

Table of contents

1.	Economic developments – a summary	5
1.1	International economic and monetary developments	5
1.2	Economic developments in Switzerland	7
2.	Central bank policy and financial markets in Switzerland	9
2.1	Some features of Swiss National Bank policy	9
2.2	Development of the monetary aggregates	14
2.3	The financial markets	16
2.4	Bank balance sheets	20
2.5	Structural change and financial innovations	22
2.6	Other aspects of central bank policy	23
2.7	Calculation and distribution of profits by the Swiss National Bank	29
2.8	Chronicle of monetary events	32
3.	Balance sheet and profit and loss account	33
3.1	Main components of the balance sheet since 1961	34
3.2	Profit and loss account since 1987	36
4.	Organisation	41
4.1	Supervisory authorities	41
4.2	Bank management	41

1. Economic developments – a summary

1.1 International economic and monetary developments

The world economy grew vigorously and on a broad regional basis in 1994. In the OECD countries real gross domestic product increased by 2.8%, following an average rise of only 1.3% in the years 1991–1993. The individual OECD countries, however, exhibited divergent cyclical developments. The US economy, which has been expanding since 1992, entered a boom phase. In the United Kingdom gross domestic product also grew markedly. In continental Europe an economic upswing set in. The situation in Japan, by contrast, showed only a slight improvement. Outside the OECD countries notably Southeast Asia recorded high growth rates; Latin America, too, witnessed an increase in economic activity. Various central European countries reaped the first fruits of a profound reform process.

Vigorous growth of the world economy

The economic upswing in the OECD countries was a result of restored price stability, relaxed monetary policies and the consequent decline in interest rates. While in the United States all the demand components expanded vigorously, the pillars of growth in Europe were exports and investment activity. Private and public consumption, on the other hand, remained weak due to the high level of unemployment and predominantly restrictive fiscal policies.

Economic upswing after restored price stability

The current account imbalances between the major industrial countries widened. In the United States the deficit in the trade and current account balances rose once more due mainly to an increase in exports. In Japan the current account surplus continued to expand in the wake of growing demand in the major markets. In Germany the current account deficit also widened while the United Kingdom exhibited a smaller shortfall and Italy a higher surplus.

Larger current account imbalances

The average unemployment rate in the OECD countries again moved up slightly. While it eased in both the United States and the United Kingdom, where the economic upswing is well advanced, a rise was recorded in the countries of continental Europe. Due to employment growth, however, unemployment levels stabilised in a number of countries in the course of the year.

Slightly higher unemployment

The average inflation rate in the OECD countries declined once more. In numerous countries it fell to its lowest level since the sixties. As a result of the worldwide expansion of economic activity, however, the prices of raw materials and other cyclically sensitive commodities moved up sharply.

Lowest inflation since the sixties

Under the pressure of high current account deficits and rapidly rising public indebtedness the governments of most industrial countries put a brake on spending growth; moreover, several countries – notably the United Kingdom and Ger-

Slower increase in expenditure, higher taxes

many – raised taxes. The Japanese government did the opposite: its purposeful implementation of fiscal policy was designed to stimulate the economy. Thus it lowered income taxes and increased government investment. In the United States the federal deficit contracted for the third year in succession; the remaining deficit of approximately 3% of gross domestic product is largely of structural origin.

Tighter monetary policy in the United States – relaxation in continental Europe

In the industrial countries, monetary policies took account of the varying levels of economic activity. The US monetary authorities successively raised the benchmark rates in order to prevent an overheating of the economy. The British authorities also tightened monetary policy. The German Bundesbank, on the other hand, gradually lowered the benchmark rates in the first half-year, but left them unchanged in the second half. The other member countries of the Exchange Rate Mechanism (ERM) of the European Monetary System (EMS) for the most part followed the monetary course implemented by Germany. At the turn of the year, Spain had to increase short-term interest rates in order to support its currency. Italy and Sweden, whose currencies do not form part of the ERM, had taken similar steps in the second half of 1994.

Strong rise in capital market rates

Growing inflationary fears, a tighter monetary policy and vigorous economic growth in the United States led to a steep rise in US capital market rates. Subsequently, long-term interest rates throughout the world moved up perceptibly.

Weak dollar, strong yen

The dollar depreciated markedly against most currencies, notably against the yen. The US and Japanese monetary authorities intervened several times in the foreign exchange markets in order to dampen overshooting exchange rates. In Europe, the pound sterling, the Italian lira and the Iberian and Northern European currencies remained weak while the D-mark appreciated.

Economic recovery in Central Europe, crisis in the successor states of the Soviet Union

The economic downswing, which had set in after the collapse of communism, came to a standstill in Central Europe. In various countries – particularly in Poland, the Czech Republic, Hungary, Slovakia and Slovenia – production again picked up. Conversely, the economic crisis deepened in the successor states of the Soviet Union.

Boom in Southeast Asia

The boom in Southeast Asia remained unbroken; various countries witnessed symptoms of overheating. In China extremely vigorous economic growth was accompanied by rapidly rising inflation, widening budget deficits and increasing difficulties of large government enterprises.

Stabilisation in Latin America

Overall, the economic situation in Latin America stabilised; most countries recorded remarkably strong growth rates.

On 1 January 1995 Austria, Finland and Sweden, which had until then been members of the European Free Trade Association (EFTA), joined the European Union (EU). Norway rejected membership at the end of 1994. The EFTA now consists of Norway, Iceland, Liechtenstein and Switzerland.

Accession of Austria, Finland and Sweden to the EU

1.2 Economic developments in Switzerland

The economic upswing in Switzerland, which has been under way since 1993, strengthened in 1994. Real gross domestic product rose by 2.1% after having been on the decline in the previous year. The chief demand stimuli emanated from exports, equipment investment and residential construction. Private consumption, by contrast, showed no significant improvement; public consumption, too, exhibited very little growth.

Stronger economic upswing

Rising overall demand went hand in hand with a sharp increase in imports. Industrial production also grew markedly; capacity utilisation, which had been rather low in the previous year, returned to a normal level.

Rising imports and expanding industrial production

The situation on the labour market stabilised. Though employment levels declined once more, the seasonally-adjusted unemployment rate, which had reached a peak of 5% in January 1994, fell continuously to 4.4% in December. Conditions, however, still differed considerably from one region to another. Short-time working was also well below the previous year's figure.

Lower unemployment rate

Inflation fell markedly, down to 0.4% by May, around which level it fluctuated slightly until the end of the year. Particularly striking was the significant slow-down of price increases in the service sector. On a year-on-year average, inflation amounted to 0.9%, compared to 3.3% a year earlier.

Stable price level

The deficit of the federal government, which had risen steeply between 1990 and 1993, declined from the previous year's level. Measured in relation to gross domestic product, it narrowed to 1.4%. While the growth in expenditure slowed, receipts grew at an accelerated pace. According to the preliminary budget outcomes, the deficits of the cantons and the communes do not seem to have increased any further compared to the previous year.

High deficits of the Confederation, the cantons and the communes

In 1994 the current account closed with a somewhat lower surplus than a year earlier. The decline was partly due to smaller net factor incomes from abroad. The surplus in the services account was unchanged from the previous year's level.

Slightly lower current account surplus

Lower money market rates and higher capital market yields

Money market rates showed only a modest decline between January and December. On an annual average, however, they were well below the 1993 level. From February onwards the pull exerted by the global rise in capital market rates caused long-term interest rates to move up sharply. Consequently, the yield curve of interest rates became considerably steeper.

Appreciation of the Swiss franc

In 1994 the Swiss franc appreciated against most currencies in both real and nominal terms. Compared to 1993, the export-weighted real exchange rate rose by 5.1% and the nominal one by 6.1%.

2. Central bank policy and financial markets in Switzerland

2.1 Some features of Swiss National Bank policy

The monetary policy of the Swiss National Bank aims at keeping the price level stable in the medium term. This goal can be achieved if the demand for domestic goods and services grows to the same extent as potential output. The Swiss National Bank exerts an influence on overall economic demand by regulating the growth of the money supply. An inordinate expansion of the money supply would trigger excessive demand. The production facilities would not be able to keep up with demand; price rises would be the result. The money supply will therefore only be allowed to expand to the extent that the economy needs leeway for real growth within the limits of potential output.

Stable price level as main aim of monetary policy

We orient our monetary policy course to a medium-term growth path for the seasonally-adjusted monetary base. This path represents an "ideal line". It shows the development in demand for base money if the price level remains stable and the overall output potential is normally utilised. Price stability is regarded as being equivalent to an annual rise in the consumer price index of approximately 1%. The medium-term growth path indicates the direction in which we should adjust the supply of base money. At the same time, we retain the option of reacting appropriately to unexpected developments such as strong fluctuations in the exchange rate and in the demand for money. The course of monetary policy can therefore temporarily deviate from the medium-term path. Nevertheless, in order to make our policy as transparent as possible, we announce, at the end of each year, our expectations concerning the following year's developments. In addition, we publish quarterly forecasts of the monetary base that shed light on our plans for the immediate future.

Monetary base as target variable

All in all, the concept of a medium-term money supply target has so far stood the test. This approach has made it possible to restore price stability. In the new medium-term target period this stability will have to be maintained. At the same time, the economy must be enabled to gradually adjust to the productive capacity not yet fully utilised.

Successful medium-term strategy

In 1994 we intended to allow the seasonally-adjusted monetary base to expand – as in the previous year – by more than 1%. In this way, the monetary base was to come closer to the growth path without, however, reaching it already in 1994. These intentions rested on the expectation that inflation would fall to approximately 1.5%, the continued economic recovery would lead to an increase in gross domestic product of likewise approximately 1.5% (fourth quarter of 1994 as compared to the corresponding period of the previous year) and short-term interest rates would still decline slightly.

