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1. Economic developments – a summary

1.1 International economic and monetary developments

In 1991 the international political situation was characterised by the war in the Persian Gulf and the disintegration of the Soviet Union. The Gulf War ended in February 1991 with the liberation of Kuwait. Expectations of a subsequent rapid economic recovery were not fulfilled. In the Soviet Union the moves towards independence by the individual republics gained the upper hand in the wake of the failed coup d'état by conservative forces in August 1991. The old Soviet Union was superseded by the Russian Federation and ten other successor states which united to form the Commonwealth of Independent States (CIS) in December 1991. The economic situation of the central and eastern European countries, which had been closely linked with the Soviet Union for many decades, deteriorated rapidly.

Gulf War and collapse of the Soviet Union as major political events

Economic expansion in the OECD countries declined from an average of 2.6% in 1990 to 1.1% in 1991. There were, however, marked differences from one country to another. The English-speaking countries slipped into a recession. A fall in real gross national product was recorded in 1991 in the United States (–0.5%), Canada (–1.1%) and the United Kingdom (–1.9%). The other major industrial countries were also affected by a slowdown in growth, while real gross national product still continued to rise. Only in Japan (+4.5%) and Germany (+3.2%), where there were signs of economic overheating, did the growth rate remain high.

Clearly divergent growth

The divergent growth trends led to massive changes in the current account balances of the major industrial countries. With exports rising and imports stagnating, the United States, for the first time in a decade, came close to exhibiting a balanced current account. This was, however, partly due to the financial contributions of the allied nations towards the cost of the Gulf War. Germany, which had shown uninterrupted current account surpluses since 1982, reported a deficit in the year following the integration of the five new Bundesländer. Japan's current account surplus doubled.

Massive changes in current account balances

In most industrial countries inflation declined somewhat. A significant fall in the inflation rate was recorded in countries suffering from recession. In Germany inflation accelerated, largely as a result of higher wage agreements in spring and a rise in indirect taxation in mid-year.

Slight decline in inflation

The weak state of the economy induced a number of central banks to relax their monetary policies. The monetary authorities of the United States cut the discount rate to 3.5%, the lowest level since 1964. When Japan, too, showed increased signs of an economic slowdown the Bank of Japan also began to ease its monetary policy. The German Bundesbank, on the other

Easing of monetary policy in the US and in Japan; tighter policy in Germany

hand, found itself impelled to tighten the monetary reins in view of the rising rate of inflation. This left the other European countries with little scope for interest rate reductions.

Hot-and-cold baths for the dollar

In February 1991 the US dollar hit a low – unprecedented against most European currencies – in the foreign exchange markets. After recovering steadily until mid-year, the US currency again came under pressure due to the continued weak state of the economy and the relaxed monetary conditions. The yen, benefiting from the soaring Japanese current account surpluses, proved to be the strongest currency.

Rising share prices; pressure on real estate prices

As oil prices fell and interest rates declined the share markets recovered. In the United States and in the United Kingdom share price indices achieved record levels. At the same time, pressure on real estate prices intensified even further. The crisis in the property market compelled the banks to make substantial write-downs and led them to exercise greater caution in their lending activities.

Increasing public-sector deficits

In 1991, public-sector deficits, which had contracted continuously for a number of years, increased again as in the previous year. This development largely reflects the loss of tax revenue due to a slackening of economic activity. To this was added, in the United States, the extraordinary expenditure in connection with the reorganisation of the thrift institutions and, in Germany, the cost of integrating the new Bundesländer. In order to keep the rise in public new debt within limits the German Federal Government increased various indirect taxes.

European economic and monetary union

The member states of the European Community passed an amendment to the Treaty of Rome in Maastricht at the beginning of December which paves the way for economic and monetary union. 1 January 1994 will mark the beginning of a transition period for creating the proper conditions for such an economic and monetary union. The transition to the end phase, which is to take place no later than in 1999, is tied to the fulfilment of certain convergence criteria.

Agreement on a European Economic Area

At the end of October, the European Community (EC) and the seven member countries of the European Free Trade Association (EFTA) provisionally terminated their negotiations on the creation of a European Economic Area (EEA). In December, the European Court of Justice delivered a negative opinion on the system of judicial control in the EEA Agreement. The EEA Agreement is thus left in abeyance. Several EFTA countries have declared it to be merely an intermediary stage on the way to EC membership.

1.2 Economic developments in Switzerland

Economic development in Switzerland in 1991 was characterised by a persistently high inflation rate and a pronounced weakening of business activity. After easing somewhat at the turn of the year, inflation accelerated again in the first half of 1991, reaching its peak in June and July at annual rates of 6.6%. In the subsequent months the inflation rate receded once more to a level of 5.2% in December. On an annual average, prices increased by 5.9%, compared to 5.4% in 1990. Domestic prices rose by an average of 6.8% while foreign goods were up by 3.2%.

Persistently high inflation

The Swiss economy slipped into a slight recession in 1991. For the first time since 1982 real gross domestic product (GDP) fell below the previous year's level. The decline amounted to 0.5%, following a distinct slowdown in growth already in the previous year. Private consumption, notably vigorous demand for services, boosted GDP. However, exports, and particularly equipment investment, which still had supported growth a year earlier, declined.

Declining economic activity

Most macroeconomic indicators deteriorated compared to the previous year. Industry, which had still operated near full capacity in 1990, reported a lower degree of capacity utilisation and a slight decline in output. Employment levels also declined and the jobless rate reached 1.7% by the end of the year. The number of job vacancies fell markedly.

Deteriorating cyclical indicators

The balance of payments on current account exhibited a (provisional) surplus of Sfr 12.8 billion in 1991, equivalent to an increase of Sfr 0.8 billion above the year-earlier level. This growth reflects the reduction in imports due to the declining rate of economic activity. The surplus in services and factor income remained largely unchanged.

Improved current account balance

2. Central bank policy and financial markets in Switzerland

2.1 Some features of Swiss National Bank policy

Monetary policy is aimed at stabilising the price level in the medium term. The economy is to be allowed sufficient leeway for real growth to keep up with potential production. The Swiss National Bank strives to limit the expansion of the money supply accordingly. At the same time, it tries to react appropriately to unexpected disruptions, such as excessive exchange rate fluctuations and structural changes in the economy's demand for liquidity. In order to bring the aim of price stability in line with the required short-term flexibility, it fixes a medium-term growth target for the seasonally-adjusted monetary base; moreover, it publishes quarterly forecasts for this aggregate.

Price stability as aim

In order to ensure that the Swiss economy can develop in an inflation-free environment the money supply – in particular the monetary base – must be expanded in step with the growth in production. Moreover, if the Swiss National Bank wishes to avoid the danger of triggering economic fluctuations it is important to expand the money supply as regularly as possible. In this way, the expectations of the economic subjects can be stabilised. It becomes clear to all involved that the Swiss National Bank is not willing to accommodate developments liable to jeopardise price stability by an excessive expansion of the monetary base.

Necessity of fixing monetary policy in the medium term

At the end of 1990, the Swiss National Bank for the first time fixed an average annual growth rate for the seasonally-adjusted monetary base covering a period of three to five years. Although it had previously oriented the expansion of the money supply to the medium term, it had in the past preferred to define the envisaged growth of the monetary base in terms of annual targets. However, it reserved the right to deviate from these annual targets under certain circumstances. Notably the revision of the banks' liquidity requirements and the introduction of the system Swiss Interbank Clearing (SIC) caused money supply expansion to deviate markedly from the announced annual rates. The uncertainties emanating from the international economic environment also made it difficult to set annual targets. For these reasons, the Swiss National Bank decided against announcing an annual target at the end of 1990.

Announcement of a medium-term money supply target

At the same time as announcing the medium-term money supply target, the Swiss National Bank reduced the envisaged average growth rate of the seasonally-adjusted monetary base from 2% to 1%. This reduction to 1% is due mainly to the strong decline in the proportion of the monetary base held as bank deposits at the Swiss National Bank; it fell from 25% in 1987 to 10% in 1991. These deposits, which are linked with the development of the

Reduction in the planned expansion of the money supply to 1%

banks' balance sheets, tend, like the latter, to grow disproportionately to gross national product. Their transactions velocity will thus decline in the longer term. This pattern of behaviour was temporarily distorted by the innovation-induced contraction of bank liquidity, but it is expected to become apparent again in the coming years. By contrast, due to innovations in payments transactions, bank note circulation tends to grow less markedly than gross national product, i.e. the velocity of circulation of bank notes accelerates in the long term. Since bank note circulation has gained in importance in relation to deposit liabilities of the central bank, the velocity of the monetary base is likely to increase a little more rapidly than before 1988. The Swiss National Bank has tried to take account of this development by lowering the medium-term money supply target to 1%.

Publication of quarterly forecasts for the monetary base

In order to improve the transparency of Swiss monetary policy, the Swiss National Bank has since 1991 regularly published quarterly forecasts of the seasonally-adjusted monetary base. These forecasts are not to be regarded as targets which the Swiss National Bank aims to achieve under any circumstances. The Swiss National Bank can, of course, exert a direct influence on the part of the monetary base that consists of its sight deposit liabilities. Bank note circulation, however, reacts with a time lag of several months to changes in monetary policy and can therefore, at least in the short term, not be regulated with any degree of precision.

Announcement of monetary policy for 1991

When the Swiss National Bank announced its medium-term target at the end of 1990, it also stated its intention of again expanding the seasonally-adjusted monetary base. This aggregate had contracted during the better part of 1990 because of the very restrictive course the Swiss National Bank was steering due to inflation and the continued weakness of the Swiss franc in the foreign exchange markets. In summer 1990 calm settled on the foreign exchange markets, and there was increasing evidence that the restrictive monetary policy was beginning to take effect. Consequently, the Swiss National Bank decided to bring the monetary base back on the expansion path, which should ensure an inflation-free development of the Swiss economy in the medium term. It expected the growth of the monetary base to temporarily exceed the medium-term target, which previously had been clearly undershot.

Renewed expansion of the monetary base

All in all, the monetary base, in 1991, developed in keeping with the intentions of the Swiss National Bank. Between the fourth quarter of 1990 and the fourth quarter of 1991 the seasonally-adjusted monetary base grew by 1.4%, after having declined by 2.6% in 1990. The other monetary aggregates also expanded. In the fourth quarter of 1991 the aggregates M_1 and M_3 exceeded the previous year's level by 0.6% (1990: -1.6%) and 3.3% (1990: 2.2%) respectively. At the same time, the rise in short-term interest rates

came to a standstill; notably in the first half of the year there was even some decline. Long-term interest rates showed a similar development. Overall, the level of interest rates remained high since inflation did not decline in keeping with expectations in 1991.

