
- Allocation to provisions for currency reserves	-5 021.7	-5 423.4	-5 857.3	-7 907.4	-8 698.1
= Distributable annual result	49 349.9	-20 357.4	42 994.4	12 962.2	17 601.9
+ Distribution reserve before appropriation of profit ¹	20 000.0	67 348.4	44 989.5	83 982.4	90 943.1
= Net profit	69 349.9	46 991.0	87 983.9	96 944.6	108 545.0
- Payment of a dividend of 6%	-1.5	-1.5	-1.5	-1.5	-1.5
- Profit distribution to Confederation and cantons	-2 000.0	-2 000.0	-4 000.0	-6 000.0	-6 000.0
= Distribution reserve after appropriation of profit	67 348.4	44 989.5	83 982.4	90 943.1	102 543.5

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

	2017	2018	2019	2020	2021
Gold holdings	42 494	42 237	49 111	55 747	55 691
Foreign currency investments	790 125	763 728	794 015	910 001	966 202
Reserve position in the IMF	871	1 188	1 369	1 850	2 001
International payment instruments	4 496	4 441	4 381	4 364	11 912
Monetary assistance loans	210	260	276	908	908
Claims from US dollar repo transactions	–	–	–	8 842	2 147
Claims from Swiss franc repo transactions	–	–	6 529	550	3 216
Swiss franc securities	3 956	3 977	4 074	4 073	4 032
Secured loans	–	–	–	11 176	9 202
Tangible assets	396	435	450	438	437
Participations	157	151	135	134	136
Other assets	601	651	616	946	892
Total assets	843 306	817 069	860 956	999 028	1 056 776
Banknotes in circulation	81 639	82 239	84 450	89 014	90 685
Sight deposits of domestic banks	470 439	480 634	505 811	628 825	651 091
Liabilities towards the Confederation	14 755	15 613	23 481	13 755	12 617
Sight deposits of foreign banks and institutions	54 086	37 102	30 164	28 120	28 156
Other sight liabilities	34 399	41 479	31 997	32 161	35 298
Liabilities from Swiss franc repo transactions	–	–	–	–	–
SNB debt certificates	–	–	–	–	–
Other term liabilities	–	–	–	9 027	2 174
Foreign currency liabilities	45 934	34 812	13 315	9 573	20 889
Counterpart of SDRs allocated by the IMF	4 573	4 487	4 418	4 214	11 325
Other liabilities	315	472	238	388	292
Equity					
Provisions for currency reserves ¹	62 771	67 793	73 216	79 074	86 981
Share capital	25	25	25	25	25
Distribution reserve ¹	20 000	67 348	44 989	83 982	90 943
Annual result	54 372	–14 934	48 852	20 870	26 300
Total equity	137 168	120 232	167 083	183 951	204 249
Total liabilities	843 306	817 069	860 956	999 028	1 056 776

¹ Before appropriation of profit, cf. p. 174.