Basic assumptions for SNB policy in 1994

Weak expansion of the monetary base in 1994

The monetary base expanded by a mere 0.6% between the fourth quarter of 1993 and the fourth quarter of 1994. Following a spell of vigorous growth in the first half-year, it declined perceptibly in summer and autumn. Contrary to our expectations, the gap between the medium-term growth path and the actual level of the monetary base did not narrow. This is due to two main factors. First, the demand for banks' sight deposits held at the Swiss National Bank diminished due to changes in the composition of bank liabilities in the second half-year. Notably in October sight deposits sank to low levels. Second, the inflation rate fell more rapidly than anticipated in 1994. The demand for base money was consequently almost 1% lower than originally expected. We could not simply accept this inflation-induced slowdown in the growth of demand for money if we did not want to risk following an excessively restrictive course. In the last few months of the year we therefore again tried to expand banks' sight deposits somewhat. This led to a decline in call money rates. Since the bank-note component of the monetary base only reacts to interest rate adjustments with a time lag, the shortfall in the envisaged money supply growth was, however, not made good again by year-end.

Strong rise in the real Swiss franc rate

The real export-weighted exchange rate of the Swiss franc rose to a high level in the course of 1994. On the one hand, this contributed to a rapid decline in inflation. On the other hand, price competitiveness deteriorated in the sectors that are exposed to foreign competition, triggering understandable fears of lower earnings and a loss of market shares. A relaxation of monetary policy out of consideration for the exchange rate would, however, have conjured up the danger of a renewed inflationary push. The high value of the Swiss franc on the exchange market was not primarily the result of the general strength of the Swiss franc; it was, instead, brought about by the weak state of some major currencies – of the dollar, the lira and the pound sterling. By contrast, at the close of 1994 the D-mark rate stood at approximately the same level as at the beginning of the year.

Target path 1990–1994 undershot

The goal of several years to bring the monetary base back to the medium-term path by the end of 1994 was not achieved. In the fourth quarter of 1994, the seasonally-adjusted monetary base undershot the growth path envisaged by approximately 4%. About half of this deviation is due to shifts in the demand for money during the past five-year period. In particular, by continuously improving their liquidity management, the banks again perceptibly reduced their demand for sight deposits in 1991; 1994 saw a further slight decline. The remaining deviation is attributable to the prolonged period from 1990 to 1992 during which a restrictive monetary policy was pursued. We were then compelled by persistent inflation to adhere to our restrictive course for much longer than we had anticipated when switching to a medium-term strategy. When, in the summer of 1992, we began to relax our monetary policy considerably, the discrepancy in relation to the target path had already increased to approxi-

mately 5%. Closing this gap completely within the space of two years would have required an excessively expansionary monetary policy. In 1993 and 1994, however, it was our aim to let the monetary base expand by distinctly more than 1% in order to reduce the discrepancy in relation to the growth path.

Seasonally-adjusted monetary base

(Year-on-year 4th quarter percentage change)

	Medium-term target (%)	Actual growth (%)
1990	1*	-2.6
1991	1	1.4
1992	1	-1.0
1993	1	2.8
1994	1	0.6
Annual average	1	0.2

* The medium-term target was set retroactively at the end of 1990

At the end of 1994, we fixed a new medium-term growth path for the seasonally-adjusted monetary base for the period up to the end of 1999. Its starting point is slightly below the end point of the path which represented the guideline for the target period 1990 to 1994. This adjustment reflects, among other things, the shifts in the demand for money in the preceding five years. We estimate these shifts in demand at approximately Sfr 0.7 billion. The starting point of the new target path would have had to be lowered by this amount vis-à-vis the end point of the previous target path.

New target path
1995 to 1999

The starting point of the money supply path was, however, not lowered to the full extent of the shifts in demand as in 1995 a price surge of an estimated 1.3% is expected to be set off by value-added tax. We will adjust the supply of base money to the increase in the demand for money of approximately Sfr 0.4 billion. This fact had to be taken into account when the base level of the new target path was fixed.

Increased demand
for money due to
value-added tax

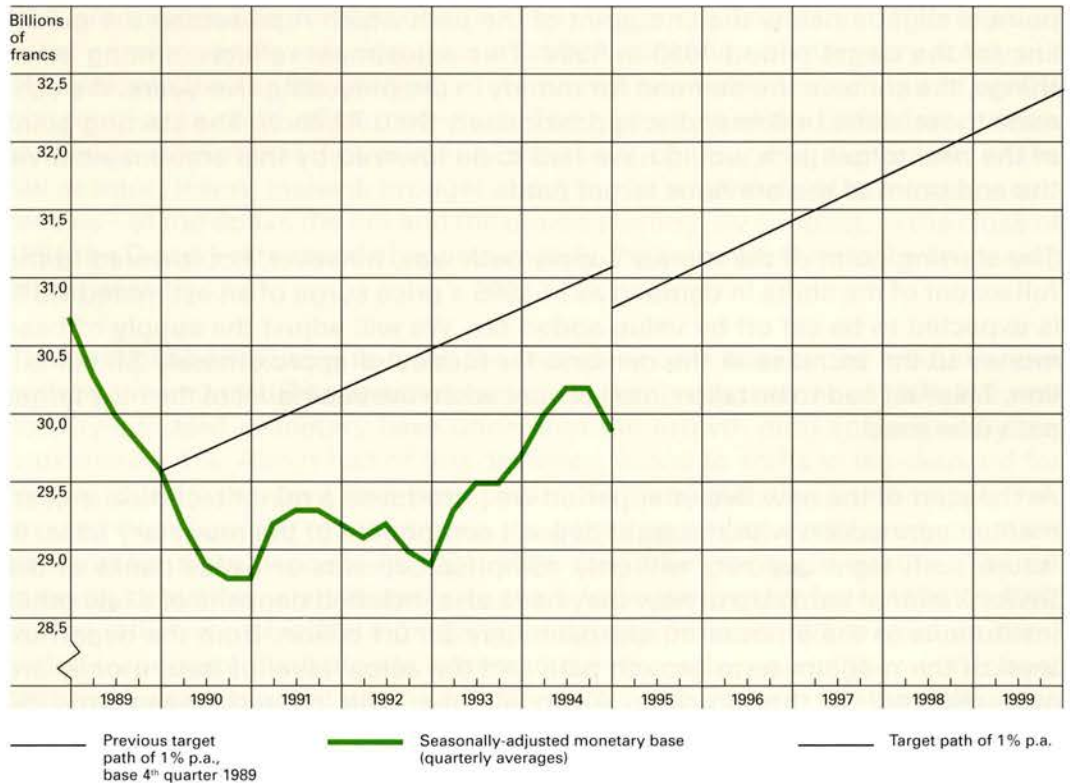
At the start of the new five-year period we introduced a minor technical adjustment in connection with the sight deposit component of the monetary base. In future such sight deposits will only comprise deposits of Swiss banks at the Swiss National Bank. Up to now they have also included deposits of a few other institutions to the amount of approximately Sfr 0.1 billion. Both the departure level of the medium-term growth path and the actual level of base money are now reduced by this amount. All in all, the path moved downwards by Sfr 0.4 billion. Its starting point in the fourth quarter of 1994 is Sfr 30.7 billion (cf. graph).

Technical adjustment
of sight deposits
in the monetary base

Target path to continue rising by 1%

Along the medium-term target path the monetary base is envisaged to increase by 1% per annum. This growth rate is once more below the estimated increase of 2% in potential output. The shortfall reflects the growing trend towards cashless payments. As a result, the velocity of the monetary base rises over time; bank note circulation, which accounts for over 90% of the monetary base, is expanding much more slowly than national product.

Seasonally-adjusted monetary base



The departure level of the new target path exceeds the actual level of the seasonally-adjusted monetary base in the fourth quarter of 1994 – amounting to Sfr 29.8 billion after the technical adjustment in connection with sight deposits – by Sfr 0.9 billion. There were two reasons for fixing the path at this level. First – as stated above – value-added tax will boost the demand for money in 1995. Second, real gross domestic product is currently still below its potential level. As economic performance approaches potential output, the demand for money is likely to rise even more. This increase must be met by a more abundant supply of money; failing this, we would delay the closure of the output gap and engender deflationary trends.

Approaching
the target path

As in the past, unexpected shifts in the demand for money – which may, for example, derive from innovations in payments transactions – cannot be ruled out in future. We will therefore adhere to our practice of reviewing the indicator role of the monetary base and the target path periodically and will also closely follow the development of the other monetary aggregates, notably the money stock M_1 .

Periodic review
of the target path

We intend, by agreement with the Federal Government, to continue to implement a restrictive monetary policy in 1995. By this policy, we seek to contribute to price stability during the economic upswing while allowing the economy sufficient leeway for adequate growth. We are again envisaging an expansion of the seasonally-adjusted monetary base in excess of the medium-term growth rate of one per cent per annum. In this way, we will take account of the higher demand for money emanating from the economic upswing and the introduction of value-added tax. From the fourth quarter of 1994 to the fourth quarter of 1995 we are anticipating an increase in the demand for base money of approximately 2% and intend to expand the money supply more or less in keeping with this demand. The seasonally-adjusted monetary base is therefore expected to come closer to the medium-term target path. A clear discrepancy will, however, still remain at the end of 1995. We shall review our monetary policy if value-added tax should cause unexpectedly strong inflationary trends to emerge. As usual, we also retain the option of deviating from the monetary course in case of serious disruptions in the financial markets.

