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1. Economic developments and central bank policy – a summary

1.1 International economic and monetary developments

In 1985 the pace of world economic growth slowed down. This was due mainly to a weakening of the cyclical upswing in the United States, which had been the chief pillar of support for the world economy in 1983 and 1984. While the expansion also lost momentum in Japan, the pace of growth in Europe quickened in the wake of livelier domestic demand. Overall, GNP in the OECD countries rose by just under 3% in real terms, as compared to some 5% in 1984.

Decline in world economic growth

International trade also lost some of its dynamism. According to GATT estimates the volume of world trade rose by a mere 2–3%, following an expansion of almost 9% in 1984. This marked deceleration is attributable chiefly to a decline in the growth of imports in the industrialised nations, notably in the United States and Japan. Moreover, world trade was adversely affected by protectionist measures.

Loss of dynamism in world trade

In Europe the economic upturn was accompanied for the first time by a rise in the number of employed persons. However, since this figure fell short of the increase in the working population, particularly in the major countries, unemployment levels in the EEC countries again moved up slightly. The United States and Japan, on the other hand, witnessed a decline in jobless rates.

Slight improvement in employment levels in the OECD countries

Further progress was made in the battle against inflation in the OECD countries. At 4.6% the average inflation rate was at its lowest level since 1968.

Receding inflation in the OECD countries

The slower pace of growth in the OECD countries, which was reflected in stagnating demand for raw materials, limited the export opportunities of numerous developing and threshold countries. In addition, lower raw material prices diminished export earnings. Against this backdrop, the solvency of a number of countries deteriorated, and the overall indebtedness of the developing countries continued to grow.

Growing indebtedness of developing and threshold countries

In the US the current account deficit widened once more. The increase in the total deficit of the OECD countries, however, remained comparatively small in view of the substantial surpluses of some European countries and Japan.

Large current account deficit in the US

The deterioration in the competitiveness of American manufacturers, accompanied by a high dollar exchange rate, led to growing protectionist pressures on the US government. Thus the problem of ensuring a more

Efforts to improve cooperation in economic policies

reasonable dollar rate against the other major currencies was the central issue at the Meeting of the Group of Five (US, Japan, West Germany, France and Great Britain) held in New York on 22 September 1985. The members agreed on a better coordination of economic policies – in particular, a reduction of the US budget deficit and the stimulation of domestic demand in Japan – and concerted interventions on the foreign exchange markets to bring about a decline in the dollar rate.

The monetary reins were loosened in 1985 – notably in the US – and interest rates receded. The weakening of the dollar that set in during the year also prompted numerous countries outside the US to allow a more abundant supply of money. For the most part the fiscal policies of the European countries and Japan remained restrictive while government spending in the US increased rapidly once more.

1.2 Economic developments in Switzerland

In Switzerland the economic upswing gathered force in 1985 owing to a strong surge in exports and investments; real GDP rose by an estimated 3.7%. The expansion in overall demand went hand in hand with stepped-up industrial production, increased capacity utilisation and a slowdown in the growth of real imports. For the first time in four years employment levels moved up and jobless figures receded.

Again strong growth stimuli emanated from export demand. Notably exports to the US exhibited yet a further increase. The efforts undertaken in the past few years to improve the supply structure have contributed significantly to the success in the export sector. Moreover, the high dollar exchange rate enhanced the competitiveness of Swiss export goods.

Capital spending, the chief factor contributing to economic growth aside from exports, also developed gratifyingly. As a consequence of the improved earnings situation and the favourable corporate earnings prospects, investments in capital goods showed a particularly strong increase. By contrast, investments in the building sector grew less markedly following the stagnation in residential construction; building activity in the small business and industrial sector, on the other hand, expanded vigorously. Private consumption grew at a somewhat faster rate than in the previous year.

The surplus on current transactions in the balance of payments (current account) – at an estimated Sfr 11.1 billion – again exceeded the previous

Easing of monetary policies – divergent fiscal policies

Vigorous economic growth in Switzerland

Strong growth stimuli from exports

Increased capital spending – higher private consumption

Surplus on current transactions

year's figure. While the trade balance closed with a slightly smaller deficit, both the surplus of invisibles and the surplus of income from investments exhibited an increase.

At 3.4% the average annual inflation rate in 1985 was slightly up on the year-back level (2.9%). The severe cold and the high-flying dollar sent import prices spiralling at the start of the year; in addition to cyclical influences these were the chief factors that led to accelerating inflation.

