

Structure and organisation of the National Bank

1 Organisation

Unlike most foreign central banks, the Swiss National Bank is not a government-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 54% 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.

Responsibilities

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. To ensure the distribution of currency and to follow economic developments in the regions, the National Bank - until the end of 1999 - had six branch offices in addition to the two head offices. Currency transactions, moreover, were also carried out by 16 agencies at cantonal banks after the Delémont agency was closed in mid-1999 at the request of the cantonal bank of the canton of Jura.

Bank offices

As a result of a new cash distribution concept the National Bank centralised banknote processing at four locations: in Zurich, Berne, Geneva, and Lugano. Cash distribution services in the Basel, Lausanne, Lucerne and St Gallen branch offices were suspended at the end of 1999. These branch offices continue to monitor economic developments in those regions. The decentralised network of agencies for accepting and distributing banknotes and coins was expanded: at the beginning of 2000, the cantonal banks in Basel and Lucerne opened an agency in each city.

Reorganisation of the branch offices as a result of the new cash distribution concept

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.

Monetary policy

The National Bank exercises its mandate in the field of payment transactions in the following ways. On the one hand, it issues banknotes and puts the coins minted by the Confederation into circulation: this is the responsibility of the Cash Division of Department II. On the other hand, it cooperates in the planning and processing of cashless payment transactions. Conceptual and technical questions in the field of cashless payment transactions are dealt with by Department III. Cashless payment transactions with the banks are processed by Department III, those with the Confederation by Department II.

Issuing banknotes and payment transactions

Bank of the Confederation

Acting as the bank of the Confederation is a function primarily performed by the Banking Division of Department II. This division maintains the accounts, carries out domestic and foreign payments on behalf of the Confederation and participates in the floating of bonds and holds the Confederation's securities in safe custody. Department III carries out money market and foreign exchange transactions on behalf of the Confederation.

2 Staff and resources

Number of staff and turnover

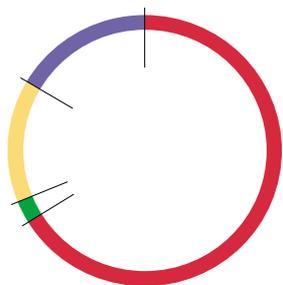
With the number of staff totalling 600, the National Bank was one of Europe's smallest central banks at the end of 1999. The number of employees decreased by 10 persons as against last year's figure. This is equivalent to 560.7 full-time jobs, compared to 567.4 full-time jobs the year before. As a result of the reorganisation of cash distribution and a tight labour market, fluctuation (including retirements) increased by more than half to 13% year-on-year.

Decrease in staff as a result of the new cash distribution concept

For the 71 staff members in the branch offices who were directly affected by the new cash distribution concept, individual solutions could be found: 40 persons started a new position within the National Bank, 14 took early retirement, and 17 took on a new challenge outside of the National Bank. The internal transfers were facilitated by 26 early retirements at the two head offices in Zurich and Berne and the Geneva branch office. No layoffs were necessary.

Extensive staff training

Training and continued education for the Bank's staff were again given high priority in 1999. The National Bank invested Sfr 1.1 million for this purpose. Management training accounted for 12% of the cost, 45% was expended on specialist and language training and personality development, and 43% on computer courses.



Personnel Number of employees

Full-time, men 397

Part-time, men 16

Full-time, women 88

Part-time, women 99

Total: 600.
End 1999

In the field of information technology, the National Bank continued its efforts towards a strategic new orientation to the systems and applications architecture according to the client-server concept. In particular, automatic processing of repo transactions (partial levels Repo Full, Repo SWX, and Repo International) as components of the new standard package for banking transactions processing were put into operation. The new solution represents an overall integration of the external systems comprising the stock exchange (SWX), SIS SegInterSettle and Swiss Interbank Clearing (SIC), with the corresponding internal applications. Furthermore, a new application for the administration of primary statistical data, e.g. in banking statistics, was taken into service. The installation of the new data communications network and the migration of PCs to the Windows NT operating system were completed. Both of these projects had a significant impact on making the National Bank's IT systems more stable.