Monetary policy in 1995

The monetary policy course envisaged in 1995 is based on the following assumptions: real gross domestic product in 1995 is expected to grow year-on-year by a little over 2%. In the fourth quarter of 1995, real gross domestic product should exceed the previous year's level by 2.5%. In the wake of the newly introduced value-added tax the inflation rate is likely to accelerate temporarily. On an annual average, it may rise close to 3%, at times even exceeding the 3% mark. These forecasts rest on the assumption that value-added tax will not be used as a pretext for excessive price rises.

Slightly accelerated real
growth and tax-induced
higher inflation

Distinctly slower expansion of the monetary base

2.2 Development of the monetary aggregates

Following a steep rise at the start of the year, the seasonally-adjusted monetary base declined almost uninterruptedly from May to December; in the fourth quarter it only exceeded the previous year's level by 0.6% (previous year: 2.8%). Both bank note circulation and bank reserves held with the Swiss National Bank contributed to this decline in the second half-year. While the weak development of bank note circulation was due in large measure to the unexpectedly rapid fall in inflation, the diminution of bank reserves reflected mainly the slowdown in the banks' demand for liquidity.

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
1989	29.9	-2.4 ⁹	77.0	-5.5	179.0	20.1	353.7	6.2
1990	28.9	-2.6	73.8	-4.2	202.3	13.0	362.1	2.4
1991	29.2	1.4	74.7	1.2	208.9	3.2	373.7	3.2
1992	29.0	-1.0	74.6	-0.1	210.0	0.5	384.1	2.8
1993	29.5	2.8	81.6	9.3	193.5	-7.9	402.4	4.8
1994	30.1	0.6	86.4	5.8	189.9	-1.9	424.9	5.6
1994								
1 st quarter	30.0	2.5	87.0	9.7	190.8	-4.3	424.9	7.2
2 nd quarter	30.2	2.4	85.9	6.0	190.5	-1.5	426.6	6.5
3 rd quarter	30.2	2.2	84.0	4.5	187.2	-1.3	420.2	4.9
4 th quarter	29.9	0.6	88.5	3.2	190.9	-0.2	428.0	3.8

¹ Cf. Monthly Report of the SNB, tables B1 and B2; as from 1986, 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 M₁ = Currency in circulation plus sight deposits in Swiss francs (without precious metals) held by the resident nonbank public.

⁴ Money stock M₂ = M₁ plus time deposits in Swiss francs held by the resident nonbank public.

⁵ Money stock M₃ = M₂ plus savings deposits held by the resident nonbank public.

⁶ Averages based on monthly figures.

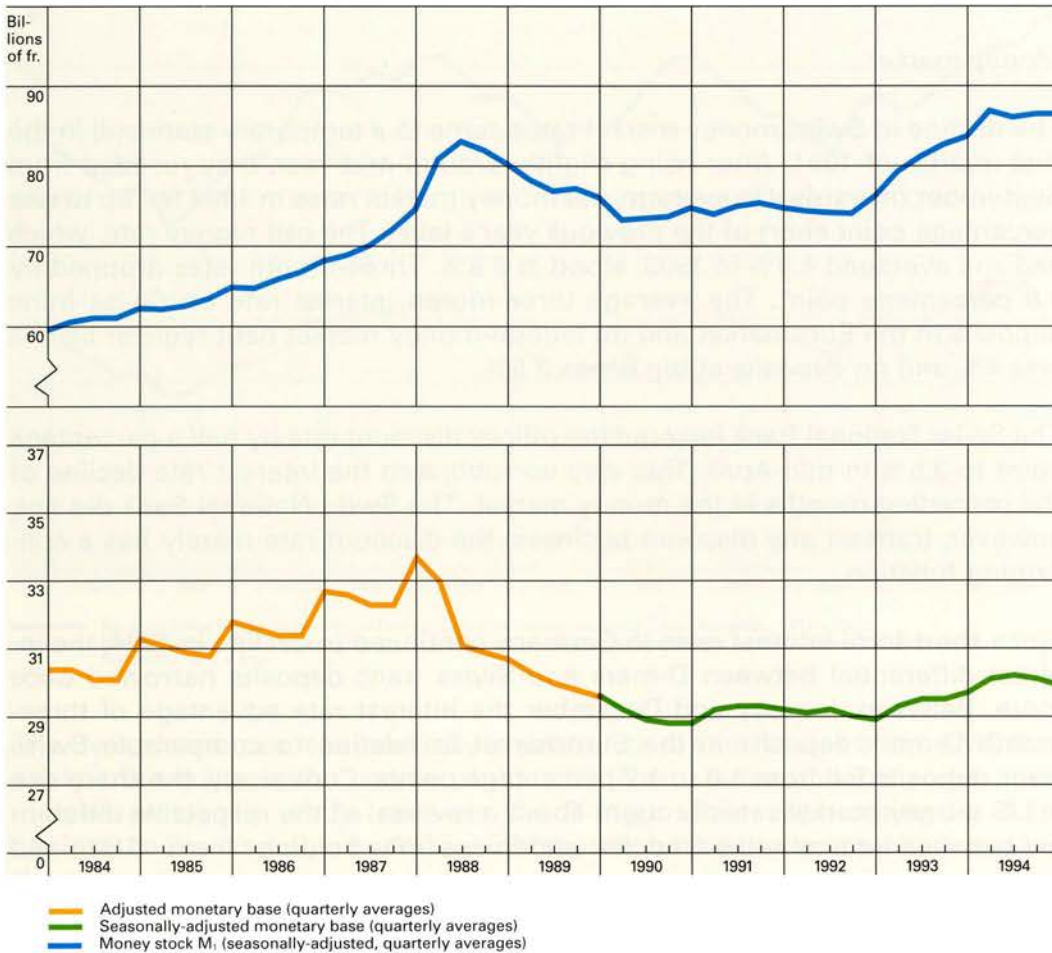
⁷ Annual changes: fourth quarter compared to a year earlier.

Quarterly changes: compared to fourth-quarter level of previous year.

⁸ Percentage change 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%.

Monetary base and money stock M₁ in billions of francs



On average, the monetary aggregate M₁ exceeded its 1993 level by 5.8%. This rise, however, was due mainly to the marked increase during 1993 and at the start of 1994. From the second to the fourth quarter of 1994, the seasonally-adjusted money stock M₁ – similar to the monetary base – remained virtually unchanged. The money stock M₃, which comprises the aggregate M₁, time deposits and savings deposits, expanded a little more strongly – by 5.6% – than a year earlier. In the course of the year this growth tapered off. Savings deposits, which had still risen by almost 19% in the first quarter, recorded a slowdown in growth to approximately 7% by the fourth quarter.

Weaker growth of the money stock M₁ – stronger increase in the money stock M₃

2.3 The financial markets

Money market

Lower money market rates on an annual average

The decline in Swiss money market rates came to a temporary standstill in the first quarter of 1994. After rising slightly around mid-year, they receded from September onwards. On average, the money market rates in 1994 fell up to one percentage point short of the previous year's level. The call money rate, which had still averaged 4.9% in 1993, stood at 3.8%. Three-month rates dropped by 0.8 percentage point. The average three-month interest rate on Swiss franc deposits in the Euromarket and on federal money market debt register claims was 4% and on deposits at big banks 3.5%.

Lowering of the discount rate in April

The Swiss National Bank lowered the official discount rate by half a percentage point to 3.5% in mid-April. This step corroborated the interest rate decline of the preceding months in the money market. The Swiss National Bank did not, however, transact any discount business; the discount rate merely has a confirming function.

Narrower negative interest differential vis-à-vis the D-mark – reversal of interest rate advantage vis-à-vis dollar holdings

Since short-term interest rates in Germany continued to decline in 1994, the interest differential between D-mark and Swiss franc deposits narrowed once more. Between January and December the interest rate advantage of three-month D-mark deposits in the Euromarket in relation to comparable Swiss franc deposits fell from 1.8 to 1.2 percentage points. Conversely, the sharp rise in US money market rates brought about a reversal of the respective differential between interest rates on dollar and Swiss franc holdings from -0.8 to +2.1 percentage points.

Foreign exchange market and exchange rates

Appreciation of the Swiss franc in nominal terms

The Swiss franc continued to appreciate against most currencies in 1994. The export-weighted nominal exchange rate of the Swiss franc rose by 3.4% from January to December.

Appreciation vis-à-vis the dollar, slight decline vis-à-vis the yen

The most significant factor was the massive appreciation of the Swiss franc vis-à-vis the dollar. In December 1994 the Swiss franc exceeded the January level by 10.7%. It declined by 0.5% against the Japanese yen, compared to 11.4% in the previous year.

Nominal and real exchange rate index of the Swiss franc



The Swiss franc rose less markedly in relation to the currencies of the EMS than against the dollar in the course of the year. From January to December it remained practically stable vis-à-vis the D-mark while appreciating by 1.2% against the French franc, by 6% against the pound sterling and by 6.4% against the Italian lira.

Stable vis-à-vis the D-mark – rising vis-à-vis other European currencies

The real (i.e. adjusted for relative rates of inflation in Switzerland and abroad) export-weighted exchange rate of the Swiss franc rose by 0.7% in the course of 1994, i.e. much less markedly than the nominal exchange rate.

Slight appreciation in real terms of the Swiss franc

The Swiss National Bank intervened twice in the foreign exchange market in 1994. In May and in June it participated with a total amount of US dollars 100 million in concerted central bank actions in support of the US dollar.

Interventions in the foreign exchange market

Capital market

After the marked decline in the previous year, Swiss bond yields fell to their lowest level since 1988 at the turn of the year 1993/94. From February to the end of September long-term interest rates rose almost uninterruptedly; in the course of the fourth quarter they again receded somewhat. The average yield

Rise in long-term interest rates

on federal bonds amounted to 5.3% in December, thus exceeding the corresponding level twelve months earlier by 1.2 percentage points.