Higher annual inflation rate

1.3 Some features of National Bank policy

Since the mid-seventies the National Bank has been implementing a monetary policy oriented to the money supply with the aim of stabilising the price level in Switzerland. It is, however, not so much concerned with the current inflation rate as with the development of the price level over several years. In the short term prices are affected by monetary and tangible disruptions such as exchange rate developments and the course of business activity.

SNB's monetary policy oriented to price stability

In fixing money supply growth targets designed to achieve a stable price level in the medium term, the primary aim is to bring the development of money supply in line with real economic growth. Furthermore, the payment habits of the general public must be taken into account though at first any changes in these habits – which are the consequence of innovations in the financial sector – are likely to occur so slowly that they may be disregarded for the setting of the annual money supply target. The potential output of the Swiss economy is expected to grow by about 2% annually in the next few years. As a guideline, the National Bank may therefore, for the time being, assume that an annual growth of the adjusted monetary base of around 2% will lead to a stable price level in the medium term.

Expansion of money supply in line with real economic growth

From 1982 to 1984 the National Bank fixed the annual target for the expansion of the adjusted monetary base at 3%. Effective money supply growth averaging 2.9% during this period conformed fairly accurately to the target figure. This growth, though no more than moderate overall, was nevertheless too significant to completely wipe out inflation, which had occasionally soared to over 7% in 1981. The National Bank purposely approached its aim of price stability step by step. For one thing, excessive interest and exchange rate fluctuations were to be avoided through the implementation of a steady policy. For another, caution was called for as a result of the worldwide recession, which had spread to Switzerland in 1982 and from which the Swiss economy took a long time to recover.

Step-by-step fight against inflation

Below-target money
supply growth in 1985

At the end of 1984 uncertainty prevailed in Switzerland with regard to the future development of the economy. A renewed downturn could not be ruled out in view of the marked deceleration of growth in the US. Under these circumstances the National Bank decided to set the money supply target once more at 3% for 1985. As early as the first few months of the past year, however, all the economic indicators pointed to vigorous economic growth. This made it possible to pursue a somewhat more restrictive monetary course and thus to approach more rapidly the money supply growth target of 2% aimed at in the medium term. The expansion of the adjusted monetary base subsequently slowed to 1.9% in the second half-year from an average of 2.5% in the first six months of 1985.

Money supply target for
1986: 2%

The National Bank, in agreement with the Federal Government, decided to expand the adjusted monetary base by 2% in 1986. Since actual money supply growth had averaged 2.2% in 1985, thus already coming close to this figure, the lowering of the target from 3% to 2% does not involve a significant shift in monetary policy.

2. Monetary policy and financial markets

2.1 The monetary aggregates

In 1985 the adjusted monetary base grew by an average of 2.2%, thus falling a little short of the year-earlier level of 2.6%. Both components of the monetary base – note circulation and the banking system's deposits with the SNB – showed an increase, while at the same time the expansion of note circulation slowed down considerably, notably in the second half of the year. As a result of the favourable economic climate the National Bank decided to fix the money supply below the target of 3% in order to approach more rapidly the 2% growth rate aimed at in the medium term. For 1986 the Governing Board, in agreement with the Federal Government, lowered the money supply target by one percentage point to 2%.

Below-target money supply growth

The monetary aggregates in the broader sense showed irregular development. In view of the continuing high level of interest rates in the first half of the year savings deposits at first grew at a steadily decreasing pace. Funds seeking investment did not only flow into time deposits but also into types of investments not included in M_3 , in particular into medium-term notes. Time deposits, into which funds from both savings deposits and sight deposits were channelled, exhibited correspondingly high growth rates in the first six months. By contrast, note circulation grew at a lesser pace, while the volume of sight deposits shrank. In the second half of the year receding interest rates caused investors to increasingly turn back to liquid assets while savings deposits regained some of their attractiveness. Overall, the rate of expansion of money supply M_3 dropped from 6.2% in 1984 to 4.9% in 1985 while the rate of increase of money supply M_2 rose from 5.6% to 7.3%. Money supply M_1 , on the other hand, stagnated at the previous year's level following a marked slowdown in growth already in 1984.