Like the macroeconomic forecasting institutions, the Swiss National Bank was confident that inflation would decline to around 4% by the end of 1991. In actual fact, it fell no lower than 5.2%. There are two reasons for this discrepancy. On the one hand, wages still rose vigorously at the end of 1990. Tight conditions in the labour market contributed to the wage drift. As the economic downturn was still in an early stage, the higher cost of labour could in most cases be passed on. Accordingly, the rise in consumer prices exceeded most forecasts, particularly at the beginning of 1991. On the other hand, the unfavourable weather conditions caused food prices to soar temporarily throughout Europe.

Persistent inflation

The acceleration in the growth of the money supply which set in at the end of 1990 was not uniform. After a marked increase in the first quarter of 1991, the seasonally-adjusted monetary base ceased to expand any further. In keeping with its announcement, the Swiss National Bank repeatedly took exchange rate developments into account. Thus in March and late summer it temporarily curbed the growth of its deposit liabilities in order to counteract a weakening of the Swiss franc in the foreign exchange market. In August, the Swiss National Bank joined other central banks in raising its discount rate from 6% to 7%.

Other factors taken into account

Like the monetary base, bank note circulation increased substantially in the first quarter. This must be seen as a reaction to interest rates, which had ceased their upward movement in summer 1990 and had subsequently receded. The reaction was quicker and stronger than anticipated. Consequently, the actual seasonally-adjusted monetary base clearly exceeded the level forecast by the Swiss National Bank for the first quarter, while falling slightly short of the forecast figures in the following three quarters. With the exception of the discrepancy recorded in the first quarter, the deviations from the forecast values amounted to 0.6% and were thus well within the normal range of random fluctuations of the seasonally-adjusted monetary base.

Slight deviations from quarterly forecasts

Demand for sight deposits at the Swiss National Bank declined by another approximately Sfr 300 million between the end of June and the middle of August 1991. The diminution was due mainly to continued efforts by the banks to improve their liquidity management. The liquidity ratio, i.e. the relation of actual liquidity to legally required liquidity consequently contracted from 131% in the period from January to March to 127% in the period from September to November.

Steady decline in banks' demand for sight deposits at the central bank

Monetary policy in 1992

In 1992, the Swiss National Bank, in agreement with the Federal Government, continues to implement its monetary policy aimed at restoring price stability. An expansion of the seasonally-adjusted monetary base of 1% per annum over an average period of three to five years remains adequate for stabilising the price level in Switzerland. The Swiss National Bank will therefore also orient itself to this medium-term growth target in 1992. In conducting its daily monetary transactions it will, however, as in the past, take other indicators into account and in particular pay due attention to an orderly development of exchange rates when implementing its money supply policy.

Seasonally-adjusted monetary base likely to expand by more than 1%

As in 1991, the expansion of the seasonally-adjusted monetary base is likely to somewhat exceed the medium-term target of 1% in 1992. The Swiss National Bank expects the decline in inflation to continue in 1992. Like the macroeconomic forecasting institutions, it considers an inflation rate of 3% – 4% by the end of the year as realistic. The Swiss economy will probably only recover fairly hesitantly from the present stagnation. At a mere 1% for 1992, the Swiss National Bank's expectations for the growth of real gross domestic product fall somewhat short of most current forecasts.

Limited scope for interest rate reductions

The development of Swiss interest rates will depend on the monetary policy implemented by the Swiss National Bank and on the future course of the Swiss economy. At the same time, it must be noted that the international environment, in particular the high level of interest rates in Europe, continues to limit the Swiss National Bank's room for manoeuvre.

2.2 Development of the monetary aggregates

Rise of bank notes in circulation

Bank note circulation increased markedly in 1991. In the fourth quarter it exceeded the previous year's level by 2.2%, while 1990, in turn, had seen a decline of 1.2%. This development is due to a number of different convergent factors. In a period of economic stagnation such as 1991 the nominal growth of notes in circulation is influenced largely by inflation. Price rises called for a higher level of bank notes. Falling short-term interest rates had a similar effect. The higher interest rates paid on savings deposits since the beginning of the year was not sufficient to offset these stimulating factors. In the fourth quarter the circulation of large denomination bank notes (Swiss francs 500 and 1000) exceeded the year-earlier level by 1.5%, compared with a decline of 2.6% in 1990. The smaller denominations grew at an increased rate of 2.9%, as against 1.6% in the previous year.

The increase in bank note circulation mainly determined the development of the seasonally-adjusted monetary base since bank notes account for approximately ninety percent of the monetary base. After having contracted by as much as 2.6% in 1990, the seasonally-adjusted monetary base expanded by 1.4% in 1991. It thus grew less rapidly than notes in circulation due to the decline in bank reserves held with the Swiss National Bank, which were lower by Sfr 336 million in the fourth quarter of 1991 than a year earlier. The reduction was due chiefly to a shift in the banks' demand for central bank money.

Expansion of the monetary base – decline in bank reserves

The monetary aggregate M_1 developed in line with the seasonally-adjusted monetary base. Following a decline by 4.2% in the previous year, M_1 expanded at an annual average rate of 1.7% in 1991. The two components of the aggregate showed a similar development. Currency in circulation increased by 2.7% (1990: -1.9%), and sight deposits of the nonbank public rose by 1.2% (1990: -5.3%). The same factors that determined the development of notes in circulation also influenced the development of these two components. When inflation is running high and money market rates are on the decline, demand for cash and sight deposits increases.

Growth of the money stock M_1

Development of monetary aggregates¹

Quarterly and yearly averages

Year/ Quarter	Seasonally-adjusted monetary base ²		Money stock M_1 ³		Money stock M_2 ⁴		Money stock M_3 ⁵	
	Billions of francs ⁶	Change % ⁷	Billions of francs ⁶	Change % ⁸	Billions of francs ⁶	Change % ⁸	Billions of francs ⁶	Change % ⁸
1986	32.3	1.7	66.4	5.0	126.2	5.9	277.1	6.7
1987	33.4	4.9	71.4	7.5	138.5	9.8	303.4	9.4
1988	31.5	-11.0	81.5	14.4	149.1	7.8	333.1	9.8
1989	29.9	-2.4 ⁹	77.0	-5.5	179.0	20.0	353.7	6.2
1990	28.9	-2.6	73.8	-4.2	202.3	13.3	362.1	2.4
1991	29.3	1.4	75.0	1.7	208.7	3.2	374.4	3.4
1991								
1st quarter	29.2	1.5	73.9	1.1	207.8	5.6	371.0	2.9
2nd quarter	29.3	1.6	75.1	2.4	209.1	4.1	374.0	3.8
3rd quarter	29.3	1.5	73.9	2.7	207.8	2.4	372.7	3.5
4th quarter	29.2	1.4	77.1	0.6	210.1	0.7	380.0	3.3

¹ Cf. Monthly Report of the SNB, tables B1 and B2; the data for the Principality of Liechtenstein are included in the domestic figures. ✓

² Monetary base = bank note circulation + banking system's deposits with the SNB. ✓

³ Money stock M_1 = Currency in circulation plus sight deposits in Swiss francs (without precious metals) held by the resident nonbank public. ✓

⁴ Money stock M_2 = M_1 plus time deposits in Swiss francs held by the resident nonbank public. ✓

⁵ Money stock M_3 = M_2 plus savings deposits held by the resident nonbank public. ✓

⁶ Averages based on monthly figures. ✓

⁷ Annual changes: fourth quarter compared to corresponding previous year's level. ✓
Quarterly changes: compared to fourth-quarter level of previous year. ✓

⁸ Averages of monthly growth rates in relation to the previous year's figures. ✓

⁹ In 1989, the money supply target referred to the average of the annualised monthly rates of change compared with the average level of the seasonally-adjusted monetary base in the fourth quarter of the previous year, centred on November. This method of calculation results in a change of -1.9%. ✓

Smaller increase in the money stock M_2 and bigger increase in M_3 than in previous year

The extensive shift in the nonbank public's sight and savings deposits in favour of time deposits witnessed in 1989 and 1990 did not continue. As interest rates on time deposits receded, sight deposits and savings deposits became increasingly attractive again. Consequently, the growth rate of time deposits decreased from 27.3% in 1990 to 4.1% in 1991. Savings deposits, by contrast, rose by 3.7% following a decline by as much as 8.5% in 1990. The monetary aggregate M_2 expanded at an average rate of 3.2%, compared to 13.3% a year earlier, while the growth rate of the aggregate M_3 increased from 2.4% to 3.4%.

2.3 The financial markets

Money market

Decrease in money market rates

In 1991 Swiss money market rates receded slightly, after having soared in the two preceding years. The call money rate dropped from 8.3% in the previous year to an average of 7.7%. The rate on three-month Eurofranc deposits fell from 8.8% to 8.1%. The corresponding interest rate on customers' time deposits at the big banks was reduced from 8.3% to 7.6%, while the yield on newly-issued three-month money market debt register claims of the Confederation showed a similar decline from 8.3% to 7.7%.

Increase in the discount rate

On 15 August the Swiss National Bank raised its official discount rate by one percentage point to 7%. The central bank Lombard rate, which is linked – with an increment – to the development of the call money rate, averaged 10.1%, a slightly lower level than the previous year's 10.7%.

Widening of interest rate differentials vis-à-vis other countries

While Swiss money market rates were lower by approximately 0.7 percentage point in 1991 than a year earlier, D-mark rates rose to approximately the same extent. This resulted in a clear inversion of the interest rate differential. In the previous year, the three-month Swiss franc rate had still exceeded the comparable D-mark rate by 0.4 percentage point; in 1991 it fell one percentage point below the German rate. US money market rates, on the other hand, declined by more than two percentage points. The interest rate disadvantage vis-à-vis the Swiss franc of three-month Eurodollar deposits thus rose from 0.7 to 2.3 percentage points.

Foreign exchange market and exchange rates

Lower valuation of the Swiss franc

In the course of the year the Swiss franc depreciated against the currencies of all the major industrial nations. At the end of 1991, the index of the

export-weighted nominal Swiss franc rate fell 5.3% short of the previous year's level. The lower valuation amounted to 7.9% against the US dollar, 14.7% vis-à-vis the Japanese yen and to between 2.7% and 3.5% against the four major currencies of the European Monetary System.