The issuing yield on federal money market debt register claims with a three-month maturity fell by 0.1 percentage point to 4.1% during 1994. The rate differential between federal long-term bonds and three-month federal debt register claims rose markedly to 1.1 percentage points in the course of the year, resulting in a considerably steeper yield curve of interest rates.

The banks increased interest rates on their new medium-term notes with a time lag. In December, the average rate on medium-term notes of the cantonal banks stood at 5.2%, exceeding the previous year's level by one percentage point. The rates on three- and four-year maturities averaged 4.9%, and on seven- and eight-year maturities 5.2%. Despite these strongly rising yields, the cantonal banks lowered their average rates on savings deposits from 3.6% at the beginning of 1994 to 3.3% in the second half of the year.

Steeper yield curve

Higher interest rates on medium-term notes, lower interest rates on savings deposits

Money and capital market rates



The banks left their interest rates on new first mortgages unchanged at 5.5% while reducing the corresponding rates on existing mortgages from 5.9% at the beginning of the year to the same level of 5.5% from May onwards.

Unchanged interest rates on new mortgages, lower rates on existing mortgages

The strong rise in long-term interest rates also caused a shift in sentiment on the Swiss stock market. The Swiss Performance Index, which had topped the year-earlier level by approximately 60% at the end of January 1994, subsequently suffered a turnaround, dropping 14% by year-end.

End of price rally on the stock market

Bonds and shares totalling Sfr 64.1 billion were issued in the Swiss capital market in 1994, falling short of the previous year's level by 21.1%. The decline in percentage terms was more marked in the domestic sector than in the foreign sector. In the domestic sector new issues amounted to Sfr 27.2 billion. After deduction of redemptions to the amount of Sfr 17.7 billion, the volume of net borrowing in the capital market by domestic issuers totalled Sfr 9.5 billion, as against Sfr 19.4 billion a year earlier.

Decline in the volume of new issues

Capital exports authorised by the Swiss National Bank in 1994 totalled Sfr 39.2 billion, a volume well below the previous year's record level. Both bonds (-28%) and credits (-25%) declined significantly; credits sank to the lowest level for several years. The proportion of bonds in total capital exports subject to authorisation remained unchanged at just under 85%. Issuing activity slowed more markedly in the Swiss capital market than in the international capital markets. After a slight increase in 1993, the percentage share of the Swiss franc in international issuing business consequently shrank once more.

Decline in capital exports – smaller Swiss share in international issuing business

The rise in long-term interest rates and the declining trend in stock market prices dampened issuing activity both in the ordinary bond (straights) sector and in the equity-related bond sector. The volume of straights fell by 26% to Sfr 20.7 billion, that of equity-related bonds by 32% to Sfr 12.2 billion. While convertible bonds exhibited a slight rise, warrant bonds diminished to almost half of the previous year's figure. The proportion of ordinary bonds in total bond issues subject to authorisation increased slightly from 61% to 63%. Private placements accounted for 54% of the total volume (previous year: 58%).

Decline in ordinary and equity-related bond issues

The OECD countries combined absorbed 83% of total capital exports subject to authorisation in 1994, compared to 88% in the previous year. Western Europe's share remained unchanged at 52%, Japan's share dropped from 27% to 21%. North America expanded its share from 8% to 10%, and the Caribbean zone from 6% to 8%. The international development organisations accounted for 2% of capital exports subject to authorisation, as against 4% a year earlier.

Shift in regional distribution

Capital export authorisations according to financial instruments and groups of countries

(percentages)

	1991	1992	1993	1994
Financial instruments				
Bonds ¹	70.9	73.9	84.7	84.1
<i>of which: straight bonds</i> ²	43.2	51.2	51.7	52.9
<i>convertible bonds</i>	9.9	5.6	7.9	11.9
<i>warrant bonds</i>	17.8	17.1	25.0	19.4
Loans	29.1	26.1	15.3	15.9
Total	100.0	100.0	100.0	100.0
Groups of countries				
European Community	32.6	41.6	37.0	40.1
European Free Trade Association	9.4	12.0	14.9	9.8
United States, Canada	15.2	13.3	8.1	10.4
Japan	30.4	22.3	26.8	20.5
Other countries	12.5	10.7	13.3	19.1
Total	100.0	100.0	100.0	100.0
<i>of which development organisations</i> ³	5.2	6.7	4.1	1.5
Total amount, billions of francs	42.5	37.5	54.3	39.2

¹ Including foreign currency and dual currency bonds.

² Including takeovers, share capital increases as well as placement, issuance and payment of shares.

³ World Bank (IBRD), IDB, AfDB, AsDB.

2.4 Bank balance sheets

Gradual recovery

The development of bank balance sheets in 1994 continued to be characterised by the recent recession. Credit business stagnated, and the inflow of customer deposits exceeded net lending, resulting in a markedly higher level of financial assets at the end of 1994 than a year earlier. In 1994 the banks' combined balance sheet total increased by 1%.

Expansion of financial assets

The proportion of financial assets (liquid funds, balances from interbank business, bills and money market paper as well as securities) in the balance sheet total advanced from 27% at the end of 1993 to 28% at the end of 1994. The increase in financial assets is the result of a higher level of securities holdings (+1%) and a rise in the less significant proportion of bills and money market paper; interbank business showed a decline.

At the end of 1994, the liquid assets of the banks (cash, sight deposits at the Swiss National Bank and postal checking accounts) fell short of the previous year's level by 6%. The liquidity ratio I (actually available liquid funds as a percentage of legally required liquid funds, measured as an average from the 20th of each month to the 19th of the following month) stood at 125% at the end of 1994, compared to 130% a year earlier.

Lower level of cash liquidity, lower liquidity ratio

The banks' lending activity still remained untouched by the economic recovery. As in the previous year, loans hardly expanded (0.6%). The period from 1992 to 1994 thus saw the longest credit slump in decades. The individual components of the credit volume showed varying development in 1994. Lending to the domestic sector rose by 2%, a little more than in 1993 (1%), while the banks' foreign credits sank by 5%. This decline was due mainly to the lower dollar exchange rate. Another reason was that a number of banks disposed of foreign credits on the secondary market.

Slow credit expansion

From the end of December 1993 until the end of December 1994 mortgage business expanded by 4%. Construction loans, which precede mortgage loans, stagnated in the wake of a very hesitant recovery in building activity. The volume of construction loans granted – which include both utilised credits and open limits – stood at the previous year's level (-0.4%) at the end of 1994. Construction loans granted were 20.9% below the record figure at the end of 1990, compared to a mere 0.4% during the recession of 1982/83. The utilisation of existing limits decreased once more while the volume of open limits, which had been on the decline since the end of 1989, began to rise again in 1994.

Moderate expansion in mortgage lendings

The inflow of customer deposits continued, the total exceeding the previous year's level by 2% at the end of 1994. The banks recorded a significant 5% increase on savings and deposit accounts, which showed a comparatively high real interest return in 1994. At 7%, time deposits also rose significantly. Swiss franc denominated time deposits, by contrast, diminished by 2%. Sight deposits fell short of the previous year's level by 5% at the end of December 1994. Medium-term notes exhibited the strongest decline (-11%).

Sustained inflow of customer deposits

In off-balance sheet business fiduciary funds amounted to 4% less than at the end of December 1993. Approximately a quarter of the fiduciary funds originated in Switzerland; the bulk of fiduciary funds were invested abroad.

Decline in fiduciary business

2.5 Structural change and financial innovations

Continued structural change in the Swiss banking sector

The Swiss banking sector continued to undergo structural change in 1994. Various takeovers led to a further concentration. The number of staff employed in the banking sector remained virtually unchanged.

Institutional changes at the cantonal banks

Several cantons revised their cantonal bank laws. Furthermore, on 31 December 1994, the "Solothurner Bank", a subsidiary of Swiss Bank Corporation established in mid-December, took over a majority shareholding in the "Solothurner Kantonalbank" (SKB). This is the first instance of a state financial institution being changed into a private enterprise. The population of the canton of Solothurn had previously voted in favour of transforming the SKB into a private-law company limited by shares. The state guarantee of the canton remains in force for term liabilities until maturity and for all other funds until the end of 1996.

Establishment of a regional-bank holding company

On 1 September 1994, a holding company for the Swiss regional banks (RBA) was established. RBA consists of three subsidiaries: "Kontroll- und Finanz AG", which pursues structural objectives, and "Zentralbank AG" and "Service AG", which assist the associated institutions in providing facilities by seeking to exploit economies of scale. Of 144 regional banks with combined total assets of Sfr 45 billion 98 have joined RBA. Most of the remaining 46 regional banks have secured the participation of, or cooperation with, a sizeable banking institution. The "Neue Aargauer Bank" – Switzerland's largest regional bank – was taken over by CS Holding on 18 November 1994.

Revision of the Banking Ordinance

On 1 February 1995, the revised Ordinance on Banks and Savings Banks entered into force. New regulations concern mainly the fields of capital adequacy and disclosure. One objective of the revision is to capture comprehensively, and make subject to capital adequacy requirements, credit risk in all lines of business, including derivative financial instruments. The other objective is to achieve greater transparency in bank statements, taking into account international standards.

Revision of the investment fund law

The aim of the revised investment fund law, which entered into force at the start of 1995 – the previous one dated from 1966 –, is to better accommodate investors' needs. Thus investment funds involving special risks are now also admitted. The law furthermore establishes the material preconditions for marketing securities funds in EU countries.