During 1999, the Swiss National Bank tested all its IT applications, interbank connections and infrastructure equipment for their Y2K compliance. In addition to these efforts, it also participated in an interbank test for the whole of Switzerland in May. All systems engaged in cross-systems transaction processing, i.e. the Electronic Stock Exchange (SWX), securities clearing (SIS), and Swiss Interbank Clearing (SIC) were tested. No problems were detected. In spite of this positive outcome, the National Bank drew up a comprehensive range of organisational measures as well as contingency plans for the changeover period. It also increased the banknote supply in order to meet any additional demand. Thanks to the careful preparations, the transition to the year 2000 went smoothly.

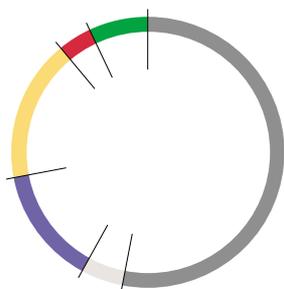
The third comprehensive environmental performance evaluation (for the year 1998) revealed that we now have a reliable data base at our disposal which allows us to judge the National Bank's impact on the environment. The replacement of regular paper with recycled paper has been stepped up quite significantly, and the amount of waste has decreased steadily. Stronger measures in the area of energy conservation are necessary, however, if we are to reach the targets set in the 1997 ecological charter, i.e. a 10% reduction of both electricity and heat consumption by the year 2002. In addition, the National Bank has launched a life cycle assessment (LCA) project for Swiss banknotes to determine their impact on the environment. This assessment comprises the analysis of the flow of materials and energy of all processes – ranging from the production stage to storage, processing, transportation and waste disposal.

In connection with the closing of the branch offices in Aarau and Neuchâtel (cf. 91st Annual Report, page 63), the bank buildings in those cities became vacant and ready for another use in the first quarter of 1999. Since the National Bank does not maintain real estate for investment purposes, the properties in question were sold. In the branch offices in Basel, Lausanne, Lucerne and St Gallen, which suspended cash distribution services at the end of 1999 (cf. p. 65), the premises formerly occupied by the National Bank also became available for new and different purposes. The National Bank, therefore, decided to house its branch offices at these locations in rented facilities and to dispose of its own properties. Negotiations to sell the bank buildings in Basel, Lausanne, Lucerne and St Gallen were successfully completed at the end of 1999. In Geneva, where the cash volume processed will be significantly higher in

future, the National Bank purchased a building adjacent to its branch office and was thus able to secure extra space for future use and to improve security. At the Zurich head office, a comprehensive renovation of the buildings located at Stadthausquai was initiated.

The bulk of the National Bank's entire operating costs is incurred by currency transactions. These include the costs 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 and in the linking of bank and postal service 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 asset management. 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 International Monetary Fund, and technical assistance to foreign central banks.

Cost structure



Cost units in percent

Cash transactions	53
Cashless payment transactions	5
Asset management	14
Monetary policy	17
Services for the Confederation	4
Services for third parties	7

3 Changes in the supervisory authorities and staff

On 17 February 1999 the Federal Council made the following appointments:

Bank Council

Eduard Belser, Bottmingen, Member of the cantonal government, formerly Vice-President of the Bank Council, as President, and

Philippe Pidoux, Lausanne, National Councillor, formerly member of the Bank Committee, as Vice-President

Both gentlemen took office after the Annual General Meeting.

At the Annual General Meeting of Shareholders held on 23 April 1999 the following new members were elected to the Bank Council:

Brigitta M. Gadiant, Chur, National Councillor, partner in a consulting firm for legal, organisational and strategy issues,

Jean Guinand, Neuchâtel, Member of the cantonal government and head of the finance and welfare department of the canton of Neuchâtel,

Rudolf Imhof, Laufen, National Councillor and director of Ricola Ltd,

Hansheiri Inderkum, Altdorf, Councillor of State, Attorney-at-law,

Armin Jans, Zug, National Councillor, lecturer in economics at the University of Applied Sciences, Winterthur,

Ruth Lüthi, Fribourg, Member of the cantonal government and head of the health and social welfare department of the canton of Fribourg.