The National Bank's credits to the banking system

in millions of francs, monthly averages based on daily values

Month	Swap credits		Lombard advances		Discount credits		Domestic correspondents		Total	
	(1)		(2)		(3)		(4)		(5) = (1) + (2) + (3) + (4)	
	1990	1991	1990	1991	1990	1991	1990	1991	1990	1991
January	13 059	10 655	48	36	736	697	217	211	14 060	11 599
February	11 914	10 233	21	21	809	647	176	179	12 920	11 080
March	10 974	10 349	38	27	775	646	193	194	11 980	11 216
April	9 762	11 060	59	17	757	600	241	249	10 819	11 926
May	9 258	11 342	39	16	783	655	245	240	10 325	12 253
June	9 952	11 433	15	11	752	619	228	213	10 947	12 276
July	9 612	11 648	26	28	761	563	278	286	10 677	12 525
August	9 988	11 530	19	29	794	530	183	188	10 984	12 277
September	10 134	11 874	21	21	721	512	160	205	11 036	12 612
October	9 541	11 760	30	19	680	505	231	243	10 482	12 527
November	9 565	11 447	44	19	659	500	231	199	10 499	12 165
December	11 657	12 714	39	54	686	499	283	297	12 665	13 564
Annual average	10 451	11 337	33	25	743	581	222	225	11 450	12 168

The real (i.e. adjusted for varying rates of inflation in Switzerland and abroad) export-weighted value of the Swiss currency declined steadily in the course of the year. On an annual average, however, it remained practically unchanged vis-à-vis the previous year's figure (1990: +5.8%).

Stable real Swiss franc rate compared to previous year

The Swiss National Bank in 1991 occasionally participated in concerted central bank interventions in the foreign exchange market. In March and April and also between June and August it sold a total of \$ 580 million in exchange for Swiss francs.

Interventions in the foreign exchange market

Capital market

Bond yields underwent a general decline in the first five months of 1991. Near the end of the year, however, they again showed a clear rise. Long-term interest rates remained at a lower level than money market yields. This inverse interest rate pattern became less pronounced in the second half of the year.

Continued inversion of yield curve

The average yield on Federal Government bonds – with terminability duly taken into account – declined from 6.7% at the start of the year to 5.8% in

U-shaped course of bond yields

the second quarter, before embarking on a renewed rise to an average level of 6.6% in the fourth quarter. On an annual average, it fell 0.2 percentage point short of the 1990-level.

Slightly lower interest rates on banks' medium-term notes

Interest rates on banks' newly issued medium-term notes receded markedly in the first few months of the year. By the fourth quarter, however, they had risen again. The average interest rate on medium-term notes issued by the big banks stood at 6.8%, compared to 7.0% a year earlier. Around the end of the year, the most frequent rates offered were 7¼% for three-year, 7% for five-year and 6¾% for seven-year maturities.

Further increase in mortgage rates and savings deposit rates

The rates on existing mortgage loans rose by a quarter percentage point to 6.9% until mid-year and remained unchanged in the second half of 1991. On an annual average they amounted to 6.8%, compared to 6¼% a year earlier. The rates on new mortgage loans averaged 7.8%, exceeding the previous year's level by 0.4 percentage point. The cantonal banks paid an average interest rate of 5.0% on savings deposits in 1991 (1990: 4.5%).

Rise in share prices

Measured by the Swiss Performance Index, Swiss share prices showed an average rise of just under 20%.

Nominal and real exchange rates of the Swiss franc



— Nominal Swiss franc rate in terms of foreign currencies (export-weighted index; November 1977 = 100).
 — Real Swiss franc rate in terms of foreign currencies (export-weighted index; adjusted by the indices of consumer prices; November 1977 = 100).

Bonds and shares issued in the Swiss capital market reached Sfr 48.2 billion – a decline of 8% from the previous year's level. The domestic sector accounted for Sfr 18.1 billion; there redemptions amounted to Sfr 6.7 billion. The volume of net borrowing in the capital market by domestic issuers thus totalled Sfr 11.4 billion, compared to Sfr 14.0 billion a year earlier.

Decline in domestic issues

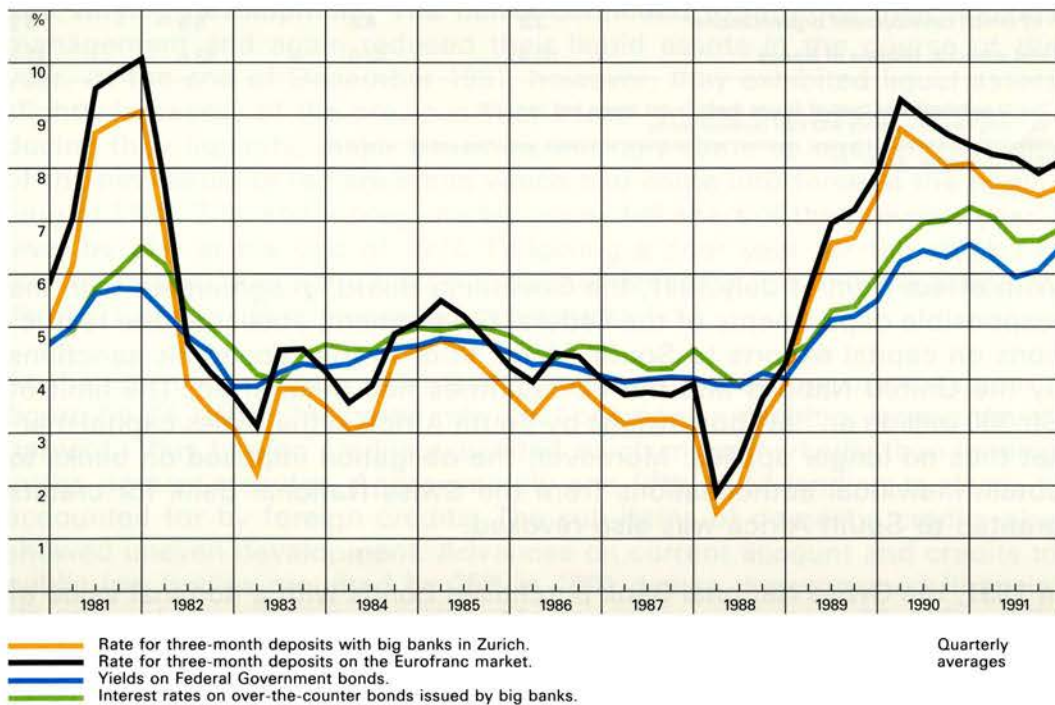
In 1991, operations conducted on behalf of foreign borrowers in the Swiss capital market contracted slightly to Sfr 42.5 billion from the previous year's level of Sfr 43.6 billion. Bond issues diminished by 6.4%, while the volume of credits increased by 7.7%. The proportion of total capital exports subject to authorisation accounted for by credits thus rose to 29.1% (1990: 26.3%). A declining trend in issuing activity became particularly evident in the category of straight bonds, whose share of total issues dropped from 65% in the previous year to 61%. Among equity-related bond issues, the volume of convertible bonds was down from a total of Sfr 8.8 billion in 1990 to Sfr 4.2 billion in 1991. By contrast, the volume of warrant bonds expanded from Sfr 2.4 billion to Sfr 7.5 billion in 1991.

Decline in capital exports

The bulk of capital exports subject to authorisation went to the industrial countries. Japan, accounting for 30.4% of the total, again headed the list.

Capital outflow mainly into industrial countries

Money and capital market rates



The share of the European Community, the EFTA countries and the Asian countries increased, while that of the United States, Canada and the Caribbean area receded. The international development organisations absorbed 5.2%, compared to 5.6% in 1990.

Capital export authorisations according to financial instruments and groups of countries (percentages)¹

	1988	1989	1990	1991
Financial instruments				
Bonds ²	78.7	74.6	73.7	70.9
<i>of which: straights³</i>	51.4	22.1	48.4	43.2
<i>convertible bonds</i>	22.0	42.3	20.2	9.9
<i>warrant bonds</i>	5.3	10.2	5.5	17.8
Loans	21.3	25.4	26.3	29.1
Total	100.0	100.0	100.0	100.0
Groups of countries				
European Community	35.4	22.5	31.6	32.6
European Free Trade Association	10.6	4.8	6.8	9.4
United States, Canada	11.2	6.9	17.6	15.2
Japan	30.5	49.5	29.7	30.4
Other countries	12.4	16.3	14.2	12.5
Total	100.0	100.0	100.0	100.0
<i>of which development organisations⁴</i>	3.2	4.6	5.6	5.2
Total amount, billions of francs	50.9	42.0	43.6	42.5

¹ Due to rounding up or down of figures these do not always add up to 100.

² Including foreign currency and dual currency bonds.

³ Including takeovers, placement, issuance and payment of shares, and share capital increases.

⁴ IBRD, IDB, AfDB, AsDB.

Capital export restrictions lifted

With effect from 11 July 1991, the Governing Board, in agreement with the responsible departments of the Federal Government, abolished the restrictions on capital exports to South Africa. Prior to this, economic sanctions by the United Nations and the EC countries had been lifted. The limit of Sfr 300 million on new borrowings by South Africa in the Swiss capital market thus no longer applies. Moreover, the obligation imposed on banks to obtain individual authorisations from the Swiss National Bank for credits granted to South Africa was also revoked.

Bond purchases by the Swiss National Bank

In 1991, the Swiss National Bank purchased bonds with a nominal value of Sfr 325 million. After deduction of redemptions the net increase in bond holdings amounted to Sfr 111 million. 30% of the expansion of the monetary base were thus financed by bond purchases.

2.4 Bank balance sheets

The economic slowdown was clearly reflected in the development of bank balance sheets. The combined balance sheet total of the 65 banks covered by monthly surveys rose by a mere 5% to Sfr 857 billion between December 1990 and December 1991; moreover, the development of the dollar exchange rate overstates the increase. In the previous year the increase had still amounted to 7%. Due to the merger between the «Kantonalbank von Bern» and the «Hypothekarkasse des Kantons Bern» (cantonal bank and mortgage bank of the Canton of Berne), which now jointly form the «Berner Kantonalbank», and the merger of seven regional banks in the Canton of Berne into a single bank («Seeland Bank»), the number of banks covered by the sample survey declined from 68 to 65.