On 1 August 1994, new penal provisions for more effectively combating money laundering entered into force. Under these regulations, anyone participating in, or supporting, a criminal organisation will be subject to punishment. Moreover, the seizure of illegally acquired assets by the criminal prosecution authorities will be facilitated. Other than under the previously applicable law, the judge is now empowered to confiscate the assets of members of a criminal organisation without having to prove that the respective organisation has the power of disposition over these assets; this is assumed to be the case until evidence to the contrary is provided.

New penal provisions for combating money laundering

Union Bank of Switzerland submitted a proposal for converting registered shares into unitary bearer shares to its shareholders. The resolution in favour of this proposal, passed at the extraordinary General Meeting of Shareholders of 22 November 1994, has, however, been contested in court. CS Holding has announced the introduction of unitary registered shares.

Trend towards unitary shares

The SOFFEX (Swiss Options and Financial Futures Exchange) admitted four new members in 1994, three of them domiciled abroad. SOFFEX has entered into a cooperation agreement with the "Deutsche Terminbörse" (German futures and options exchange) providing for easier access to members on a reciprocal basis.

SOFFEX

On 11 July 1994, the new version of the interbank payment system SIC (Swiss Interbank Clearing) was put into operation. This system enables the money side of the securities transactions processed by SECOM (SEGA Communication) to be linked to the transfer of securities; in this way, a strict "delivery-against-payment" procedure for securities settlement can be realised. The linking of SIC with SECOM is planned for March 1995.

SIC, SECOM

Switzerland's electronic stock exchange (EBS) started a trial run in 1994. Actual operations are scheduled to begin in June 1995.

Trial run at Switzerland's electronic stock exchange

2.6 Other aspects of central bank policy

Swisslex revision of the Banking Law – Changes in the SNB's sphere of responsibility

The Federal Council put the Swisslex revision of the Banking Law passed by the federal parliament on 18 March 1994 into force as per 1 February 1995. At the proposal of the Swiss National Bank, legal competences of the central bank were removed in three areas. A declaration of good conduct by foreign-con-

Liberalisation of central bank policy

trolled banks vis-à-vis the Swiss National Bank will in future no longer be required. This declaration has so far been an essential requirement for obtaining a licence according to Art. 3^{bis}, para 1 of the Banking Law. The duty of banks to report interest rate increases on medium-term notes (Art. 10 of the Banking Law) has also been abolished. Finally, the regulation concerning the authorisation of capital exports laid down in Art. 8 of the Banking Law has been transformed into a protective clause which the Swiss National Bank may now apply only in exceptional circumstances.

Monitoring of Swiss
franc issuing business

The sole condition for authorising capital export business still applied by the Swiss National Bank was the lead manager rule in force since April 1993. According to this principle, which is also observed by the central banks of major EU countries, the lead manager of an issuing syndicate for Swiss franc denominated bonds must be domiciled in Switzerland or Liechtenstein. In order to maintain the lead manager rule, Art. 7, para 5 was inserted into the Banking Law in the context of the Swisslex revision. According to this addendum, the Swiss National Bank takes the necessary measures to monitor the development of the Swiss franc markets. On the basis of this new competence, the Swiss National Bank can introduce a reporting requirement for banks with respect to Swiss franc bond issues which is no longer limited to bond issues of foreign borrowers, but also includes Swiss franc issues of domestic borrowers. The lead manager rule is thus also applicable for these bond issues, which leads to equal treatment of foreign and domestic bond issues.

Federal Law on combating money laundering in the financial sector

Features of the draft law

In January 1994, the Federal Department of Finance opened the procedure for submitting comments on the preliminary draft of a federal law on combating money laundering in the financial sector (money laundering law). The draft law is designed to supplement the existing provisions for combating money laundering and to extend their applicability beyond the banking system. The contents of the draft law closely follows the EU directive on money laundering. It applies to those areas of the financial sector that are already subject to supervision (banks, investment funds, insurance companies, PTT [postal and communications services]) as well as to a number of other business activities of a financial nature (administration of assets, investment counselling, trading in cash, foreign exchange, precious metals and securities, etc.). Persons and enterprises subject to this law are obliged to establish the identity of the contracting party and of the beneficial owner, to clarify the nature of unusual transactions, they are responsible for the proper documentation of customer relations and business transactions and, notably, for reporting any suspicious cases. The fulfilment of these obligations is secured by penal law. A government agency is designated to assume coordination and control functions.

In its comments on the draft law, the Swiss National Bank expressed its satisfaction that the nonbank sector was to be made subject to stricter regulations against money laundering. At the same time, it pointed out that in addition to ensuring compatibility with European regulations, due attention should also be paid to the Euro-competitiveness of the Swiss financial centre. It criticised the preliminary draft on the following three points: criteria for a clear distinction between criminal offences and administrative offences in money laundering cases are lacking. It also expressed reservations on plans to impose obligations of administrative law on certain businesses in the financial sector that had hitherto not been subject to supervision at a time when the fulfilment of these obligations is not effectively supervised. Finally, the Swiss National Bank considered it hardly practical to have reporting rights – already embodied in criminal law – side by side with the envisaged reporting duty. It recommended that the preliminary draft be thoroughly revised.

Attitude of the Swiss National Bank

The introduction of value-added tax

Detailed planning of the value-added tax system was begun with all due speed following the positive vote of the electorate on 28 November 1993. In order to gain time, the Federal Department of Finance had already, at the end of October 1993, submitted a draft of the new value-added tax ordinance to the interested bodies for comment. The revised ordinance was passed by the Federal Council on 22 June 1994 and put into effect on 1 January 1995.

Detailed planning of the new regime

In its comments the Swiss National Bank dealt mainly with the potential implications of value-added tax for the international competitiveness of the Swiss financial centre. It argued in favour of a turnover tax regulation which would also conform to European standards in the details. It stressed the need for the unrestricted exemption from value-added tax of bank services provided to customers abroad. The taxation of services to personal customers in other countries envisaged in the draft ordinance would have adversely affected the competitiveness of the Swiss financial centre and presumably led to a considerable loss of business. The Swiss National Bank therefore noted with approval that the Federal Council took these fears seriously and exempted the services to all foreign recipients from the tax provided these are utilised or exploited abroad.

Comments of the Swiss National Bank

Total revision of cartel law

Main innovations

The preliminary draft for the total revision of the cartel law submitted to the interested bodies for comment at the end of October 1993 is to be seen as a contribution to the country's renewal in the domain of the market economy. The competitive forces in Switzerland's domestic economy are to be strengthened by selective amendments to the law. The main emphasis is on a consistent application of the concept of effective competitiveness: according to the preliminary draft, all forms of private restriction of competition are in principle regarded as economically and socially damaging and are deemed to be inadmissible. The better structured provisions against cartels are supplemented by specific regulations on the abuse of market power by individual or several enterprises and by preventive merger control. Law enforcement and the sanctions order are also to be made more effective.

Comments by the Swiss National Bank

In its comments of March 1994 on the draft of the revision, the Swiss National Bank emphasised the importance of well-functioning competition. Flexible prices are a prerequisite for an effective monetary policy. In phases of high inflation, prices that are slow to react to changes in the market due to price fixing agreements impair the efficacy of a restrictive monetary policy. Therefore, the Swiss National Bank supported the aim of the revision, i.e. to tighten federal regulations against impediments to competition. Moreover, it suggested that the exceptional admission of restrictions on competition in cases of predominantly public interest be re-examined since under this label group interests can also be advanced to justify cartels, vertical agreements and other activities that run counter to free market principles. The Swiss National Bank, moreover, dealt critically with the proposed compulsory authorisation procedure for mergers. It expressed itself in favour of exempting minor mergers from the new regulation and of raising the level of total assets for mergers in the banking sector in order to prevent rescue operations for banks in distress from being impeded.

Draft of a single market law

Measures for the renewal of the market economy

As part of the sequent programme following the rejection of the EEA agreement and the measures for the renewal of the Swiss economy under a market economy aspect, a study group set up by the Federal Department of Economic Affairs worked out a preliminary draft for a federal law on the single market. The single market law aims – within the framework of the existing Constitution – at reducing public-law impediments to competition in the Swiss domestic market. The core of the new law is the abolition of cantonal or communal barriers to market access applying to nonlocal Swiss suppliers. According to the concept of the study group, the law is to be a basic act containing merely the principles and their effective applicability. It is the responsibility of the respec-

tive state or communal authority and of the courts to ensure that these principles are applied. In spring 1994, the preliminary draft was submitted to the interested bodies for comment by the Federal Department of Economic Affairs.

In its comments, the Swiss National Bank approved of the aims of the preliminary draft from an economic point of view. Its basic assumption is that a strengthening of domestic market mechanisms would improve the efficiency of the Swiss economy. It also agreed to the concept of a framework law. The only alternative to a federal framework law would have been to harmonise the legal arrangements on the regional administrative levels. Such a solution would, however, have prevented competition between different regulatory systems, and this would have to be considered economically damaging. Furthermore, the Swiss National Bank advocated the creation of a clear constitutional basis for promoting the liberalisation of public tender procedures.

Comments by the
Swiss National Bank

Cooperation of the Swiss National Bank in international monetary measures

The legal basis for standby arrangements entered into by the Swiss National Bank in the form of credits is the decree of the federal parliament on Switzerland's cooperation in international monetary measures of 22 March 1985. In its message to parliament of 3 October 1994, the Federal Council applied for the unamended extension of the federal decree, limited to 15 July 1995, for another ten years. Based on this federal decree, the Swiss National Bank participated in numerous bridging loans of the Bank for International Settlements (BIS) in favour of Latin American as well as Central and Eastern European countries in the past years. It also helped to extend balance-of-payments aid in the form of medium-term credits of the OECD countries to various countries of Central and Eastern Europe. The credits and guarantee undertakings of the Swiss National Bank, for which an upper limit of Sfr 1 billion continues to be available in future, are guaranteed by the Federal Government. On 15 December 1994, the National Council was the first chamber to vote in favour of an extension of the federal decree. The Council of States passed the motion on 7 March 1995.