The following members were re-elected to the Bank Council:

Fritz Blaser, Reinach, Chairman of Schweizerischer Arbeitgeberverband (Swiss employers' association),

Peter Everts, Zollikofen, Chairman of the Board of Migros-Genossenschaftsbund

Hugo Fasel, St Ursen, National Councillor, Chairman of Christlichnationaler Gewerkschaftsbund der Schweiz (Christian trade union federation)

Trix Heberlein, Zumikon, President of the National Council, Attorney-at-law

Jean-Philippe Maitre, Vévenaz, National Councillor, Attorney-at-law,

Franz Marty, Goldau, Member of the cantonal government and head of the department of finance of the canton of Schwyz,

Peter Spälti, Hettlingen, Chairman of the Board of "Winterthur" Swiss Insurance Company,

Alexandre Swoboda, Geneva, Professor at The Graduate Institute of International Studies (on leave), Senior Policy Advisor and Resident Scholar, International Monetary Fund, Washington,

Elisabeth Zölch-Balmer, Berne, Member of the cantonal government and director of the economics department of the canton of Berne.

After the Annual General Meeting, the Federal Council completed the body by electing the following persons:

Kurt Amsler, Neuhausen, President of the Verband Schweizerischer Kantonalbanken (association of Swiss cantonal banks),

Peter Galliker, Altshofen, entrepreneur, President of the Luzerner Kantonalbank,

Marion Gétaz, Cully, President of the Lausanne Hotel Business School,
Marianne Kleiner-Schläpfer, Herisau, Member of the cantonal government and head of the
department of finance of the canton of Appenzell Ausserrhoden,
Luigi Pedrazzini, Locarno Solduno, Member of the cantonal government and head of the
department of justice and police of the canton of Ticino,
Fulvio Pelli, Lugano, National Councillor, Attorney-at-law and notary,
Rolf Ritschard, Luterbach, Member of the cantonal government and head of the department
of the interior of the canton of Solothurn
Christian Seiler, Sitten, Attorney-at-law, Managing Director of Seiler Hotels Zermatt AG,
Alberto Togni, Küsnacht, Vice President of the Board of Directors of UBS AG.

The Federal Council re-elected the following persons:

Henri André, Paudex, Chairman of the Board of André & Cie AG,
Käthi Bangerter, Aarberg, National Councillor, Chairwoman of the Board and Managing
Director of Bangerter-Microtechnik AG,
Jörg Baumann, Langenthal, Chairman of the Board of Création Baumann, Weavers and
Dyers Ltd,
Pierre Darier, Cologny, partner of Darier, Hentsch & Cie, Banquiers Privés,
Melchior Ehrler, Riniken, National Councillor and Director of Schweizerischer Bauernverband
(Swiss farmers' association),
Laurent Favarger, Develier, Director of Four électrique Delémont SA,
Serge Gaillard, Bolligen, Executive Secretary of the Swiss federation of trade unions,
Rudolf Hauser, Zurich, Managing Director of Bucher Holding AG,
Yvette Jaggi, Lausanne, President of The Arts Council of Switzerland Pro Helvetia,
Andres F. Leuenberger, Riehen, Vice-Chairman of the Board of F. Hoffmann-La Roche Ltd,
Chairman of the Swiss federation of commerce and industry (Vorort)
Vasco Pedrina, Zurich, Central president of the trade union for construction and industry,
Vice-Chairman of the Swiss federation of trade unions,
Heinz Pletscher, Löhningen, Building contractor, Chairman of the Swiss contractors'
association,
Judith Stamm, Lucerne, National Councillor,
Ulrich Zimmerli, Gümligen, Councillor of State and Professor of law at the University of Berne.

Peter Spälti, Hettlingen, Chairman of the Board of "Winterthur" Swiss Insurance Company,
retires on the day of the Annual General Meeting, 28 April 2000.

