

Structure and organisation of the Swiss National Bank

1 Organisation

The Federal Constitution and the National Bank Law define the principal tasks of the National Bank as follows: to regulate the country's money circulation, to facilitate payment transactions and to pursue a monetary policy serving the interests of the country as a whole. The National Bank also acts as banker to the Confederation. The mandate in favour of the overall economy takes precedence over the profit objective.

Mandate

Unlike most foreign central banks, the Swiss National Bank is not a state-owned bank; it is an independent public-law institution in the form of a joint-stock company. All its shares are registered shares and are listed on the stock exchange. Shareholders' voting rights are restricted by statute to Swiss citizens, Swiss public-law corporations and legal entities whose main establishment is in Switzerland. Just under 60% of the shares are held by cantons and cantonal banks; the remainder are mostly owned by private persons. The Confederation does not hold any shares.

Structure

The National Bank is administered with the cooperation and under the supervision of the Confederation. The Governing Board, which consists of three members of equal status, is entrusted with the Bank's management. Each member is head of one of the three Departments. The Governing Board enjoys a high degree of independence in fulfilling its monetary policy mandate. The Governing Board and the Federal Council must consult each other before passing major monetary and economic policy decisions. The Bank Council, Bank Committee and Auditing Committee are responsible for the supervision of the National Bank's business activity.

Sphere of responsibility

For historical reasons the National Bank has two head offices: the legal domicile in Berne and the seat of the Governing Board in Zurich. Department I and Department III are in Zurich, Department II is in Berne. In addition to the two head offices, the National Bank has eight branch offices which ensure the supply and distribution of cash and follow economic developments in the regions. Cash transactions are, moreover, also performed by 18 (1995: 20) agencies, most of them at cantonal banks.

Bank offices

The National Bank's chief task is to pursue a monetary policy serving the interests of the country as a whole. Department I is responsible for the monetary policy concept. The Economic Division analyses the economic situation and developments and provides the basis for monetary policy decisions. After the Governing Board has passed its decisions, the Monetary Operations Division of Department III implements monetary policy by carrying out transactions in the financial markets.

Conduct of monetary policy

We exercise our mandate in the field of payment transactions in the following ways. On the one hand, we issue banknotes and put the coins minted by the Confederation into circulation; this is the responsibility of the Cash Division of Department II. The volume of banknotes and coins put into circulation depends on the requirements of the economy and on payment habits. On the other hand, we cooperate in the planning and processing of cashless payment transactions. We are concerned chiefly with interbank payments and maintaining the link between bank and post office payments. The tasks in the field of cashless payment transactions are performed by the General Processing and Informatics Division of Department III.

Payment transactions

Banker to the Confederation

Acting as banker to the Confederation is a function primarily performed by the Banking Division of Department II. This division deals with conceptual questions, carries out payments on behalf of the Confederation and participates in the floating of bonds. Department III primarily carries out money market and foreign exchange transactions and foreign payments on behalf of the Confederation.

2 Staff and resources

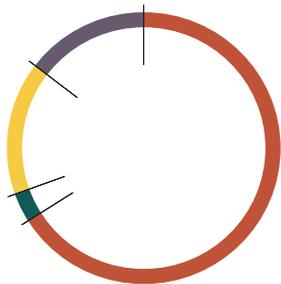
Number of staff and staff rotation

In terms of employed persons, the Swiss National Bank is one of the smallest central banks of western and central Europe. Compared to the previous year, the number of staff decreased slightly. At the end of 1996, a total of 603 (1995: 606) persons were in the Bank's employ, equivalent to 565.4 (1995: 574,1) full-time jobs. The proportion of part-time employees rose by 10% to 108 persons – i.e. 18% of total staff – compared to 1995. Most part-time employees are female (81%); women account for 10% of total senior staff. We are striving to achieve a better proportion by promoting part-time employment in demanding positions. In the operational sectors of the Bank we encouraged staff rotation. This led to increased flexibility in the allocation of staff, but also to higher demands on individual employees.

Staff training, staff policy and salary policy

Staff training is a high priority. In our new training concept adopted in 1996 we shifted the emphasis increasingly in favour of practical, preferably on-the-job, training. Training costs totalled Sfr 1.1 million. 8.5% of these were attributable to management training, 57.8% to specialist and language training and personality development and 33.7% to computer courses. In autumn 1996, the Governing Board and the Bank Committee introduced new conditions of employment and a new salary scale, thus creating the legal framework for flexibility in employment contracts. New working time models and a more performance-related and market-oriented salary policy are designed to ensure that we remain an attractive employer.

Developments in informatics



Personnel in percent

- Full-time, men 66
- Part-time, men 3
- Full-time, women 16
- Part-time, women 15

End of the year

Our efforts in the field of informatics in 1996 concentrated mainly on the strategic new orientation to the client-server concept. As a first step towards the overall renewal of banking applications, a new IT architecture was defined. New solutions for accounting and logistics were evaluated. In the field of statistical applications we have begun with the implementation of a new application for administering and evaluating primary statistical data. Work is in progress for improving network security, and the availability of the overall system in the event of an emergency was improved.

In the Cash Division we introduced a quality management system in keeping with the ISO 9001 Norm. With this system we wish to ensure the high quality of all our products and services. The first phase was successfully brought to a close with the certification in December 1996.

