

Communications

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Swiss National Bank adjusts composition of currency reserves

The Swiss National Bank is adjusting the composition of its currency reserves. Before the end of September 2009 it will sell 250 tonnes of gold and increase its foreign exchange reserves by a corresponding amount. The overall level of currency reserves will remain unchanged.

The gold sales fall within the bounds set by the second Gold Agreement of 8 March 2004, in which the central banks of the Eurosystem, plus the Sveriges Riksbank and the Swiss National Bank, agreed to limit their gold sales over a period of five years, beginning on 28 September 2004. The Gold Agreement specifies that annual sales by all signatories may not exceed 500 tonnes and that the total sales volume over this period shall not amount to more than 2,500 tonnes. For the gold sales it was planning, the SNB was allocated a quota not claimed by other central banks that were party to the agreement of 2004. The SNB has chosen an approach for its gold sales that will avoid market unrest, with regular sales transactions.

The Swiss National Bank holds currency reserves in the form of foreign currency and gold, thereby ensuring that it has room for manoeuvre in its monetary policy at all times. As a result of the sharp rise in the price of gold, the proportion of the currency reserves held as gold has increased by about a quarter since mid 2005, from 33% to the current level of 42%. The purpose of the SNB's gold sales is to rebalance the composition of currency reserves with respect to its monetary policy requirements. Moreover, by reducing its gold reserves and increasing its foreign exchange reserves, the overall risk on SNB assets will decline. Once the sales have been completed, the Swiss National Bank's gold holdings will amount to some 1,040 tonnes.