Modest growth of balance sheet total due to economic slowdown

The financial assets (liquid funds, balances from interbank business, bills and money market paper as well as securities) exhibited a decline of 9% from the previous year's level at the end of 1991. The at times massive reduction in financial assets since mid-1988 was attributable to strong credit expansion and the concomitant meagre inflow of customer deposits. This development, which showed signs of easing during 1991, led to a record low of no more than 8% in the proportion of the balance sheet total accounted for by financial assets. The sub-items of the financial assets exhibited varying development. The banks continued to improve their liquidity management and again reduced their liquid assets in the course of the year. At the end of December 1991, however, they exhibited liquid assets slightly in excess of the previous year's level. In the process of further reducing their liquidity, major banks increasingly came up against the limits of the new liquidity requirements which had come into force at the beginning of 1988. Bills and money market paper fell short of the previous year's level by 17% at the end of 1991. Following a poor year for the stock exchange in 1990, when the banks' securities holdings had only expanded by 3%, 1991 saw a 19% increase in such assets.

Further reduction in financial assets

At the end of December 1991, total credits exceeded the previous year's figure by 8% (1990: 9%), with individual positions exhibiting varying development. Thus foreign credits expanded much more markedly than lending in the domestic sector. Approximately one-fifth of all lending business is accounted for by foreign credits. The sub-items of domestic credits also showed uneven development. Advances on current account and credits to public-law bodies mounted by 25% in 1991 due to the worsened financial situation of the public authorities. Mortgage loans increased by 6%, while the growth of current account credits and fixed advances and loans had declined to a mere 3%. Building loans developed in line with the percep-

Modest increase in domestic lending – sharp increase in foreign lending

tible slowdown in construction activity and high interest rates. A smaller net volume of borrowing limits for building projects was granted in 1991; as the level of utilised credits rose, open limits declined markedly.

Shifting of customer deposits ended; low proportion of savings deposits

At the end of the year, customer deposits exceeded the year-earlier level by 6%. The shifts observable in customer deposits between 1988 and 1990 due to the changes in the structure of interest rates did not continue. During that period time deposits had gained markedly at the expense of sight and savings deposits. In the course of this development, the proportion of liabilities accounted for by savings and deposit accounts sank to a record low; at the end of 1991, these represented only 16% of the total, while at the beginning of 1980 they had still accounted for 28%. At the end of the year, savings deposits exhibited a positive growth rate of 7%; sight deposits fell slightly short of the previous year's level. Time deposits had increased by 10% at the end of 1991, thus still exceeding the previous year's level. However, domestic Swiss franc denominated time deposits, which had recorded growth rates of up to 60% because of the rising level of short-term Swiss franc interest rates, now expanded by a mere 1%. Bank-issued medium-term notes, bonds and mortgage bonds surpassed the year-earlier level by 7% at the end of 1991.

2.5 Financial innovations and structural adjustments

Process of concentration in the banking sector

The process of concentration in the banking sector intensified in 1991. Owing to a decline in earnings, various banks were compelled to make important strategic decisions. A modern infrastructure of a certain minimum size is necessary for providing efficient banking services. It is therefore mainly the smaller banks that have to make structural adjustments.

Restructuring mainly among regional banks

The economic slowdown in the past year necessitated higher provisions for real estate loans and commercial credits. Developments in the real estate sector led to severe losses in earnings, particularly in the case of institutions which had markedly expanded their mortgage business in recent years while neglecting the cost of refinancing. The lack of opportunities for local diversification caused difficulties mainly for the regional banks. Consequently, the process of concentration in the regional banking sector has become more intense. This has led, among other things, to the merging of seven Bernese regional banks to form the «Seeland Bank». The «Spar- und Leihkasse Thun», whose license was withdrawn by the Federal Banking Commission, was forced to close down.

The merger of the «Kantonalbank von Bern» and the «Hypothekarkasse des Kantons Bern» to form a single bank, the «Berner Kantonalbank», also aims at making a better use of funds and resources. The cantonal banks established a joint subsidiary for handling their money market operations and are striving for cooperation in the field of portfolio management.

Reorganisation at the cantonal banks

Structural adjustments in securities trading increased rapidly in the past year. This was partly due to the termination of the brokerage agreement. The association of Swiss stock exchanges had advanced this step voluntarily to the end of 1990, following the Decree of the Federal Department of Economic Affairs in August 1990. Since the beginning of 1991 the banks have been free to fix their own fees for stock exchange transactions. This resulted in a greater differentiation in the rates according to the size of transactions. In the case of large-scale transactions, the margins have narrowed considerably. After the closure of the stock exchanges in Lausanne, Neuchâtel and St Gall stock market activity is now concentrated almost exclusively in the centres Zurich, Geneva and Basle. Moreover, the narrower margins in securities trading have induced a number of banks to give up, or strive for a greater concentration of, their stock market business. The trading system in the stock exchange of Berne, the sole remaining regional stock exchange, was switched from the floor to the telephone. In competition with the Swiss stock exchanges and the London SEAQ system, which has attracted a sizable volume of Switzerland's trade, Swiss Bank Corporation and Credit Suisse have been acting as market makers on the Reuters screen for the shares of large Swiss public companies since 1 February 1991.

Structural change in securities trading

The merger of two Geneva private banks and the takeover of two further institutions have also led to an increased concentration of banks specialised in portfolio management in Switzerland.

Concentration in the field of portfolio management

SOFFEX (Swiss Options and Financial Futures Exchange) introduced a range of new financial products in the year under review. Since 22 March, three-month Eurofranc futures have been traded at SOFFEX. The medium-term interest rate future launched per 3 October is based on the swap rate with a fifteen-year maturity. In addition, low-price options have been introduced on Swiss shares. These have the characteristics of futures transactions rather than of options.

New financial products at SOFFEX

With effect from 1 July 1991, the Swiss Admission Board, which aims to establish standard listing procedures on the Swiss stock exchanges, was put on a new contractual basis. The Swiss National Bank is no longer a contracting party, while the Federal Department of Finance continues to have observer status. The amended listing requirements take account of some of

New admission board

the reservations expressed by the Cartel Commission; in particular, they provide for a right of appeal for applicants who have been turned down. The credit rating for listed foreign securities has been extended to include the domestic sector; both categories are now treated alike.

Launching of new financial products by the banks

The high short-term interest rates have stimulated investor interest in money market placements. In the past year, various banks have introduced products which also enable small investors to benefit from high money market rates. Swiss franc denominated money market funds created by the big banks and by cantonal banks may be compared to money market deposits. The majority of these funds have been domiciled in Luxembourg. The synthetic instruments, which bear all sorts of exotic names (GRO1, CLOU, IGLU, etc.), also embody a money market component.

Increasing market liquidity for Swiss franc bonds

Both the floating of a World Bank bond issue on 5 March to the tune of Sfr 600 million as well as the fungibility of newly issued federal bonds have had the effect of improving the market liquidity of Swiss franc bonds.

2.6 Switzerland's accession to the institutions of Bretton Woods

Bretton Woods institutions approve Switzerland's application for membership; capital quota is laid down

The Boards of Governors of the IMF and of the World Bank group gave their approval, in April and June respectively, to Switzerland's application for membership, which had been submitted in June 1990. The capital share (quota) in the IMF was fixed at 1.7 billion Special Drawing Rights (SDRs) (countervalue in 1991: approximately Sfr 3.3 billion). After the ninth quota revision, which will increase the capital of the IMF by overall 50%, has entered into force the Swiss quota will amount to 2.47 billion SDRs. Switzerland's capital share in the World Bank was fixed at \$ 3.2 billion (countervalue in 1991: approximately Sfr 4.6 billion).

Approval by parliament; launching of a referendum

In the summer and autumn sessions respectively the two houses of parliament voted in favour of Switzerland's accession to the institutions of Bretton Woods. The federal law on Switzerland's participation in the institutions of Bretton Woods provides for cooperation between the Federal Government and the Swiss National Bank in implementing Switzerland's membership in the IMF; the details are laid down in an agreement between the Federal Government and the Swiss National Bank (Art.4). A referendum has been launched against Switzerland's entry to the institutions of Bretton Woods; the issue will be put to the vote in May 1992.

The quota due to the IMF would be made available by the Swiss National Bank. A share of just under a quarter of the quota would be payable in foreign exchange, which would necessitate a regrouping of the Swiss National Bank's foreign exchange reserves. Dollar balances would be converted into SDR reserve positions vis-à-vis the IMF. The remainder would be paid in the form of interest-free Swiss franc bonds which would be at the IMF's disposal at any time. Since the compensation on the reserve position of the Swiss National Bank at the IMF would be a little below market conditions, costs in the form of reduced earnings on monetary reserves would arise. These costs are estimated to total approximately Sfr 40 million per year.

IMF quota to be made available by the Swiss National Bank

Membership in the World Bank group would be financed by the Federal Government. 6.2% of the capital share in the World Bank would be payable in five equal annual instalments of \$ 39.4 million each. The capital share not paid up serves as security for the creditors of the World Bank. At the time of accession further payments totalling \$ 91.3 million would become due to the International Finance Corporation (IFC) and the International Development Agency (IDA), which also form part of the World Bank group.

Financing of capital share in World Bank by Federal Government

2.7 Concept for the calculation and distribution of profits by the Swiss National Bank

The question of a distribution of profits by the central bank over and above the amounts stipulated by law has been repeatedly debated by the federal authorities and the Swiss National Bank. Following a lengthy period of widespread opposition, the Federal Government and the Swiss National Bank agreed in February 1992 to pay out an additional profit.

Federal Council and Swiss National Bank agree on additional profit distribution

The distribution of profits of the Swiss National Bank is laid down in detail in the Constitution and the National Bank Law. The profit remaining after the allocation to the legal reserve fund and payment of the shareholders' dividend is distributed in two steps. First, the cantons receive an amount of 80 centimes per head of population. Any remaining surplus is allotted to the Confederation and the cantons in the ratio of one-third to two-thirds.

Distribution of profits laid down in the Constitution and the National Bank Law

There is, however, no regulation on how the profit of the Swiss National Bank is to be calculated. It is uncontested that the Swiss National Bank must be in a position to fulfil its constitutional task without being under constraint to show a profit, and to create those reserves which are neces-

No regulation on calculation of profit

sary from an operational and economic point of view. Thus the question arises to what extent the Swiss National Bank may withhold surpluses for the purpose of setting aside further provisions over and above the legal reserve fund.

Purposes served by unsecured foreign exchange reserves

In the past the Swiss National Bank has used its provisions mainly for building up foreign exchange reserves. The emphasis was on unsecured foreign exchange reserves, i.e. reserves not hedged against exchange rate risks through forward sales in the foreign exchange market. The unsecured foreign exchange reserves serve a number of purposes. They permit the Swiss National Bank to intervene in the foreign exchange market should the Swiss franc exhibit undue weakness. This function would have a particular significance if Switzerland ever decided to return to a fixed Swiss franc rate. In addition, unsecured foreign exchange reserves strengthen the Swiss financial centre's resistance to crises and constitute a vital contingency fund in case of crisis or war.