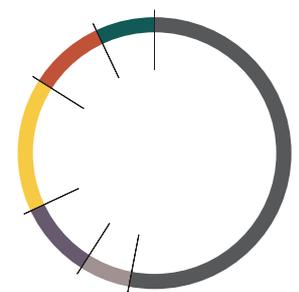
For many years a number of our Zurich offices have been located in four parts of a building complex in the immediate neighbourhood of our main premises. Two of these properties have been in the ownership of the National Bank for a considerable time; sections of the other two buildings were rented by us. We were able to purchase these two blocks per 1 January 1996 and 1 January 1997 respectively. In return, we sold the premises of the 'Hotel Bellerive' as per 1 January 1997.

The bulk of the National Bank's entire operating costs is caused by cash transactions. These include the cost of producing banknotes and costs arising from banknote and coin circulation and numismatics. The costs in connection with the cashless payment system concern the services of the National Bank in interbank payment transactions, the linking of bank and post office payments as well as services in the field of payment transactions on behalf of other central banks and international organisations. The costs relating to foreign exchange, money market, securities and Lombard business and to the administration of financial investments and gold holdings are grouped together under the heading lending business. The cost unit monetary policy reflects the costs involved in planning and formulating monetary policy and for compiling statistics. The item services on behalf of the Confederation includes the costs of all services on behalf of the Federal Government and its agencies. The costs for services on behalf of third parties comprise mainly the Bank's contribution to the Gerzensee Study Centre, the costs for international cooperation, notably with the IMF, and technical assistance to foreign central banks.

Quality management in the Cash Division

Changes in property ownership

Cost structure



Cost units in percent

- Cash transactions 53
- Cashless payment transactions 6
- Asset management 9
- Monetary policy 16
- Services for the Confederation 9
- Services for third parties 7

3 Changes in the supervisory authorities and bank management

Bank Council

At the Annual General Meeting of Shareholders held on 19 April 1996 the following new member was elected to the Bank Council:

Georges Blum, Basle, Chairman of the Board of Directors of Swiss Bank Corporation.

After the Annual General Meeting the Federal Council further elected

Robert Studer, Schönenberg, Chairman of the Board of Directors of Union Bank of Switzerland to the Bank Council.

On the day of the Ordinary General Meeting of Shareholders on 18 April 1997 the following members of the Bank Council retire:

Fred-Henri Firmenich, Genthod, Chairman of the Board of Firmenich SA

Hans Huber, Heerbrugg, Chairman of the Board and Managing Director of SFS Holding AG

The Swiss National Bank thanks the retiring members for their valuable services on behalf of the note-issuing institution.

Of the two vacancies one is to be filled by the Annual General Meeting and one by the Federal Council.

The Bank Council proposes to the Annual General Meeting that the following new member be elected:

Alexandre Swoboda, Geneva, Professor at The Graduate Institute of International Studies and Director of the International Center for Monetary and Banking Studies (ICMB)

Local Committees

As per the date of the Annual General Meeting, 19 April 1996, the following committee members resigned their positions:

Peter Wagner, Basle, Chairman of the Local Committee Basle since 1994 (member since 1990),

Gérard Fatio, Geneva, Chairman of the Local Committee Geneva since 1992

(member since 1988), and

Kurt Babst, Willisau, Chairman of the Local Committee Lucerne since 1994

(member since 1988).

The Swiss National Bank thanks the three gentlemen for their services on behalf of the Bank.

The Bank Committee and the Bank Council made the following appointments:

Basle

Peter Grogg, Bubendorf, Chairman,

Klaus Endress, Reinach, Managing Director of Endress + Hauser (International) Holding AG, Deputy Chairman,

Raymond R. Cron, Basle, Director of Preiswerk & Cie AG, Member.

Geneva

Alain Peyrot, Vézenaz, Chairman,

Claude Hauser, Versoix, Deputy Chairman,

Jean-Claude Rinolfi, Givrins, Chairman of the Board of Directors of Printelec SA, Member.

Lucerne

Gerry Leumann, Meggen, Chairman,

Hans-H. Gasser, Lungern, Deputy Chairman,

Hans-Rudolf Schurter, Lucerne, Chairman of the Board and Managing Director of Schurter Holding AG, Member.

At the Annual General Meeting of Shareholders held on 19 April 1996

Kaspar Hofmann, certified auditor, Adliswil, partner to ATAG Ernst & Young AG,

was elected to the Auditing Committee as successor of Hans Casanova, Rhäzüns.

Francis Sauvain, Morges, is not offering himself for reelection for reasons of age.

We thank him most sincerely for his seven-year activity in the Auditing Committee.

Auditing Committee

With effect from 1 May 1996 the Federal Council appointed

Chairman of the Governing Board:

Hans Meyer, formerly Vice-Chairman and Head of Department II.

New Member and Vice-Chairman of the Governing Board:

Jean-Pierre Roth, formerly Deputy Head of Department III.

New Member of the Governing Board:

Bruno Gehrig, formerly Professor at the University of St Gallen for business administration, economics, law and social sciences and Director of the Swiss Institute of Banking and Finance.

Governing Board

Following a proposal of the Bank Council, the Federal Council appointed

Erich Spörndli, formerly responsible for the Economic Studies Section in Department I,

as Deputy Head of Department III with effect from 1 January 1997.

Erich Spörndli assumed responsibility for the Monetary Operations Division, which, in the interim period since the election of Jean-Pierre Roth as Vice-Chairman of the Governing Board, had rested with Christian Vital, Deputy Head of Department III and responsible for the General Processing and Informatics Division.

Management

At the end of July 1996 René Kästli, Director of the St Gallen branch, left the

Swiss National Bank to take up a new activity in the private sector. We wish

to express our sincere thanks to him for his long and valuable services.

Following a proposal of the Bank Council, the Federal Council appointed

Jean-Pierre Jetzer, formerly head of the economic service in the Finance

Department of the Canton of St Gallen as his successor.