Extension of the legal
basis for cooperation in
international monetary
measures

In 1994 no international financial aid in the form of credits was granted, and no repayments on outstanding bilateral credits were made.

No new international
credits

Participation of the Swiss National Bank in stand-by arrangements at the end of 1994

	Original undertakings	Outstanding credits		Outstanding undertakings
		End 1993	End 1994	End 1994
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 ¹				
Hungary	\$30 million	\$30 million	\$30 million	-
Czechoslovakia ²	\$40 million	-	-	-
Czech Republic	-	\$27 million	\$27 million	-
Slovak Republic	-	\$13 million	\$13 million	-
Romania	\$47 million	\$47 million	\$47 million	-
Bulgaria	\$32 million	\$32 million	\$32 million	-

¹ With Federal Government guarantee.

² The credit was divided up between the Czech Republic and the Slovak Republic on 1. 1. 1993.

Switzerland's cooperation with the International Monetary Fund

Federal Decree on
participation in the
prolonged ESAF at the
IMF

In June the Federal Council submitted to parliament a draft of the Federal Decree on Switzerland's participation in the prolonged Enhanced Structural Adjustment Facility (ESAF) at the IMF and of the Federal Decree in the financing of the Swiss participation. Switzerland had already participated in the original ESAF in 1988 with an interest-free loan of 200 million SDRs. The funds of the ESAF enable the IMF to extend balance-of-payments aid on especially favourable terms to the poorer developing countries. Based on the two federal decrees, Switzerland will participate with a maximum amount of 166.7 million SDRs on the loan account and 50 million SDRs in the interest subsidy account. The Swiss National Bank will finance the contribution to the loan account, with the Federal Government guaranteeing repayment within the specified time limit. The contributing to the interest subsidy account will be financed by the Federal Government. The Council of States was the first chamber to pass the motions of the Federal Council on 6 December 1994. The National Council adopted the motions at the beginning of February 1995.

Tajikistan a member of
the Swiss constituency
in the IMF

At the beginning of October 1994, Tajikistan joined the Swiss constituency in the IMF. The other countries forming part of the constituency are Poland, Uzbekistan, Kyrgyzstan, Turkmenistan and Azerbaijan.

2.7 Calculation and distribution of profits by the Swiss National Bank

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. The surplus allocated to the cantons will be distributed as follows: $\frac{5}{6}$ in proportion to their resident population figures and $\frac{1}{6}$ in proportion to their financial strength.

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

There is, however, no legal regulation on how the profit of the Swiss National Bank is to be calculated. The Swiss National Bank must primarily be in a position to fulfil its constitutional task without being under a constraint to show a profit, and to create those reserves which are necessary from an operational and economic point of view. This includes, in particular, building up unsecured foreign exchange reserves, i.e. reserves not hedged against exchange rate risks through forward sales in the foreign exchange market.

Setting aside of the necessary reserves

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 extraordinary situations.

Purposes served by unsecured foreign exchange reserves

Even if it is not possible to calculate the precise need of unsecured foreign exchange reserves, this can be said to depend on the size and the openness of the economy. Unsecured foreign exchange reserves should therefore expand at least in step with nominal gross national product. The Swiss National Bank finances the envisaged growth for unsecured foreign exchange reserves by setting aside provisions. By agreement with the Federal Government, a general rule was therefore laid down that the reserves must be expanded in step with nominal GNP (cf. 1991 Annual Report, pp. 23–26).

Expansion of unsecured foreign exchange reserves in step with nominal GNP

For calculating the amount to be distributed, the Swiss National Bank assumes that there is no difference, economically speaking, between the balance sheet items reserve provisions and valuation adjustment on foreign exchange. Both balance sheet items were built up from surpluses which the Swiss National Bank set aside in the past. The first balance sheet item is based mainly on re-

Definition of total reserve provisions

alised surpluses, the second one on non-realised surpluses. The growth in reserve provisions aimed at by the Swiss National Bank thus includes the valuation adjustment on foreign exchange. The sum of the two balance sheet items reserve provisions (for currency risks and other contingencies) and valuation adjustment on foreign exchange is hereinafter referred to as total reserve provisions.

Level of total reserve provisions aimed at

The percentage increase in total reserve provisions aimed at is equivalent to the annual growth of nominal gross national product over the past five years, for which final data is available. The calculation of an average is designed to prevent large year-to-year fluctuations of growth rates.

Volume of total reserve provisions aimed at

	Growth of nominal GNP in % (averaging period)	Level of total reserve provisions aimed at by year-end in millions of Swiss francs
1992	6.3 (1986–90)	20 030.3
1993	6.3 (1987–91)	21 292.2
1994	5.8 (1988–92)	22 527.1
1995	4.8 (1989–93)	23 608.4

Nominal gross national product grew on average by 4.8% in the period 1989–93. This will lead to an equal percentage change in total reserve provisions for 1995, i. e. an increase from Sfr 22 527.1 million to Sfr 23 608.4 million.

Calculation of distributable surplus

The Swiss National Bank achieves a surplus if net income (operating income + other income + appreciation of foreign exchange holdings – operating expenditure – other expenses – extraordinary expenditure – depreciation of foreign exchange holdings – taxes – allocation to pension fund) exceeds the sum total of allocation to the legal reserve fund, shareholders' dividend and per capita payment to the cantons. Surpluses that are not distributed lead to an equivalent increase in total reserve provisions, deficits to a decrease. If the actual level of total reserve provisions is higher than the level aimed at, this results in a distributable surplus. The distributable surplus at the end of 1994 is shown in the following table:

Calculation of the distributable surplus and of distribution
(millions of Swiss francs)

	Total reserve provisions at the start of the year according to balance sheet	Surplus	Total reserve provisions		Distributable surplus *	Distribution
			Actual level at year-end before distribution	Level aimed at by year-end		
	(1)	(2)	(3)=(1)+(2)	(4)	(5)=(3)-(4)	(6)
1993	24 410.3	3 017.3	27 427.5	21 292.2	6 135.3	600
1994	26 827.5	-861.2	25 966.3	22 527.1	3 439.2	600
1995	25 366.3			23 608.4		

* This amount includes the non-realised surplus (valuation adjustment on foreign exchange), which amounted to Sfr 3 153.8 million at the end of 1993 and Sfr 814.9 million at the end of 1994.

At the beginning of 1994, total reserve provisions according to the annual balance sheet as per end of 1993 amounted to Sfr 26 827.5 million (reserve provisions and valuation adjustment on foreign exchange: Sfr 23 673.7 million and Sfr 3 153.8 million respectively). In 1994 the Swiss National Bank did not achieve a surplus; it recorded a deficit of Sfr 861.2 million. As a result, total reserve provisions at year-end prior to distribution diminished to Sfr 25 966.3 million. The level of total reserve provisions aimed at by the Swiss National Bank amounted to Sfr 22 527.1 million, leaving a distributable surplus of Sfr 3 439.2 million. The distributable surplus thus declined markedly from the previous year's level. This is due to the fact that the lower dollar rate led to substantial capital losses on unsecured foreign exchange reserves.

The Swiss National Bank will not remit the entire distributable surplus to the Confederation and the cantons. Distribution in the long term is limited to a maximum of Sfr 600 million per year according to the procedure laid down by the Federal Government and the Swiss National Bank (cf. 1991 Annual Report, p. 25). In this way, considerable fluctuations in the remittances to the Confederation and the cantons are to be avoided. The marked decline in the distributable surplus in 1994 shows how important it is to determine a fixed amount for the distribution instead of basing it on the result achieved in the respective year.

As in the previous years, a sum of Sfr 600 million will be remitted to the Federal Department of Finance approximately one year after closing of the accounts, at the start of 1996, for distribution to the Confederation and the cantons.

Distribution
of Sfr 600 million

Remittance to the
Federal Department
of Finance at the start
of 1996

2.8 Chronicle of monetary events

- April Effective from 15 April 1994, the Swiss National Bank lowered the discount rate by half a percentage point to 3.5% (cf. p. 16).
- June/December In its message to parliament of 29 June 1994 (BBI 1994 III 1397 ff.) the Federal Council brought in a motion for approval of the Federal Decree on Switzerland's participation in the prolonged ESAF at the IMF and of the Federal Decree on the financing of the Swiss participation. The Council of States was the first chamber to pass the motion of the Federal Council on 6 December (cf. p. 28).
- October/December In its message to parliament of 3 October 1994 (BBI 1994 V 599) the Federal Council brought in a motion for the unamended extension, by ten years, of the Federal Decree on Switzerland's cooperation in international monetary measures expiring on 15 July 1995. The National Council was the first chamber to pass the motion of the Federal Council on 15 December (cf. p. 27).
- December The Governing Board of the Swiss National Bank, by agreement with the Federal Government, will continue to pursue its medium-term monetary policy oriented to price stability. For the new target period, which will last from the end of 1994 to the end of 1999, the Swiss National Bank again aims at an expansion of the target path for the seasonally-adjusted monetary base by approximately 1% per annum. Slightly accelerated growth of the seasonally-adjusted monetary base is envisaged for 1995 in order to meet the increased demand for money which will be triggered by economic development and the introduction of value-added tax (cf. pp. 11 ff.).

3. Balance sheet and profit and loss account

(Accountancy 1001) - 2019/2020

Table with columns for Assets, Liabilities, and Equity. Rows include Cash, Debtors, Creditors, and various reserves.

