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**A robust institutional framework as the foundation for success**  
116th Ordinary General Meeting of Shareholders  
of the Swiss National Bank

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Swiss National Bank

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Dear Shareholders

Ladies and Gentlemen

Esteemed Guests

Today I would like to talk about a subject that is particularly close to my heart as President of the Bank Council: the conditions that enable the SNB to perform its tasks effectively. The SNB's mandate is to ensure price stability while taking due account of economic developments. Price stability is central to the functioning of the economy and to overall prosperity. It is therefore crucial for Switzerland that the SNB fulfil its statutory mandate. The SNB must also be accountable in this. Looking back at the recent past, we can see that the SNB has done an excellent job in fulfilling its mandate. Virtually no other country has managed to maintain price stability as well as Switzerland – an achievement that is both admired and envied abroad. Despite adverse conditions, economic development has been solid and financial stability has been maintained, a situation to which the SNB made a significant contribution.

Only a very well-run institution can deliver good results over such a long period characterised by so many serious crises.

### **The SNB's model for success**

The basis for the SNB's successful fulfilment of its mandate is the institutional framework within which it operates. This framework is comprised of its independence and its narrowly defined statutory mandate. Both are fundamental conditions for the optimal maintenance of price stability.

The legislator granted the SNB independence from political influence and special interests so that it can also make difficult and unpopular decisions if necessary. Without this independence, monetary policy would become a pawn in the hands of political interests and the focus on price stability would be lost. This would have serious consequences for growth and prosperity. In return for its independence, the SNB has a duty of accountability towards the Federal Assembly and the public. Its recently published accountability report sets out in detail how it fulfilled its mandate last year.

The second condition – the narrowness of the SNB's mandate – is also indispensable for its effective fulfilment. Expanding the mandate to include objectives other than price stability would waste resources and inevitably lead to conflicts of interest. The focus on price stability would become more difficult, if not impossible. Both principles – independence and the narrow mandate – are well established in Switzerland and have proved their worth.

The SNB's operational governance is geared towards the consistent implementation of these principles. And this is indeed how the legally prescribed division of roles between the Bank Council and the Governing Board is put into practice. The Governing Board is responsible for the SNB's monetary policy and its other statutory tasks, while the Bank Council is

responsible for overseeing how the SNB conducts its business. In this context, we on the Bank Council are also committed to ensuring that the SNB is well positioned as an organisation and attractive as an employer. As an expert organisation, the SNB depends on top specialists. Our staff's know-how is the basis upon which the Governing Board reaches its decisions and is thus essential for ensuring price stability. We need skilled and dedicated employees who are committed to fulfilling our mandate. Staff turnover is very low and interest in vacancies is consistently very high. This shows that the SNB is an extremely attractive employer.

### **Demands jeopardise stability**

Recently, however, there has been a growing number of calls for the SNB to change. These demands for change come from a wide variety of political and ideological directions, but they almost always take aim at the tried-and-trusted pillars of our institution. In some cases, potential changes to the SNB's governance are used as a pretext for undermining its independence and narrow mandate. In other cases, however, our independence and mandate are called into question directly. These demands – or should I say attacks? – range from careless frivolity to unvarnished special interests. Both are dangerous for our country. Let me be a bit more specific here.

There have been demands for the SNB's Governing Board to be expanded, as it is allegedly too small. Sometimes the reason given is a perceived lack of expertise or industry knowledge. Sometimes concerns about diversity are behind the demands. Whatever the justification, such claims harbour the risk that the Governing Board positions could be filled according to political or ideological criteria or on the basis of special interests. However, this would clearly contradict the SNB's constitutional mandate, according to which it is to pursue a monetary policy that serves the overall interests of the country, not those of individual groups or economic sectors. In some cases, these demands even go so far as to impact and question the National Bank Act (NBA) provision according to which only persons with an impeccable reputation and a recognised knowledge of monetary, banking and financial issues can be elected as members of the Governing Board. Ladies and gentlemen, proposing the right candidates for the Governing Board positions and deputy roles to the Federal Council is the Bank Council's most important task.