Expansion of unsecured foreign exchange reserves and provisions in step with nominal GNP

Even if it is not possible to calculate the precise need of foreign exchange reserves, this can be said to depend on the size of the economy and its international involvement. Unsecured foreign exchange reserves should therefore expand at least in step with nominal gross national product. The envisaged growth of unsecured foreign exchange reserves is the basis for calculation of the Swiss National Bank's reserve provisions. The general rule, therefore, is that foreign exchange reserves and provisions are expanded in step with nominal GNP.

Currency swaps increased by expanding the money supply

Currency swaps, i.e. foreign exchange reserves that are hedged in the forward market, may not be used for currency interventions and as emergency funds in case of crisis or war. Such swaps in fact represent foreign exchange that has already been sold in the forward market. They serve, instead, as an instrument for steering the money supply. They are therefore increased in tune with the expansion of the monetary base rather than with the surpluses of the Swiss National Bank.

Smoothing of annual distribution of profits a necessity

If the Swiss National Bank had acted according to the above precept in the period 1981–90, it could have distributed a limited amount of surplus funds to the Confederation and the cantons. The distributed amount would, however, have varied considerably from year to year due to massive exchange rate and interest rate fluctuations. Between 1981 and 1984, the Swiss National Bank would have remitted large amounts to the Confederation and the cantons. After that, it would not have been able to pay out anything for years. From 1981 to 1990 an average annual amount of Sfr 300 million would have been available for distribution. This leads to the conclusion that smoothing of the annual distribution of profits is a necessity.

The fluctuations in the annual distribution of profits must be smoothed in a way that leaves no scope for discretion. The distribution should therefore not be determined on the basis of forecasts of anticipated average central bank surpluses. In case of forecasting errors, which would be very likely to occur, the mode of distribution would have to be periodically adjusted.

No distribution of profits based on forecast surpluses

The Swiss National Bank will therefore only distribute surpluses which have actually accrued in the past. The smoothing effect will be created by limiting the annual distribution to a maximum of Sfr 600 million. Should the distributable surplus exceed this upper limit, the difference will be added to provisions. In this case, the actual provisions will exceed the level aimed at. This means that the Swiss National Bank will, at some future point, be able to make an additional distribution from surpluses achieved in earlier years. Losses, on the other hand, diminish the actual allocation to reserve provisions. They can, therefore, lead to a reduction in the amount distributed or a suspension of distribution.

Annual distribution of a maximum of Sfr 600 million from actual surpluses

In actual practice, the annual distribution is laid down as follows: The surplus arises from the Swiss National Bank's net income (operating income + other income + appreciation of foreign exchange holdings – operating expenditure – other expenses – taxes – allocation to pension fund) less shareholders' dividend, per capita payment to the cantons and allocation to the legal reserve fund. The distributable surplus represents the difference between the total surplus and the envisaged increase in total provisions (for currency risks and other contingencies) and the valuation adjustment on foreign exchange. This sum (referred to below as reserve provisions) amounted to Sfr 17,743.1 million at the end of 1990. It forms the basis for the increase in reserve provisions aimed at in 1991.

Calculation of distributable surplus

The percentage increase in reserve provisions aimed at is calculated on the basis of the average annual growth of the nominal gross national product of Switzerland in the past five years, for which final data are available. The calculation of an average is designed to prevent large year-to-year fluctuations of growth rates. The average increase in the period 1985–89 amounted to 6.2%. This results in a targeted increase in reserve provisions by Sfr 1100,1 million to Sfr 18843,2 million for 1991.

Increase in reserve provisions aimed at in 1991

In 1991, the Swiss National Bank recorded a surplus of Sfr 4,717.6 million. After deduction of the targeted increase in reserve provisions, the distributable surplus amounts to Sfr 3,617.5 million. Since this sum exceeds the upper limit for distribution, the Swiss National Bank additionally allocates a maximum amount of Sfr 600 million from the 1991 surplus to profit.

Distribution of Sfr 600 million from the surplus in 1991

Remittance to the Federal Department of Finance on 1-1-1993

On 1 January 1993, the sum of Sfr 600 million will be remitted to the Federal Department of Finance for distribution to the Confederation and the cantons. The Confederation and the cantons can thus budget for their respective share of the amount to be distributed in 1993. The delay in the distribution is designed to facilitate the fiscal planning of the Confederation and the cantons.

Actual growth of reserve provisions in excess of planned growth

As the Swiss National Bank will only remit part of the distributable surplus to the Confederation and the cantons, the actual increase in reserve provisions to the amount of Sfr 4,117.6 million exceeds the increase aimed at in 1991 by approximately Sfr 3 billion. The difference between the increase actually achieved and the increase aimed at will, in principle, be available for distribution in future years. It must, however, be borne in mind that future losses can again reduce this amount.

Increase in reserve provisions aimed at in 1992

In 1992, a growth rate of 6.2% is again aimed at for reserve provisions. This corresponds to the average growth of nominal gross national product in the period 1986–1990. The level of targeted reserve provisions will thus rise to Sfr 20,011.5 million.

Fiscal aspects

According to Art. 39, para 5 of the Federal Constitution and Art. 12 of the National Bank Law, the Swiss National Bank is not subject to taxation in the cantons. When, however, direct federal taxation was introduced as an emergency measure in 1941, legislation did not provide for the Swiss National Bank to be relieved from this tax obligation. In presenting its concept for the distribution of profits, the Swiss National Bank also submitted an application to the Federal Government for the inclusion of a clause in Art. 12 of the National Bank Law that would relieve the Swiss National Bank from the obligation to pay direct federal tax. In its opinion, it is not equitable to make the profits that the Swiss National Bank pays to the public sector subject to federal taxation. The requirement in Art. 39, para 4 of the Federal Constitution in terms of which «at least two-thirds» of the net profit of the Swiss National Bank are «due to the cantons» can only be fully met if the Swiss National Bank is freed from the tax obligation. This application, however, was turned down by the Federal Government. As a consequence, the distributable surplus of the Swiss National Bank will be reduced by the amount of direct federal tax.

No money creation for profit distribution

The additional profit distribution will not weaken money supply policy. The Swiss National Bank will offset the effects of the additional distribution on the monetary base by means of its monetary policy instruments. Additional money creation for the purpose of profit distribution does not enter into consideration.

2.8 Other aspects of central bank policy

Preparation of a new series of bank notes

The Federal Government has given its approval to the Swiss National Bank's intention to replace the Sfr 500 note by a Sfr 200 note in the next new series of bank notes. The Sfr 500 note is relatively little used and accounts only for approximately 3% of the total number of bank notes in circulation. Studies show that a Sfr 200 note may be expected to reduce the concentration on the Sfr 100 note; this denomination accounts for approximately 35% of all bank notes in terms of number and approximately 30% in terms of value. In an opinion poll conducted by the Swiss National Bank the large majority of interested institutions and associations expressed the view that the introduction of a Sfr 200 note would be an advantage for the Swiss payments system.

Issue of a Sfr 200 bank note

The new series of bank notes is planned to be issued from the mid-nineties onwards; it will, as now, consist of six denominations. In keeping with the international trend, the format will be somewhat smaller, and the bank notes will all have the same width. The dominant colours will remain unchanged except that the Sfr 20 note will be a dark red. The selection of security features will depend on the anticipated development of safety techniques with special significance being attached to the kinegram.

The concept of a new series of bank notes

A competition was organised in 1988 to collect ideas for the artistic design of the new bank note series. The designers of the three projects that had received an award at the end of 1989 were invited to work out the details of their draft of a Sfr 50 note up to the production stage. After a careful evaluation of the various projects, Jörg Zintzmeyer, Zurich, was commissioned to design the new bank notes. The selection was based on aesthetic, graphic and functional criteria.

Selecting a designer

Draft of a stability law

A motion introduced in parliament in 1988 had called on the Federal Government to prepare the draft of a «stability law» to replace the federal law on combating economic crises and on special employment measures dating from the year 1954. In autumn 1991, the Federal Department of Economic Affairs submitted the preliminary draft of a stability law to the interested bodies for comment. The aim of the bill is to promote the capacity of the economy to adapt to changing conditions. It has two main features. First, it is intended to delete from existing federal legislation all regulations

Combination of long- and short-term measures

that inhibit the economy's capacity to adjust. Second, it provides for federal powers to promote flexibility through financial aid and special government investments. Priority should in particular be given to supporting training schemes as well as research projects. In addition to these long-term measures, the Federal Government should have the possibility, in case of short-term disruptions, to resort to fiscal, monetary and exchange rate policy measures and to exert an influence on the labour market and foreign trade. Quite generally, moreover, the aim is to achieve a better harmonisation of monetary and fiscal policy. The Federal Government would be responsible for the coordination of any such measures.

Opposition by the Swiss
National Bank

The Swiss National Bank holds the view that the stability law in the proposed form is both problematic and unnecessary. The intention to create a favourable environment for a balanced economic development is certainly worthy of support. There is, however, no need for a «stability law» in order to remove impediments to economic adaptability from federal legislation. The bill provides considerable scope for activism in the field of economic policy. Those regulations that have a direct bearing on monetary policy must be considered particularly questionable. Thus measures in terms of Art. 16 of the National Bank Law have been envisaged for eliminating short-term disruptions. The Swiss National Bank would, if at all possible, prefer not to resort to instruments such as minimum reserve requirements, control of new issues and restrictions on the inflow of foreign funds. The planned coordination of monetary and fiscal policy by the Federal Government is liable to affect the independence of the Swiss National Bank. The National Bank Law (Art. 2) explicitly provides for cooperation, as partners, between the Federal Government and the Swiss National Bank; not, however, for the subordination of monetary policy to the Federal Government's economic policy.

Federal law on stock markets and securities trading

Preliminary draft of the
group of experts

In spring 1991 a group of experts commissioned by the Federal Government, in which the Swiss National Bank was also represented, submitted the draft of a federal law on stock markets and securities trading to the Federal Department of Finance. This planned legislation is a framework law whose principal object is the adequate supervision of stock markets and securities traders. The organisation and supervision of stock market trading are to ensue largely through self-regulation. This legislation does not cover the primary market. At the request of the Federal Department of Finance, the group of experts has included, in addition to the obligation to disclose participations, rules on public takeovers in the draft legislation.