Assets	Liabilities	Equity
Cash	Trade Creditors	Share Capital
Debtors	Other Creditors	Reserves
Creditors		
Fixed Assets		
Current Assets		
Total	Total	Total

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

Assets

End of year	Gold holdings ¹	Foreign currency investments	Reserve position at the IMF	Inter-national payments instruments ²	Foreign currency loans ³	Domestic portfolio			Lombard advances	Securities and participations	Balances with domestic correspondents	Loss on foreign currency and gold holdings	Deferred items
						Total	of which Swiss bills	Money market paper					
<i>In millions of francs</i>													
1961	11 078,0	842,4	—	—	—	69,5	62,2	—	66,3	42,9	58,3	—	—
1962	11 543,3	867,4	—	207,0	—	123,6	67,4	45,0	71,7	42,8	77,8	—	—
1963	12 203,8	1 083,3	—	207,0	—	142,2	87,5	35,0	97,5	51,7	61,5	—	—
1964	11 793,6	1 679,1	—	432,0	431,3	162,6	109,8	24,8	77,7	65,3	75,3	—	—
1965	13 164,2	852,6	—	432,0	428,5	139,1	98,1	9,5	38,9	92,9	66,1	—	—
1966	12 297,4	2 060,3	—	432,0	518,9	157,8	97,8	16,7	109,3	181,7	81,5	—	—
1967	13 369,7	1 986,7	—	432,0	173,9	142,5	99,4	—	86,6	181,9	72,4	—	—
1968	11 355,8	5 601,2	—	1 442,0	108,3	288,5	256,2	6,8	160,1	180,6	99,7	—	—
1969	11 434,5	5 792,9	—	1 851,0	—	731,4	584,7	118,5	277,1	170,2	89,5	—	—
1970	11 821,3	8 441,1	—	1 851,0	—	399,0	306,6	71,0	223,5	156,0	82,8	—	—
1971	11 879,4	10 323,3	—	4 278,0	—	80,5	78,1	—	28,5	10,8	72,4	1 243,5 ⁴	—
1972	11 879,7	12 323,1	—	4 278,0	—	936,1	770,3	152,0	418,8	—	142,3	1 243,5 ⁴	—
1973	11 892,7	12 519,9	—	4 613,0	—	1 097,7	862,7	200,0	557,7	—	281,8	1 243,5 ⁴	—
1974	11 892,7	11 570,6	—	5 403,0	—	2 694,3	2 166,8	484,0	699,9	92,5	166,9	621,5 ⁴	—
1975	11 892,7	14 705,8	—	5 403,0	—	1 938,9	1 706,5	227,0	200,2	3,7	136,3	621,5 ⁴	—
1976	11 903,9	20 426,5	—	5 222,0	—	1 300,8	912,5	375,0	157,0	63,8	160,3	—	—
1977	11 903,9	20 514,2	—	3 949,0	—	1 519,1	1 207,4	267,0	197,5	559,1	171,6	—	—
1978	11 903,9	28 981,8	—	2 028,5	—	236,1	214,6	—	49,6	348,0	185,7	2 593,5 ⁵	—
1979	11 903,9	26 390,4	—	—	—	1 580,5	1 532,2	10,0	886,4	963,4	288,6	1 110,9 ⁵	—
1980	11 903,9	27 355,6	—	11,4	—	2 485,5	2 285,1	152,0	919,8	1 212,2	289,6	—	—
1981	11 903,9	25 494,8	—	0,2	—	3 006,9	2 710,0	256,0	2 513,9	1 018,4	399,6	—	—
1982	11 903,9	31 872,8	—	6,3	—	2 188,1	2 076,8	109,2	1 559,6	1 268,3	314,0	—	—
1983	11 903,9	32 677,5	—	28,7	—	2 676,3	2 524,5	149,2	2 408,6	1 562,5	346,4	—	—
1984	11 903,9	38 876,0	—	23,2	—	2 748,9	2 455,4	293,5	2 677,9	1 773,6	500,8	—	—
1985	11 903,9	38 133,8	—	6,8	—	2 838,4	2 465,9	372,5	2 973,6	1 911,1	529,7	—	—
1986	11 903,9	36 262,0	—	—	—	2 747,4	2 411,9	335,5	3 204,0	2 045,0	564,4	—	—
1987	11 903,9	37 439,9	—	18,5	—	2 301,7	2 246,8	54,9	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	—	—
1992	11 903,9	45 857,8	1 144,4	134,9	156,4	821,1	353,4	467,7	26,9	2 975,7	493,0	—	—
1993	11 903,9	47 031,1	1 221,6	332,7	218,4	752,5	—	752,5	13,5	2 973,2	595,8	—	390,6
1994	11 903,9	45 910,4	1 241,5	414,8	198,3	720,5	—	720,5	14,9	3 027,1	565,8	—	443,9

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

² 1962-1979, foreign treasury bills in Swiss francs; as from 1980, Special Drawing Rights and, as from 1989, including ECUs.

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

⁴ Liability of the Federal Government in accordance with the Decree of the Federal Parliament of 15 December 1971.

⁵ Covered by hidden reserves on gold.

Liabilities

Bank note circulation	Cover- age of bank note circu- lation by gold holdings	Sight liabilities				Banks' minimum reserves	Time liabilities ⁷	Deferred items	Foreign exchange valuation adjust- ment	Capital and reserves	Provisions		Balance sheet total	End of year
		Total	of which sight deposit accounts of domestic banks and finance compa- nies ⁸	Ac- counts of the Federal Govern- ment	Balan- ces of foreign banks						for foreign exchange risks	others		
<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	231,5	1 035,0 ⁹	293,5	—	—	78,0	—	21,7	12 206,6	1961
8 506,1	135,71	2 799,7	2 294,2	355,9	98,0	1 035,0 ⁹	373,0	—	—	79,0	—	22,9	12 994,7	1962
9 035,4	135,07	3 187,8	2 700,0	389,4	31,8	1 035,0 ⁹	357,3	—	—	80,0	—	26,1	13 910,2	1963
9 721,8	121,31	3 270,6	2 907,9	291,5	25,6	1 035,0 ⁹	433,2	—	—	81,0	—	28,7	14 787,6	1964
10 042,5	131,08	3 215,4	3 005,0	126,2	44,3	1 035,0 ⁹	602,0	—	—	82,0	—	37,1	15 287,6	1965
10 651,1	115,46	3 430,5	2 982,2	375,2	34,4	1 035,0 ⁹	389,0	—	—	83,0	—	37,2	15 922,3	1966
11 326,8	118,04	4 144,9	3 810,8	230,7	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	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	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	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	393,1	516,4 ¹⁰	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	279,5	2 029,3 ¹¹	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	296,7	2 872,0 ¹¹	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 ¹¹	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 ¹¹	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 ⁸	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 ⁸	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 ⁸	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 ⁸	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 ⁸	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 ⁸	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 ⁸	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 ⁸	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 ⁸	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 ⁸	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 ⁸	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
29 353,5	40,55	5 200,4	4 785,5	245,1	54,7	—	3 450,0	—	2 389,7	107,0	21 380,6	640,0	63 800,1	1992
29 335,6	40,58	5 263,6	4 776,7	192,3	188,8	—	2 940,0	56,3	3 153,8	108,0	23 033,7	640,0	65 774,7	1993
30 545,1	38,97	4 587,1	3 837,2	595,2	46,7	—	2 850,0	104,3	814,9	109,0	23 911,4	640,0	64 800,2	1994

⁶ Prior to 1986: Sight deposit accounts of banks, trade and industry.

⁷ 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 8).

⁸ Including time deposits of the Federal Government not placed in the market (cf. footnote 7).

⁹ Temporarily blocked sight deposit accounts of banks.

¹⁰ In accordance with the agreement of 16 August 1971 concerning extraordinary minimum reserves.

¹¹ 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 1987

Expenditure (in Sfr 1000)

	1987	1988	1989	1990	1991	1992	1993	1994
Operating expenses	97 702	110 485	152 865	143 896	160 016	157 404	187 964	186 933
Bank authorities	705	707	734	792	776	799	807	807
Personnel	53 343	56 249	58 570	62 717	71 258	75 978	77 562	81 495
Premises	4 417	9 785	45 150	20 305	28 414	17 203	22 548	18 032
Furniture and fixtures	4 104	3 108	4 358	15 966	13 918	12 289	13 453	8 680
Business and office equipment and supplies	2 990	3 206	3 360	3 984	3 932	3 955	4 566	4 155
Information and communication	1 870	2 304	1 945	2 543	2 924	8 608	3 440	3 661
Printing, publications	644	731	852	850	1 118	1 232	1 142	961
Expenditure in respect of bank note circulation	19 485	24 037	21 292	20 463	23 113	26 392	54 550	57 586
Other expenditure on materials	10 144	10 358	16 604	16 276	14 563	10 948	9 896	11 556
Other expenses	127 711	141 546	95 233	155 225	126 479	133 950	364 017	258 575
Interest payable to depositors	3 012	3 395	4 267	5 810	6 593	6 861	5 313	5 415
Interest payable to Federal Government	41 244	40 444	55 161	101 145	82 895	91 965	290 992	207 668
Write-down of own securities	66 320	96 407	35 805	48 270	36 991	35 124	67 712	45 492
Depreciation of bank buildings	17 135	1 300	—	—	—	—	—	—
Extraordinary expenditure	—	—	—	—	—	—	—	50 337
Write-down of foreign exchange holdings	3 528 837	—	—	3 976 820	—	—	—	2 338 891
Transfer to the foreign exchange valuation adjustment account	—	1 970 906	1 089 907	—	1 697 073	692 640	764 100	—
Taxes	2 632	1 592	298	3 365	—	8 726	—	—
Appropriation to pension fund	2 000	2 000	2 000	6 000	5 000	3 000	1 000	1 000
Increase in provision for dividends and cantonal shares of profit	—	—	—	—	—	10 000	—	—
Allocation to provision for foreign exchange risks	—	1 807 669	2 793 303	2 494 209	2 420 560	1 846 842	1 653 172	877 643
Annual profit	7 593	7 593	7 593	7 593	607 593	608 405	607 999	607 999
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	605 093	605 905	605 499	605 499
Total	3 766 475	4 041 791	4 141 199	6 787 108	5 016 721	3 460 967	3 578 252	4 321 378

