

End-of-year Media News Conference, Zurich, 10 December 1999

Introductory Remarks by Jean-Pierre Roth, Vice-Chairman of the Governing Board of the Swiss National Bank

In the course of the past twelve months significant changes have taken place in the domain of banknotes and the provision of currency.

In autumn 1998 the old "Borromini" 100 franc banknote was replaced by the new "Giacometti" banknote. This was the last banknote of the new series to be put into circulation. In retrospect, the introduction of the new series proceeded without a hitch: currently 80% of banknotes in circulation are accounted for by the new series; in each case, 50%-60% of the banknotes were replaced within three months from the time the exchange began. The new banknotes were well received by the public, in particular the 200 franc banknote, which - in terms of value - already occupies a position similar to that of the old 500 franc banknote. The success of the new banknotes is not merely ascribable to the close cooperation between the National Bank, the commercial banks and the manufacturers of ATMs and vending machines, but also to the adaptability of the public, which rapidly accepted the personalities depicted on the banknotes.

In technological respects, Switzerland with its new banknotes is leading among the industrialised countries. The banknotes are well equipped to meet the challenges posed by modern reproduction techniques: copies are easily identified and can be detected quickly. The characteristic identifying features of the banknotes make life even more difficult for counterfeiters than the preceding series. By international standards, Swiss banknotes are considered to be among the safest.

Since modern reproduction techniques are constantly being improved, the head start in the fight against counterfeiting can only be maintained if the public pays careful attention to the security features on the banknotes. A brief glance at the kinegram, the glittering number and the coloured number will allow a counterfeit banknote to be quickly identified. In order to make it even easier for the public to check the banknotes, we have introduced a perforated number on the 100, 200 and 1000 franc banknotes. When the banknote is held up to the light, the face value is seen as a perforated surface. In due course, this new security feature will also be used on all other denominations.

Last September we issued the final recall of the last but one series of banknotes, the series with the portraits of Gottfried Keller and Henri Dufour. At the time of the recall there were still banknotes of this series to the value of Sfr 260 million in circulation. To date, the return flow has been modest. I should like to point out once more that these outdated banknotes will be valueless after 1 May 2000 and that according to Article 24 of the National Bank Law their countervalue will be remitted to the Swiss fund for aid in case of uninsurable damage by the forces of nature. In 1978, when the previous series (the Hodler series) was recalled, an amount of Sfr 39 million was transferred to this fund. At the moment we are not yet anywhere near this figure. We should therefore like to encourage the public to check their safes and piggy banks for long-forgotten old banknotes and to have these exchanged before the deadline expires.

In the past twelve months we have also brought the distribution of currency in our country in line with modern requirements. In 1998, the Swiss National Bank still maintained a presence throughout the country in the form of cash counters at its two head offices, eight branch offices and 18 agencies at cantonal banks. The changes in the banking sector and the increasingly professional money transport services have convinced us of the need to streamline our network of cash counters. Since the beginning of the year, the activities of our branch offices in Neuchâtel and Aarau have been transferred to our head offices in Berne and Zurich respectively. As from the start of next year, the branch offices in Basel, Lausanne, Lucerne and St Gallen will no longer provide cash distribution services. Only the Geneva and Lugano branches and the head offices in Berne and Zurich will maintain their cash distribution services in their present form. We will, however, continue to have the full support of our network of agencies at the cantonal banks.

The closure of our cash counters in six locations should not be interpreted as a centralisation reflex of the National Bank. In Basel and Lucerne, the cantonal banks have agreed to provide the cash counter services formerly performed by the National Bank. Moreover, our representatives will continue to be present in the various regions and to devote themselves even more intensively than in the past to following economic developments and maintaining contacts with the business community and political circles. The streamlining of our cash counter network will therefore not weaken our regional presence.

The structural changes referred to have, of course, also had a certain impact on the head count. Of the 71 staff members affected by the restructuring, 40 were taken over by other SNB offices, 14 took early retirement, and 17 left the SNB of their own volition. The reintegration of persons transferred within the Bank was facilitated by the early retirement of 26 staff members in Zurich, Berne and Geneva. A suitable solution was thus found for every staff member concerned. The bank buildings of the branches that were closed have all been sold or are about to be sold.

At the beginning of the new year, the National Bank will thus be better equipped to deal with the challenges posed by modern payment transactions; at the same time, it will be closer to the pulse of regional economic developments.

In the past twelve months, numerous developments - some of them spectacular - have also been seen in another area, namely gold.

The process of the demonetisation of gold is well under way in Switzerland. Last April both the Swiss people and the cantons adopted the total revision of the Federal Constitution. This will release the National Bank (as from 1.1.2000) from the obligation of providing partial gold cover for banknote circulation. This marks the end of a regulation dating from the time of the gold standard which had lost its practical significance after the breakdown of the Bretton Woods system. In our day and age it is no longer the gold cover that secures public confidence in a currency, but rather the ability of the central bank to ensure price stability.

Furthermore, the Coinage Law, which fixes the gold parity of the Swiss franc, is soon due to be replaced by the new Federal law on currency and payment instruments. Under this new law, the Swiss franc will no longer be linked to gold. If the law is passed by parliament before Christmas - and we hope this deadline will be met - the severance of the Swiss franc from gold could enter into force next spring, when the three-month referendum deadline expires. From that time onwards, the National Bank will value gold at the market price and become active on the market, free from the shackles of legal regulations. It will be possible for us

gradually to convert a part of our gold holdings into financial assets. This will apply to that part of our gold stock which may be set aside for other purposes than monetary aims (1,300 tonnes of the total holdings of 2,600 tonnes). It will be for the Swiss people to decide, when the time comes, to what use the proceeds of these gold sales are to be put.

We cannot, as yet, name the exact time when gold sales are to begin, nor the specific form they will take. As you know, we shall effect our gold sales within the framework of the gold agreement which was concluded between the European central banks (the European Central Bank, the 11 central banks of the euro zone, the Bank of England, the Bank of Sweden and the Swiss National Bank) and which is, moreover, supported by the US Federal Reserve Bank and the Bank of Japan. These banks jointly hold 85% of the official gold reserves. The participating central banks undertake to limit their gold sales to 2,000 tonnes during the next five years. This figure includes the planned gold sales of the SNB totalling 1,300 tonnes. With the gold agreement the central banks have given the market a clear indication of their medium-term plans with respect to gold. The amount of gold which they intend to sell in the next five years (400 tonnes per year) is less than two-thirds of the total sales by the official sector during the past five years. We are thus confident that the sales provided for in the agreement will not depress the gold price.