At the beginning of June 1991 the Federal Department of Finance submitted the draft of the group of experts to the interested bodies for comment. The draft met with an essentially positive response. There was broad consensus both on the question of entrusting the Federal Government with the supervision of stock markets and securities traders and on the basic concept of a framework law. However, numerous changes concerning details were put up for discussion.

Submission procedure to interested parties concluded

The Swiss National Bank regards the draft legislation as a suitable basis for a federal stock market law. It provides a modern and liberal framework for securities trading and is largely EC-compatible. In its comments the Swiss National Bank pleads for even more consistency in implementing the idea of framework legislation and supports a reference to competitiveness as an additional objective of the law. It has reservations on the partly unnecessary delegation of legislative powers to the Federal Council and the supervisory authority. The proposed regulations concerning the disclosure of participations and public takeovers will have to take into account the potentially conflicting considerations of fairness and efficiency. In the case of the obligation to report substantial participations, the Swiss National Bank prefers the variant with the higher threshold values; moreover, it would like to see the rules on public takeovers dissociated from the stock market law.

Position of the Swiss National Bank

Implications of the European Economic Area for the Swiss financial centre

The negotiations between the EFTA countries and the EC Commission on an agreement concerning the creation of a European Economic Area (EEA) were brought to a conclusion at the end of October 1991. As a result of the negative opinion delivered by the European Court of Justice, negotiations on the system of judicial control have to be taken up again. In addition to submitting a number of opinions on various questions to the Swiss negotiating team, the Swiss National Bank studied the implications of European integration for the Swiss financial centre.

Negotiations on the conclusion of an EEA Agreement

The present EEA Agreement necessitates a number of adjustments in Switzerland's legislation in the financial markets sector. Aside from the need to lift certain regulations discriminating foreigners in company law and banking law, and also in the Lex Friedrich (a law regulating and restricting the acquisition of Swiss real estate by non-residents), amendments are required in supervisory regulations, in the field of administrative assistance, in statutory requirements for companies to provide information (including financial reporting) and in cartel law.

Problems for Swiss financial market not insoluble

No common monetary policy

The suggestions of the Swiss National Bank have received due consideration in the EEA Agreement. In particular, no common monetary policy is envisaged. Since no transition period has been agreed upon in the field of capital exports, the revision of the federal stamp tax has become a matter of urgency to enable the syndication rule, which is not compatible with freedom of services, to be abolished without any adverse effects on the Swiss financial centre.

Discrepancy between EEA Agreement and EFTA framework

A clear discrepancy exists between the economic integration envisaged by the EEA Agreement and the institutional framework for the EFTA countries. On the one hand, there are the advantages of participating in the large European internal market. On the other hand, the democratic legitimization of legislative processes is surrendered and relatively few participatory rights exist. The Federal Government therefore regards the EEA Agreement as an intermediary step on the way to future EC membership.

Revision of federal stamp tax

Rejection of proposed package of fiscal measures by the voters...

In the referendum of 2 June 1991 the proposed package of fiscal measures of the Federal Government, and therefore also the proposed amendment of the federal law on stamp tax, was rejected by the voters. The Swiss National Bank had been in favour of a revision of the stamp tax, notably the abolition of a turnover tax on money market paper of domestic issuers.

... and a motion in parliament

Immediately after the referendum a motion was submitted in parliament for resumption of the revision of the federal law on stamp tax. The motion was based on the amendment of the law on stamp tax approved by parliament in December 1990. On 4 October 1991 parliament passed the amended law against which, however, a referendum was launched.

Unchanged position of the Swiss National Bank

The Swiss National Bank continues to regard the current stamp duties as detrimental to the international competitiveness of the Swiss financial centre. It is thus in favour of the changes now envisaged irrespective of any new fiscal measures to be proposed by the Federal Government. In particular, it supports the notion that money market paper of domestic issuers be exempted from turnover tax. It is also in favour of exempting from stamp tax any new issues of investment fund certificates; this exemption is an addition to the original bill.

Problematic tax on Swiss franc issues of foreign borrowers

The new bill for a revision of the law on stamp tax provides for the maintenance of a turnover tax on new issues of Swiss franc bonds by foreign borrowers, at least for as long as the monetary situation permits. Both worldwide deregulation and the liberalisation of capital movements and services

within the context of a European Economic Area, however, make it likely that the Swiss National Bank will be compelled to abandon its restrictive attitude concerning Swiss franc issuing business abroad (syndication rule). The amendment of the law passed on 4 October 1991 – should it be definitively approved – would have the advantage of putting the Federal Government in a position to react to such a situation by abolishing the respective turnover tax and thus to discourage Swiss franc issuing business from being transferred abroad.

Cooperation of the Swiss National Bank in international monetary measures

At the beginning of March 1991 the monetary authorities of the United States in conjunction with the central banks of the other Group of Ten countries and of Austria, Spain and Turkey granted a bridging loan totalling \$ 300 million to Romania. The Swiss National Bank entered into a substitution undertaking to the tune of \$ 10 million towards the part of the credit which was coordinated via the Bank for International Settlements. Romania repaid the loan in full at the end of March.

Bridging loan in favour of Romania

Participation of the Swiss National Bank in stand-by arrangements at the end of 1991

	Original undertakings	Outstanding credits		Outstanding undertakings
		End 1990	End 1991	
1. Swap agreements				
Federal Reserve Bank of NY	\$ 4 billion	–	–	\$ 4 billion
Bank of Japan	Yen 200 billion	–	–	Yen 200 billion
BIS	\$ 600 million	–	–	\$ 600 million
2. Multilateral credits				
General Arrangements to Borrow (GAB)	SDR 1020 million	–	–	SDR 1020 million
3. Bilateral credits				
Hungary ¹	\$ 30 million	–	\$ 30 million	–
Czechoslovakia ¹	\$ 40 million	–	\$ 40 million	–
4. Substitution undertaking				
Romania ¹	\$ 10 million	–	–	–

¹ With Federal Government guarantee.

Balance-of-payments
aid in the form of credits
to Hungary and
Czechoslovakia

As a participant in the G-24 group of countries, Switzerland granted balance-of-payments aid in the form of medium-term loans totalling \$ 30 million and \$ 40 million respectively to Hungary and Czechoslovakia. The bilateral agreements signed in September and November respectively were based on a Decree of the Federal Parliament concerning the cooperation of Switzerland in international monetary measures. Both credits were financed by the Swiss National Bank and are guaranteed by the Federal Government.

3. Balance sheet and profit and loss account

(Faint, illegible text, likely a table or form with multiple columns and rows, possibly representing financial data.)

3.1 Main components of the balance sheet since 1961 (End-of-year values)

Assets

End of year	Gold holdings ¹	Foreign exchange investments	International payments instruments ²	Foreign currency loans ³	Domestic portfolio				Lombard advances	Securities	Balances with domestic correspondents	Loss on foreign exchange and gold holdings
					Swiss bills	Treasury bonds ⁴	Dis-counted bonds	Total				
<i>In millions of francs</i>												
1961	11 078,0	842,4	—	—	62,2	—	7,3	69,5	66,3	42,9	58,3	—
1962	11 543,3	867,4	207,0	—	67,4	45,0	11,2	123,6	71,7	42,8	77,8	—
1963	12 203,8	1 083,3	207,0	—	87,5	35,0	19,7	142,2	97,5	51,7	61,5	—
1964	11 793,6	1 679,1	432,0	431,3	109,8	24,8	28,0	162,6	77,7	65,3	75,3	—
1965	13 164,2	852,6	432,0	428,5	98,1	9,5	31,5	139,1	38,9	92,9	66,1	—
1966	12 297,4	2 060,3	432,0	518,9	97,8	16,7	43,3	157,8	109,3	181,7	81,5	—
1967	13 369,7	1 986,7	432,0	173,9	99,4	—	43,1	142,5	86,6	181,9	72,4	—
1968	11 355,8	5 601,2	1 442,0	108,3	256,2	6,8	25,5	288,5	160,1	180,6	99,7	—
1969	11 434,5	5 792,9	1 851,0	—	584,7	118,5	28,2	731,4	277,1	170,2	89,5	—
1970	11 821,3	8 441,1	1 851,0	—	306,6	71,0	21,4	399,0	223,5	156,0	82,8	—
1971	11 879,4	10 323,3	4 278,0	—	78,1	—	2,4	80,5	28,5	10,8	72,4	1 243,5 ⁵
1972	11 879,7	12 323,1	4 278,0	—	770,3	152,0	13,8	936,1	418,8	—	142,3	1 243,5 ⁵
1973	11 892,7	12 519,9	4 613,0	—	862,7	200,0	35,0	1 097,7	557,7	—	281,8	1 243,5 ⁵
1974	11 892,7	11 570,6	5 403,0	—	2 166,8	484,0	43,5	2 694,3	699,9	92,5	166,9	621,5 ⁵
1975	11 892,7	14 705,8	5 403,0	—	1 706,5	227,0	5,4	1 938,9	200,2	3,7	136,3	621,5 ⁵
1976	11 903,9	20 426,5	5 222,0	—	912,5	375,0	13,3	1 300,8	157,0	63,8	160,3	—
1977	11 903,9	20 514,2	3 949,0	—	1 207,4	267,0	44,7	1 519,1	197,5	559,1	171,6	—
1978	11 903,9	28 981,8	2 028,5	—	214,6	—	21,5	236,1	49,6	348,0	185,7	2 593,5 ⁶
1979	11 903,9	26 390,4	—	—	1 532,2	10,0	38,3	1 580,5	886,4	963,4	288,6	1 110,9 ⁶
1980	11 903,9	27 355,6	11,4	—	2 285,1	152,0	48,4	2 485,5	919,8	1 212,2	289,6	—
1981	11 903,9	25 494,8	0,2	—	2 710,0	256,0	40,9	3 006,9	2 513,9	1 018,4	399,6	—
1982	11 903,9	31 872,8	6,3	—	2 076,8	109,2	2,1	2 188,1	1 559,6	1 268,3	314,0	—
1983	11 903,9	32 677,5	28,7	—	2 524,5	149,2	2,6	2 676,3	2 408,6	1 562,5	346,4	—
1984	11 903,9	38 876,0	23,2	—	2 455,4	293,5	—	2 748,9	2 677,9	1 773,6	500,8	—
1985	11 903,9	38 133,8	6,8	—	2 465,9	372,5	—	2 838,4	2 973,6	1 911,1	529,7	—
1986	11 903,9	36 262,0	—	—	2 411,9	335,5	—	2 747,4	3 204,0	2 045,0	564,4	—
1987	11 903,9	37 439,9	18,5	—	2 246,8	54,9	—	2 301,7	3 126,9	2 190,8	460,1	—
1988	11 903,9	35 946,7	30,5	—	2 133,8	—	—	2 133,8	795,9	2 421,4	416,0	—
1989	11 903,9	39 620,2	123,6	87,1	542,7	—	—	542,7	704,1	2 574,0	458,3	—
1990	11 903,9	37 209,8	112,9	—	711,1	—	—	711,1	165,7	2 814,0	567,0	—
1991	11 903,9	40 232,1	117,3	97,1	522,1	—	—	522,1	107,0	2 886,1	552,8	—

¹ Valuation since 10 May 1971: 1 kg fine gold = Sfr 4595.74; previously: 1 kg = Sfr 4869.80.