Income (in Sfr 1000)

	1987	1988	1989	1990	1991	1992	1993	1994
Operating income	5 771	6 663	6 251	6 123	6 556	14 147	17 824	15 340
Commissions	1 826	1 756	1 696	1 626	1 671	1 906	1 920	3 465
Income from bank buildings	3 446	4 462	4 088	4 100	4 518	11 949	4 715	5 739
Sundry income	499	445	467	397	367	292	11 189	6 136
Other income	1 638 459	2 064 222	3 045 041	2 804 165	3 313 092	2 754 180	2 796 328	1 967 147
Income from foreign exchange	1 462 698	1 924 021	2 848 708	2 585 097	3 084 661	2 512 481	2 408 724	1 672 285
Income from discounting	17 738	3 275	33 906	44 197	37 136	31 618	3 996	—
Income from money market paper	—	—	—	—	—	11 162	59 011	57 165
Income from secured advances	27 309	2 832	5 672	3 895	2 593	2 466	1 795	2 009
Income from own securities	128 782	132 877	149 504	160 163	176 113	184 290	315 940	228 668
Income from domestic correspondents	1 932	1 217	7 251	10 813	12 589	12 163	6 862	7 021
Appreciation of foreign exchange holdings	—	1 970 906	1 089 907	—	1 697 073	692 640	764 100	—
Transfer from the foreign exchange valuation adjustment account	—	—	—	3 060 814	—	—	—	2 338 891
Drawings on provisions for currency risks	2 122 245	—	—	916 006	—	—	—	—
Total	3 766 475	4 041 791	4 141 199	6 787 108	5 016 721	3 460 967	3 578 252	4 321 378

Explanatory notes to the profit and loss account for the year 1994

The profit and loss account is characterised by the foreign exchange position, which was, as usual, valued at the average December rates. The most important currency by far, the US dollar, stood at Sfr 1.3289, compared to Sfr 1.4640 in the previous year. A net book loss of Sfr 2338.9 million in foreign exchange holdings, which are not hedged against exchange rate risks and which comprise the positions investments (without swaps), reserve position at the IMF, international payment media and foreign currency loans, was debited to the item "valuation adjustment to foreign exchange holdings" via the profit and loss account.

The earnings surplus (not taking into account the depreciation of foreign exchange holdings), was markedly lower, at Sfr 1 485.6 million, than a year earlier (Sfr 2 261.2 million). It was divided up into annual net profit in the amount of Sfr 608.0 million and provisions for currency risks totalling Sfr 877.6 million.

The decline in the earnings surplus is partly due to accruals and deferrals. In the previous year, accrued and deferred items were taken into account for the first time, yielding one-time net surplus earnings in the amount of Sfr 334.3 million. Since the business year 1994 only the changes in accrued and deferred items have had an effect on the current result. Accruals and deferrals still led to an increase in income of Sfr 5.3 million.

Earnings deriving from foreign exchange holdings and trading diminished by Sfr 736.4 million to Sfr 1 672.3 million. The decline is attributable mainly to the previous year's one-time net surplus earnings from accrued and deferred items and to lower interest rates on swaps and lower conversion rates. Added to these were interest-related changes in investment returns.

Earnings from discount business dropped to zero after the Swiss National Bank's withdrawal from compulsory stockpile financing a year earlier. With interest rates lower and holdings somewhat higher, earnings from money market paper declined by Sfr 1.8 million to Sfr 57.2 million. The volume of Lombard loans rose and interest rates fell; at the same time, income increased by Sfr 0.2 million to Sfr 2.0 million. The decline in interest income from securities holdings by Sfr 87.2 million to Sfr 228.7 million is due to broken-period interest, which was shown for the first time in the previous year.

Staff expenditure rose by Sfr 3.9 million to Sfr 81.5 million.

Regular maintenance costs, outlays for renovations of various branch offices and rent for hired office space totalled Sfr 18.0 million.

Expenditure on equipment fell markedly by Sfr 4.8 million to Sfr 8.7 million. In addition to new furniture and motor vehicles, this item includes mainly the costs for the acquisition of data processing hardware and software.

Outlays for the printing and circulation of bank notes rose by Sfr 3.0 million to Sfr 57.6 million. This amount is chiefly attributable to the new bank note series.

Interest payments on balances of the Federal Government were reduced from Sfr 291.0 million to Sfr 207.7 million. Interest payments on federal balances of Sfr 279.1 million were offset by higher interest income of Sfr 71.4 million resulting from increased placements.

The cost of writing down the value of newly acquired securities by Sfr 259.6 million was offset against book profits of Sfr 214.1 million on repayments of securities which had previously been written down. This resulted in a net write-off totalling Sfr 45.5 million.

The total amount of Sfr 50.3 million used for the acquisition of the premises "Zum neuen Froschauer" in Zurich in June was written off in full via the profit and loss account under the item "Extraordinary expenditure".

4. Organisation (on 1 January 1995)

4.1 Supervisory authorities

Bank Council	40 members President: Jakob Schönenberger Vice-President: Eduard Belser
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, Chairman, Zurich Hans Meyer, Vice-Chairman, Berne Jean Zwahlen, Member, Zurich
Secretariat General	
Secretary General	Andreas Frings, Director, Zurich
Deputy Secretary General	Hans-Ueli Hunziker, Senior Officer, Berne
Translation Service	Michel Gremaud, Senior Officer, Zurich
Library	Anne-Marie Papadopoulos, 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	Erich Spörndli, Deputy Director
Research	Michel Peytrignet, Assistant Director
Economic Analysis	Eveline Ruoss, Assistant Director
International Monetary Relations Section	Monique Dubois, Director
Banking Studies Section	Urs W. Birchler, Director
Studies	Werner Hermann, Assistant Director
Swiss franc markets	Mauro Picchi, Senior Officer
Statistics Section	Christoph Menzel, Director
Publications	Robert Fluri, Assistant Director
Balance of Payments	Thomas Schlup, Senior Officer
Data Bank	Rolf Gross, Assistant Director
Data compilation	Rudolf Urech, Senior Officer

Legal and Administrative
Division

Legal Service

Personnel

Pension Fund

Premises, Technical Services

Internal Auditors

Peter Klauser, Director

Peter Merz, Director

Gerhard Nideröst, Director

Christine Breining, Assistant Director

Beat Blaesi, Assistant Director

Peter Hadorn, Deputy Director

Theo Birchler, Assistant Director

Ulrich W. Gilgen, Director

Othmar Flück, Assistant Director

Department II (Berne)

Head of Department

Deputy Head of Department

Security

Banking Division

Securities

Central Accounting

Correspondence, Bills and
Cheques

Cashier's Office (Berne)

Cash and Collection Division
(Chief Cashier's Office)

Administration

Storage

Processing

Technical Services

Hans Meyer, Vice-Chairman of the Governing Board

Hans Theiler, Director

Alex Huber, Assistant Director

Theodor Scherer, Director

Hans-Christoph Kesselring, Deputy Director

Peter Bechtiger, Assistant Director

Daniel Ambühl, Assistant Director

Paul Bürgi, Assistant Director

Roland Tornare, Chief Cashier of the Bank, Director

Peter Trachsel, Deputy Chief Cashier, Assistant Director

Beat Rytz, Senior Officer

Urs Locher, Senior Officer

Urs Suter, Senior Officer

Department III (Zurich)

Head of Department

Deputy Heads of Department

Staff

Monetary Operations Division

Foreign Exchange Section

Investment Section

Money Market Operations,
Bills and Cheques

Jean Zwahlen, Member of the Governing Board

Jean-Pierre Roth, Director

Christian Vital, Director

Dewet Moser, Assistant Director

Jean-Pierre Roth, Director

Karl Hug, Deputy Director

Markus Zimmerli, Deputy Director

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, Assistant Director
Cashier's Office	Roland-Michel Chappuis, Assistant Director
Correspondence	Markus Steiner, Assistant Director
Accounting	Werner Bolliger, Assistant Director
Informatics Section	Rudolf Hug, Director
Staff	Raymond Bloch, Assistant Director
Banking Applications	Roger Arthur, Assistant Director
Statistical Applications	Jürg Ziegler, Deputy Director
Office Automation/ Communication	Peter Bornhauser, Assistant Director
Systems Engineering	Jules Troxler, Assistant Director
Computer Centre Zurich	Peter Künzli, Assistant Director
Computer Centre Berne	Bruno Beyeler, Assistant Director

Branches

Aarau	Heinz Alber, Director Deputy of the director (vacant)
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. Gallen	René Kästli, Director Deputy of the director (vacant)

Agencies

The Swiss National Bank maintains agencies operated by commercial banks, mainly 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.

This annual report is published in German and French, and as an abridged version in Italian and English. All four editions are available at the Secretariat General of Banque nationale suisse, 3003 Berne (telephone 031/312 02 11; telefax 031/312 19 53).

Setting and Printing: Stämpfli+Cie AG, Berne