Inconsistent development of monetary aggregates M_1 , M_2 and M_3

Given the fact that nominal GNP rose perceptibly in 1985 the stagnation in money supply M_1 signifies a strong increase in the velocity of this monetary aggregate. Velocity of M_1 , which is subject to greater fluctuations than the adjusted monetary base, is primarily the result of the interest-sensitive sight deposits. Over several years, however, the varying performance of the two aggregates levels out. From 1981 to 1985 both M_1 and the adjusted monetary base averaged a growth rate of 2.5%.

Increase in velocity of M_1

2.2 The financial markets

Money market

Rise and subsequent fall
of interest rates

Interest rates on the Eurofranc market, which most accurately reflect the state of the Swiss money market, moved upwards in tandem with the rising dollar in the first few months of 1985, only to decline again step by step until the end of the year. Even though by year-end money market rates had sunk to their lowest levels since the spring of 1984 the average interest rate level slightly exceeded that of the previous year. With foreign interest rates receding as a consequence of the more relaxed monetary policies being pursued by various central banks, interest differentials vis-à-vis other countries narrowed.

Interest rates on the
Swiss money market

The time deposit rates of the big banks and the yields on money market debt register claims against the Federal Government developed largely in line with Eurofranc rates. The difference for comparable maturities averaged $\frac{1}{4}$ and $\frac{3}{4}$ percentage points respectively. In autumn 1985 the Federal Government for the first time introduced debt register claims with a one-year maturity in addition to those issued in the past with maturities of one, three and six months.

Development of monetary aggregates

Yearly and quarterly averages compared with previous year's figures

Quarter	Adjusted Monetary base ¹		Money stock M ₁ ²		Money stock M ₂ ²		Money stock M ₃ ⁴	
	Billions of francs	Change %	Billions of francs	Change %	Billions of francs	Change %	Billions of francs	Change %
1981	28.0	-0.5	53.4	-3.1	102.7	11.2	206.9	3.7
1982	28.7	2.6	55.4	3.9	104.6	2.1	211.4	2.2
1983	29.7	3.6	59.4	7.5	99.3	-5.1	226.1	6.9
1984	30.5	2.6	61.1	2.7	104.8	5.6	240.1	6.2
1985	31.1	2.2	61.1	0.0	112.5	7.3	251.8	4.9
1985								
1st quarter	31.1	2.4	60.2	-0.5	108.6	7.1	247.9	5.0
2nd quarter	30.9	2.7	60.5	-1.0	112.7	8.6	251.3	5.0
3rd quarter	30.8	2.1	59.7	0.3	112.8	7.2	250.7	4.4
4th quarter	31.8	1.5	63.9	1.5	115.7	6.4	257.2	5.1

¹ Adjusted monetary base = Nota circulation plus banking system's deposits with the SNB less end-of-month refinancing credits.

² Money stock M₁ = Currency circulation plus sight deposits in Swiss francs.

³ Money stock M₂ = M₁ plus time deposits in Swiss francs plus sight and time deposits in foreign currencies held by private residents with banks.

⁴ Money stock M₃ = M₂ plus savings deposits held by private residents with banks.

The National Bank's credit-granting to the banking system

Month	Credit-granting in millions of francs, monthly averages							
	Swap credits		Discount and lombard advances		Total		of which: end-of-month refinancing credits ¹	
	(1)		(2)		(3) = (1) + (2)		(4)	
	1984	1985	1984	1985	1984	1985	1984	1985
January	11 906	14 470	1 172	721	13 078	15 191	837	603
February	12 279	12 926	585	938	12 864	13 864	113	493
March	12 142	13 344	827	973	12 969	14 317	441	839
April	11 318	13 047	1 158	1 268	12 476	14 315	708	689
May	11 922	13 256	601	1 191	12 523	14 447	146	577
June	11 860	13 585	1 078	996	12 938	14 581	681	569
July	11 637	13 209	1 005	1 120	12 642	14 329	716	705
August	11 932	13 202	916	731	12 848	13 933	595	250
September	12 535	12 962	967	1 326	13 502	14 288	530	480
October	12 047	12 945	1 072	1 151	13 119	14 096	525	519
November	12 878	14 641	910	881	13 788	15 342	529	450
December	15 966	16 756	1 300	1 224	17 266	17 980	1 443	916

¹ Corresponds to the difference between the monetary base and the adjusted monetary base.

As measured by the banks' giro accounts, the supply of liquidity to the economy rose somewhat more markedly than in the previous year. The annual average amounted to Sfr 8.1 billion, thus exceeding the 1984 level by 3.4%.