² Until 1979, foreign treasury bonds in Swiss francs; as from 1980, Special Drawing Rights and (as from 20-4-1989) ECU's.

³ 1964-1968 rate-hedged balances at foreign central banks; since 20-4-1989 foreign currency loans.

⁴ Since 1979 including money market debt register claims.

⁵ Liability of the Federal Government in accordance with the Decree of the Federal Parliament of 15 December 1971.

⁶ Covered by hidden reserves on gold.

Liabilities

Note circulation	Cover- age of note circu- lation by gold holdings	Sight liabilities					Balances of foreign banks	Banks' minimum reserves	Time liabilities ⁸	Foreign exchange valuation adjustment	Capital and reserves	Provisions for foreign exchange risks	others	Balance sheet total	End of year
		Total	of which sight deposit accounts of domestic banks and finance companies ⁷	Ac- counts of the Federal Govern- ment	Ac- counts held under payments and clearing agree- ments										
<i>In millions of francs</i>	%	<i>In millions of francs</i>													
7 656,0	144,70	2 947,0	1 996,1	662,5	37,2	231,5	1 035,0 ¹⁰	293,5	—	78,0	—	21,7	12 206,6	1961	
8 506,1	135,71	2 799,7	2 294,2	355,9	30,0	98,0	1 035,0 ¹⁰	373,0	—	79,0	—	22,9	12 994,7	1962	
9 035,4	135,07	3 187,8	2 700,0	389,4	39,3	31,8	1 035,0 ¹⁰	357,3	—	80,0	—	26,1	13 910,2	1963	
9 721,8	121,31	3 270,6	2 907,9	291,5	24,4	25,6	1 035,0 ¹⁰	433,2	—	81,0	—	28,7	14 787,6	1964	
10 042,5	131,08	3 215,4	3 005,0	126,2	20,9	44,3	1 035,0 ¹⁰	602,0	—	82,0	—	37,1	15 287,6	1965	
10 651,1	115,46	3 430,5	2 982,2	375,2	23,3	34,4	1 035,0 ¹⁰	389,0	—	83,0	—	37,2	15 922,3	1966	
11 326,8	118,04	4 144,9	3 810,8	230,7	29,0	53,9	—	550,0	—	84,0	—	52,2	16 519,0	1967	
12 047,3	94,26	6 413,6	5 776,2	505,0	33,4	75,1	—	233,1	—	85,0	—	69,2	19 339,7	1968	
12 518,4	91,34	6 954,8	6 353,4	493,0	40,0	49,6	—	141,9	—	86,0	—	105,0	20 482,5	1969	
13 106,0	90,20	8 410,1	7 749,6	405,3	18,3	208,4	—	401,7	—	87,0	—	145,0	23 095,3	1970	
14 309,9	83,01	11 854,4	10 701,6	713,7	15,3	393,1	516,4 ¹¹	313,1	—	88,0	665,2	160,0	28 014,6	1971	
16 635,0	71,41	11 020,8	9 312,6	1 380,3	17,0	279,5	2 029,3 ¹²	75,2	—	89,0	783,7	210,0	31 362,9	1972	
18 296,2	65,00	9 036,1	8 234,9	458,2	7,8	296,7	2 872,0 ¹²	229,6	—	90,0	547,7	290,0	32 297,8	1973	
19 435,8	61,19	10 367,1	9 505,0	714,5	—	114,8	347,8 ¹²	1 233,2	—	91,0	157,7	360,0	33 260,6	1974	
19 127,8	62,17	13 296,0	11 478,5	1 623,8	—	150,0	165,3 ¹²	379,8	—	92,0	389,7	380,0	34 991,0	1975	
19 730,9	60,33	16 648,7	12 643,7	3 817,5	—	146,2	246,2	954,8	—	93,0	—	390,0	39 324,0	1976	
20 396,8	58,36	16 330,2	13 622,8	2 513,8	—	149,3	—	772,2	—	94,0	—	226,2	38 921,0	1977	
22 499,1	52,91	20 062,8	15 583,9	3 437,7	—	990,6	—	2 893,2	—	95,0	—	190,2	46 421,0	1978	
23 760,9	50,10	17 735,6	13 207,1	2 209,4 ⁹	—	2 252,8	—	630,1	—	95,0	—	143,5	43 244,5	1979	
24 106,3	49,38	16 376,1	13 661,0	402,8 ⁹	—	2 254,0	—	273,5	—	95,0	2 157,1	270,0	44 318,7	1980	
23 336,7	51,01	14 958,0	12 466,7	1 513,9 ⁹	—	908,0	—	500,0	—	96,0	4 531,3	340,0	44 584,5	1981	
24 477,0	48,63	15 713,5	13 992,7	798,9 ⁹	—	852,0	—	250,0	1 624,6	97,0	6 564,6	450,0	49 374,2	1982	
24 759,4	48,08	15 229,4	14 229,2	812,0 ⁹	—	125,4	—	—	2 528,1	98,0	8 565,8	500,0	51 869,2	1983	
26 489,3	44,94	15 537,1	14 227,8	1 102,9 ⁹	—	130,1	—	—	5 118,7	99,0	10 811,7	490,0	58 748,8	1984	
25 861,6	46,03	16 872,7	14 105,2	2 537,1 ⁹	—	128,1	—	—	1 564,2	100,0	13 467,7	490,0	58 546,7	1985	
27 018,9	44,06	16 113,7	14 911,8	1 042,3 ⁹	—	86,7	—	—	—	101,0	13 056,2	490,0	56 980,4	1986	
27 342,3	43,54	18 643,0	17 044,8	1 362,9 ⁹	—	163,1	—	—	—	102,0	10 934,0	490,0	57 715,7	1987	
28 979,2	41,08	9 475,6	6 691,6	2 530,1 ⁹	—	167,6	—	—	1 970,9	103,0	12 741,6	630,0	53 930,4	1988	
29 168,4	40,81	7 724,7	4 948,4	2 571,9 ⁹	—	119,0	—	—	3 060,8	104,0	15 534,9	630,0	56 290,6	1989	
29 640,5	40,16	5 371,8	4 595,3	621,7	—	59,8	—	785,0	—	105,0	17 113,1	630,0	53 730,7	1990	
29 217,1	40,74	4 498,6	4 275,6	3,4	—	114,9	—	400,0	1 697,1	106,0	19 533,7	630,0	56 756,6	1991	

⁷ Prior to 1986: Sight deposit accounts of banks, trade and industry.

⁸ Until 1980: sterilisation rescriptions of the Federal Government; 1981 and 1982: own debentures; as from 1990: time deposits of the Federal Government not placed in the market (cf. footnote 9).

⁹ Including time deposits of the Federal Government not placed in the market (cf. footnote 8).

¹⁰ Temporarily blocked sight deposit accounts of banks.

¹¹ In accordance with the agreement of 16 August 1971 concerning extraordinary minimum reserves.

¹² Minimum reserves of banks in respect of domestic and foreign liabilities, in accordance with the Decree of the Federal Parliament of 20 December 1972 and 19 December 1975 respectively.

3.2 Profit and loss account since 1984

Expenditure (in Sfr 1000)

	1984	1985	1986	1987	1988	1989	1990	1991
Operating expenses	120 232	93 998	95 489	97 702	110 485	152 865	143 896	160 016
Bank authorities	726	718	714	705	707	734	792	776
Personnel	49 984	52 123	52 025	53 343	56 249	58 570	62 717	71 258
Premises	16 115	9 379	4 918	4 417	9 785	45 150	20 305	28 414
Furniture and fixtures	17 858	2 402	3 034	4 104	3 108	4 358	15 966	13 918
Business and office equipment and supplies	2 754	2 914	2 861	2 990	3 206	3 360	3 984	3 932
Information and communication	1 859	1 951	2 436	1 870	2 304	1 945	2 543	2 924
Printing, publications	548	635	693	644	731	852	850	1 118
Expenditure in respect of bank note circulation	18 601	17 105	18 689	19 485	24 037	21 292	20 463	23 113
Other expenditure on materials	11 787	6 771	10 119	10 144	10 358	16 604	16 276	14 563
Other expenses	132 687	122 193	181 917	127 711	141 546	95 233	155 225	126 479
Interest payable to depositors	2 767	3 077	2 926	3 012	3 395	4 267	5 810	6 593
Interest payable to Federal Government	39 296	56 767	58 492	41 244	40 444	55 161	101 145	82 895
Write-down of own securities	90 624	62 349	94 499	66 320	96 407	35 805	48 270	36 991
Depreciation of bank buildings	—	—	26 000	17 135	1 300	—	—	—
Write-down of foreign exchange holdings	—	—	2 139 125¹	3 528 837	—	—	3 976 820	—
Transfer to the foreign exchange valuation adjustment account	—	—	—	—	1 970 906	1 089 907	—	1 697 073
Taxes	2 851	—	1 789	2 632	1 592	298	3 365	—
Appropriation to staff and pensioners' welfare facilities funds	5 000	3 000	3 000	2 000	2 000	2 000	6 000	5 000
Donation to the Gerzensee study centre foundation	32 733	—	—	—	—	—	—	—
Provision for foreign exchange risks	2 245 993	2 655 953	—	—	1 807 669	2 793 303	2 494 209	2 420 560
Net profit	7 593	7 593	7 593	7 593	7 593	7 593	7 593	607 593
Allocation to the reserve fund	1 000	1 000	1 000	1 000	1 000	1 000	1 000	1 000
Dividend	1 500	1 500	1 500	1 500	1 500	1 500	1 500	1 500
Payment to the Federal Finance Administration	5 093	5 093	5 093	5 093	5 093	5 093	5 093	605 093
Total	2 547 089	2 882 737	2 428 913	3 766 475	4 041 791	4 141 199	6 787 108	5 016 721

