

22 October 2020

Initiative against war trade

The SNB's position

The Swiss popular initiative 'For a ban on financing war material manufacturers' (Initiative against war trade) was put to a national vote on 29 November 2020. The SNB opposed the initiative. This page provides background information and explains the rationale for the SNB's position.

1. The aim of the initiative

The proposal is to prohibit the old-age and survivors' insurance scheme (AHV), pension funds, foundations and also the SNB from holding securities issued by companies that derive more than 5% of their annual turnover from the production of war material. It would also be illegal to grant credit to such companies.

2. Why the SNB opposes the initiative

- The new constitutional requirement would create **legal uncertainty and major practical difficulties for the SNB, as a directly affected institution**. Given that there is no generally accepted definition of 'war material manufacturers', such a classification **would be complex and unclear**, particularly as the pertinent proportion of a company's turnover may be subject to change over time and may thus exceed or fall below the 5% threshold.
- Adoption of the initiative would **significantly restrict the SNB's investment options and the professional management of its equity investments**. The SNB would probably have to exclude more than 300 companies from its equity portfolio, which corresponds to roughly 11% of the portfolio's market value. This would considerably reduce diversification within the portfolio. As a result of this narrower distribution of

equity investments, the weighting of the remaining companies would rise substantially which would have a negative impact on the risk/return ratio, in that there would likely be a tendency towards higher risks.

- Adoption of the initiative would lead to **additional costs and added risks in asset management**. Since all stock index derivatives contain shares that would be prohibited, they would no longer be able to be used. These **index futures are important instruments for managing investment risk**. Without futures, higher **transaction costs or added risks** would be inevitable.
- The initiative **calls into question the SNB's independence in a key area of its remit, namely asset management**. The **Federal Constitution** explicitly grants the SNB **extensive independence** in fulfilling its mandate. This is to ensure that the SNB is able to perform its tasks independently of short-term political considerations and in the country's best interests.

3. What the SNB already does

- The SNB **already refrains entirely from investing in any firms that produce internationally condemned weapons** (anti-personnel mines, cluster munitions, and biological and chemical weapons, as well as nuclear weapons for countries that are not among the five nuclear-weapon states defined under the UN's Nuclear Non-Proliferation Treaty).
- The SNB generally **does not engage in any direct financing** of specific projects or products.