Even the phrase 'the overall interests of the country' is sometimes misused in an attempt to casually broaden the SNB's mandate. For example, depending on political or ideological orientation, it is argued that climate protection or securing old-age provision are likewise matters for the SNB, as these issues are also in the overall interests of the country. But the Federal Constitution is very clear on this: The SNB shall pursue a monetary policy that serves the overall interests of the country. It does not mention climate or social policy, important though both of these issues undoubtedly are.

Time and again, demands also tend to disregard the NBA or come at the expense of the SNB's robustness. During the crisis at Credit Suisse, for example, there were calls for the

SNB to save the bank at any price, or even take it over. Here too, however, the law explicitly states that the SNB may only provide liquidity to banks against sufficient collateral.

Here's another example: The call for distributions to be made to the Confederation and cantons even in years when the SNB reports a net loss overlooks the fact that profit generation and distributions to the Confederation and cantons are not among the SNB's tasks. The SNB's core task is to ensure price stability. Its balance sheet also serves this goal. Those demanding distributions at any price knowingly accept the possibility of a weakened SNB balance sheet. Disregarding the law and compromising the robustness of the SNB would jeopardise the stability and reputation of our institution and thus, ultimately, the fulfilment of our mandate. From my perspective, and that of the SNB, these kinds of demands make no sense.

At the SNB, we do not shy away from criticism. On the contrary, we engage with it. But recent critics must ask themselves whether they are trying to change something that doesn't need to be changed. Is this reform for reform's sake? The Swiss singer-songwriter Mani Matter once wrote (free translation from German): "It's like someone who decides to go on a journey – he doesn't know where he wants to go, but he knows one thing for sure: 'I'm taking the plane'." (Today he would probably have said train.)

Ladies and gentlemen, the SNB functions very well and it fulfils its mandate excellently, even in times of crisis. In many areas, it is one of the world's leading central banks.

Unbiased debate is welcome. However, critics should be aware of their responsibility. To me, seeking to weaken a central bank with such a strong track record by making irrelevant or politically motivated demands seems neither responsible nor productive. Indeed, I think to do so would be to play with fire; and, as we know from Mani Matter's song on the subject, matches (Zündhölzli) can cause all kinds of trouble...

It is also worth noting that although the critical voices I have mentioned are especially loud, they are rather small in number. Negative media commentary about the SNB's policies routinely stems from the same handful of individuals. It would be wrong to conclude that such commentary reflects public opinion. Large sections of the political community stand behind the SNB and know how valuable its contribution is. The high degree of trust that the SNB enjoys among the general population is also impressive.

## **Closing remarks**

So, ladies and gentlemen, how can we ensure that our institution remains efficient and successful in the future? By standing up for a proven and stable institutional framework. Having said this, and despite its strong performance in recent years, the SNB is not standing still, but rather is continuously analysing its own structures and processes and adapting these where necessary. For example, we recently increased the number of deputy members of the Governing Board.

I am pleased that so many politicians from all parties have made a clear commitment to the SNB's independence and existing mandate in recent months. I am also gratified that this

independence is genuinely exercised in Switzerland. Our population can depend on the SNB to fulfil its mandate reliably and thus protect their purchasing power.

It is this reliability and the SNB's unwavering pursuit of its mandate, ensuring price stability, that underpins the strong support for our institution in Switzerland. Ladies and gentlemen, let us not be misled by a few – albeit vocal – critics. Politicians and the public alike know that the SNB's work is too important for Switzerland's prosperity to be exposed to careless experimentation. Debate – including about the role of the central bank – is part of the democratic process. However, demands that restrict a central bank's independence or weaken its institutional framework by diluting its mandate or making ill-considered changes to its organisational structure jeopardise price stability and, ultimately, social cohesion in our country.

Ladies and gentlemen, the SNB is very well positioned to fulfil its mandate successfully in the future. This is in the interests of us all.

Thank you for your attention.