¹ Total write-down of foreign exchange holdings
less liquidation of the balance sheet item
"Valuation adjustment to foreign exchange holdings"

	3 703 300
	<u>1 564 175</u>
	<u>2 139 125</u>

Income (in Sfr 1000)

	1984	1985	1986	1987	1988	1989	1990	1991
Operating income	8 245	7 569	8 069	5 771	6 663	6 251	6 123	6 556
Commissions	3 935	2 945	2 216	1 826	1 756	1 696	1 626	1 671
Income from bank buildings	2 816	3 170	5 313	3 446	4 462	4 088	4 100	4 518
Sundry income	1 494	1 454	540	499	445	467	397	367
Other income	2 538 844	2 875 168	2 009 363	1 638 459	2 064 222	3 045 041	2 804 165	3 313 092
Income from foreign exchange	2 391 222	2 709 177	1 834 097	1 462 698	1 924 021	2 848 708	2 585 097	3 084 661
Income from discounting	23 442	25 511	20 848	17 738	3 275	33 906	44 197	37 136
Income from secured advances	21 536	25 257	28 448	27 309	2 832	5 672	3 895	2 593
Income from own securities	100 691	113 281	123 449	128 782	132 877	149 504	160 163	176 113
Income from domestic correspondents	1 953	1 942	2 521	1 932	1 217	7 251	10 813	12 589
Appreciation of foreign exchange holdings	—	—	—	—	1 970 906	1 089 907	—	1 697 073
Transfer from the foreign exchange valuation adjustment account	—	—	—	—	—	—	3 060 814	—
Drawings on provisions for currency risks	—	—	411 481	2 122 245	—	—	916 006	—
Total	2 547 089	2 882 737	2 428 913	3 766 475	4 041 791	4 141 199	6 787 108	5 016 721

Explanatory notes on the profit and loss account for the year 1991

In 1991, the profit and loss account of the Swiss National Bank was again characterised by foreign exchange earnings and the valuation of foreign exchange holdings. US dollar holdings were, as usual, valued at the average December rate, which stood at Sfr 1.3877, compared to Sfr 1.2776 in the previous year. The resulting book profit of Sfr 1,697.1 million in foreign exchange holdings, which are not hedged against exchange rate risks, was credited to the item «valuation adjustment to foreign exchange holdings» via the profit and loss account. Of the net income of Sfr 3,028.2 million, an amount of Sfr 607.6 million was used as net profit and Sfr 2,420.6 million were allocated to provisions for foreign exchange risks. Net income accrued largely as follows:

Foreign exchange earnings consist of income on foreign exchange holdings, swaps and trading. The increase of Sfr 499.6 million to Sfr 3,084.7 million was due to a number of factors. Lower dollar interest rates and swap rates were offset by higher foreign exchange holdings, conversion rates, D-mark interest rates and exchange gains on foreign exchange cover.

The Swiss National Bank rediscounts compulsory stockpile bills to a limited extent. The slight reduction in income to Sfr 37.1 million is attributable to a smaller volume of rediscounted bills.

Lombard business declined somewhat, while interest rates were at a slightly lower level; accordingly, income fell from Sfr 3.9 million to Sfr 2.6 million.

The expansion in securities holdings, with some higher yields, led to a rise in interest income from Sfr 160.2 to Sfr 176.1 million.

The applicable discount rate on credits to domestic correspondents was raised from 6% to 7% on 15 August. More extensive borrowing and a higher interest rate caused interest income to move up from Sfr 10.8 million to Sfr 12.6 million.

Pay increases and a larger number of persons employed pushed up staff expenditure. Including cost-of-living allowances for retired staff, total costs amounted to Sfr 71.3 million.

Renovations of bank buildings in Basle and Lausanne, structural adjustments in connection with data processing, day-to-day maintenance of premises and rent for hired office space caused costs for premises to increase from Sfr 20.3 million to Sfr 28.4 million.

Expenditure on equipment totalling Sfr 13.9 million concerned mainly the replacement and extension of computer facilities.

Outlays in connection with the printing and circulation of bank notes amounted to Sfr 23.1 million, as compared to Sfr 20.5 million in the previous year. Interest payments in favour of the Federal Government declined from Sfr 101.1 million to Sfr 82.9 million due chiefly to the lower level of the government's deposits. The cost of writing down the value of newly acquired securities by Sfr 91.9 million was offset against book profits of Sfr 54.9 million on the repayment of securities previously written off. This resulted in a write-off to the tune of Sfr 37 million. Included in the item depreciation are the costs for the takeover of registered shares of OF Orell Füssli Graphische Betriebe AG, Zurich, amounting to Sfr 13.9 million.

4. Organisation (as on 1 January 1992)

4.1 Supervisory authorities

Bank Council	40 members President: Peter Gerber Vice-President: Jakob Schönenberger
Bank Committee	10 members of the Bank Council, including its president and vice-president
Local Committees	3 members each; at both head offices and the eight branches
Auditing Committee	Chairman: Peter Blaser

4.2 Bank management

Governing Board	Markus Lusser, Zurich Hans Meyer, Berne Jean Zwahlen, Zurich
Secretariat General Secretary General Deputy Secretary General	Andreas Frings, Director, Zurich Hans-Christoph Kesselring, Assistant Director, Berne Michel Gremaud, Senior Officer, Zurich
<i>Department I (Zurich)</i>	
Head of Department	Markus Lusser, Chairman of the Governing Board
Press Relations	Werner Abegg, Assistant Director
Deputy Heads of Department	Peter Klauser, Director Georg Rich, Director
Economic Division	Georg Rich, Director
Economic Studies Section	Jean-Pierre Béguelin, Director
Research	Erich Spöndli, Assistant Director Hans-Jürg Büttler, Economic Adviser Franz Ettl, Economic Adviser Michel Peytrignet, Economic Adviser
Economic Analysis	Eveline Ruoss, Senior Officer
International Monetary Relations Section	Monique Dubois, Deputy Director
International Monetary Cooperation	Roberto Cippà, Assistant Director (on leave)
European Monetary Integration	Monique Dubois, Deputy Director
Banking Studies Section	Urs W. Birchler, Director
International Financial Markets	Urs W. Birchler, Director
Studies	Werner Hermann, Senior Officer
Capital Exports	Mauro Picchi, Senior Officer

Statistics Section	Christoph Menzel, Director
Publications	Robert Fluri, Assistant Director Willi Heyden, Senior Officer
Balance of Payments	Thomas Schlup, Senior Officer
Data Bank	Rolf Gross, Senior Officer
Legal and Administrative Division	Peter Klauser, Director
Legal Service	Peter Merz, Deputy Director Martin Hess, Assistant Director
Personnel	Gerhard Nideröst, Director Beat Blaesi, Senior Officer Elsa Schürch, Senior Officer
Pension Fund	Peter Hadorn, Deputy Director
Premises, Technical Services	Theo Birchler, Assistant Director
Internal Auditors	Ulrich Willi Gilgen, Director Othmar Flück, Senior Officer
<i>Department II (Berne)</i>	
Head of Department	Hans Meyer, Vice-Chairman of the Governing Board
Deputy Head of Department	Hans Theiler, Director
Adviser	Max Baltensperger, Director
Banking Division	Theodor Scherer, Director
Central Accounting	Hans-Peter Dosch, Deputy Director
Cashier's Office (Berne)	Paul Bürgi, Assistant Director
Correspondence, Bills and Cheques, Dispatch	Daniel Ambühl, Assistant Director Eric Berthoud, Senior Officer
Securities	Max Isenschmid, Deputy Director Niklaus Wyss, Senior Officer Alexander Hug, Senior Officer
Cash and Collection, Security, Services Division	Johann Ammann, Director
Chief Cashier's Office	Roland Tornare, Chief Cashier Peter Trachsel, Deputy Chief Cashier Urs Suter, Senior Officer
Security	Alex Huber, Assistant Director
<i>Department III (Zurich)</i>	
Head of Department	Jean Zwahlen, Member of the Governing Board
Deputy Heads of Department	Jean-Pierre Roth, Director Christian Vital, Director
Monetary Operations Division	Jean-Pierre Roth, Director
Foreign Exchange Section	Karl Hug, Deputy Director Erich Maurer, Senior Officer

Investment Section	Markus Zimmerli, Deputy Director Peter Bechtiger, Senior Officer Urs Oberhäsli, Senior Officer
Money Market Operations, Bills and Cheques	Beat Spahni, Assistant Director
General Processing and Informatics Division	Christian Vital, Director
General Processing Section	Daniel Wettstein, Deputy Director
Payments Transactions	Eugen Guyer, Deputy Director Walter Gautschi, Senior Officer
Cashier's Office	Roland-Michel Chappuis, Assistant Director
Correspondence	Markus Steiner, Assistant Director
Accounting	Werner Bolliger, Assistant Director Ulrich Kläntschi, Senior Officer
Informatics Section	Rudolf Hug, Director Raymond Bloch, Assistant Director
Banking Applications	Roger Arthur, Assistant Director Roland Wettstein, Senior Officer
Statistical Applications	Jürg Ziegler, Deputy Director Christoph Straub, Senior Officer
Office Automation/ Communication	Peter Bornhauser, Senior Officer
Systems Engineering	Jules Troxler, Assistant Director Werner Knecht, Technical Consultant
Computer Centre Zurich	Peter Künzli, Assistant Director
Computer Centre Berne	Bruno Beyeler, Senior Officer

Branches

Aarau	Heinrich Herzog, Director Fritz Merz, Deputy of the director
Basle	Anton Föllmi, Director Eugen Studhalter, Deputy of the director
Geneva	Yves Lieber, Director Jean-Daniel Zutter, Deputy of the director
Lausanne	François Ganière, Director Nivardo Zanini, Deputy of the director
Lucerne	Max Galliker, Director Josef Huber, Deputy of the director
Lugano	Cesare Gaggini, Director Franco Poretti, Deputy of the director
Neuchâtel	Jean-Pierre Borel, Director Jacques Jolidon, Deputy of the director
St. Gall	René Kästli, Director Anton Keller, Deputy of the director

Agencies

The Swiss National Bank maintains agencies operated by cantonal banks in the following towns:

Altdorf, Appenzell, Bellinzona, Bienne, Chur, Delémont, Fribourg, Glarus, Herisau, Liestal, Sarnen, Sion, Solothurn, Schaffhausen, Schwyz, Stans, Thun, Weinfelden, Winterthur, Zug.

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