The National Bank thanks Peter Spälti for his valuable services.

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

Hansjörg Frei, Mönchaltorf, Member of the Corporate Executive Board of "Winterthur" Swiss
Insurance Company.

The Bank Council delegated the following members to the Bank Committee
(with effect from 11 June 1999):

Bank Committee

Trix Heberlein, Zumikon, as successor of Jakob Schönenberger,
Jean-Philippe Maitre, Vézenaz, as successor of François Jeanneret,
Franz Marty, Goldau, as successor of Gianfranco Cotti.

As per the date of the Annual General Meeting, 23 April 1999, the following
committee members resigned their positions:

Local Committees

Alain Peyrot, Vézenaz, Chairman of the Local Committee of Geneva since 1996
(Member since 1991),
Christian Seiler, Sitten, Chairman of the Local Committee of Lausanne since 1990
(Member since 1988),
Flavio Riva, Montagnola, Chairman of the Local Committee of Lugano since 1994
(Member since 1991),
Gerry Leumann, Meggen, Chairman of the Local Committee since 1996 (Member since 1991).

The Bank Council made the following appointments:

Geneva

Charles Seydoux, Choulex, Director of Seydoux-DMB SA.

Lausanne

Gérard Beytrison, Conthey, Managing Director of Orgamol SA.

Lucerne

Ruth Pedrazzetti-Weibel, Lucerne, hotel manager, Hotel Continental-Park, President of the
Hotelierverein der Stadt Luzern (Lucerne Hotel Managers' Association).

Lugano

Olimpio Pini, Sorengo, Director of the civil engineering firm Pini & Associati

The Bank Committee made its appointments for the chairmanship and
vice-chairmanship of the different Local Committees according to seniority.

Auditing Committee

At the Annual General Meeting of Shareholders held on 23 April 1999
Kaspar Hofmann, Adliswil, Certified Auditor, Hofmann Wirtschaftsprüfung AG, and
Hans Michel, Egnach, were elected as members
Maryann Rohner, Zurich, Certified Auditor, formerly substitute member of the Auditing
Committee, was elected as member and successor of Peter Blaser, Hünibach, and
Josef Blöchlinger, Begnins, Certified Auditor, Refidar Société Fiduciaire,
Jean-Claude Grangier, Epalinges, Vice President of the Executive Board of Banque Cantonale
Vaudoise, and
Werner M. Schumacher, Binningen, Director of Banque Jenni et Cie SA, were elected as
substitute members of the Auditing Committee.

The Bank Council proposes to the General Meeting of Shareholders of 28 April 2000
that the current members and substitute members of the Auditing Committee be
re-elected.

Management

With effect from 1 August 1999, the Bank Committee approved the following
promotion:
Thomas Jordan (Head of Economic Research) to Assistant Director.

Effective 1 November 1999, the Bank Committee appointed
Benjamin Künzli (Head of Personnel Training) to Assistant Director.

The Bank Committee approved the following promotions with effect from
1 January 2000:
Werner Hermann (Head of the International Monetary Relations Section) to Director,
Karl Hug (Head of the Money Market and Foreign Exchange Section) to Director,
Michel Peytrignet (Head of the Economic Studies Section) to Director,
Werner Abegg (Head of Press Relations) to Deputy Director,
Thomas Stucki (Head of the Investment Section) to Deputy Director,
Mauro Picchi (Head of Monetary Statistics) to Assistant Director,
Umberto Schwarz (Head of the European Monetary Integration Unit) to Assistant Director.

In memory of Walter Wasserfallen

After a long and serious illness,

Walter Wasserfallen

passed away on 1 March 1999. He managed the Gerzensee Study Centre with great success since 1988 and was instrumental in its development. His legacy will be felt for a long time to come. It was with unflagging enthusiasm that he worked on improving the quality of the teaching and research activities at the Study Centre.

Thanks to his efforts, the Study Centre acquired an excellent international reputation. The National Bank is most grateful for his accomplishments.

Walter Wasserfallen's successor is Philippe Bacchetta.