Increase in sight liabilities

The discount and lombard rates laid down by the National Bank remained constant at 4% and 5½% respectively. Notwithstanding slightly higher average market rates than a year earlier, discount and lombard advances accounted for a virtually unchanged proportion of refinancing credits granted by the National Bank. Demand for traditional central bank credits at the end of every month was again so substantial that the National Bank compensated by renewing expiring swap credits partially only.

Unchanged discount and lombard rates

Foreign exchange market and exchange rates

From the beginning of the year until mid-March the Swiss franc rate of the US dollar soared to Sfr 2.94, a peak not reached since October 1974. After an ensuing perceptible decline the dollar rate slipped by a further 15 centimes to approximately Sfr 2.20 immediately following the statement issued by the Group of Five in September. On an annual average the Swiss franc still depreciated by 3.5% against the US currency; in the previous year the decline had been in the region of 11%. The exchange rates of the Swiss franc against the D-mark, the French franc and the yen underwent practically no changes. The Swiss currency weakened against sterling notably in the first six months, while showing a slight upward trend against the Italian lira.

High-flying dollar at the start of the year – decline in the second half

Nominal and real exchange rates of the Swiss franc



Lower external value of the Swiss franc in nominal and real terms

After an initial decline in the first quarter the index of the exchange rates of the Swiss franc weighted in terms of exports to Switzerland's fifteen major trading partners rose continuously. On average, it stood 1.9% below the 1984 level. With Switzerland exhibiting a lower inflation rate than most other countries the external value of the Swiss franc receded somewhat more markedly in real terms than in nominal terms (2.6%).

Capital market

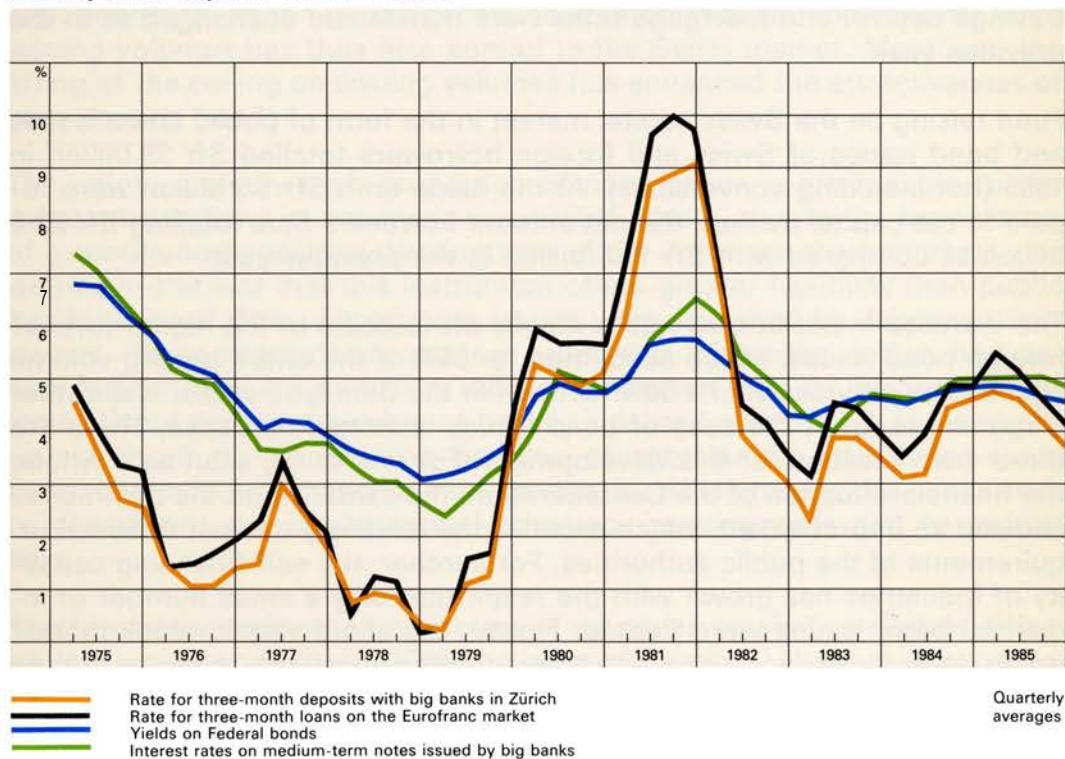
Stable interest rates on the capital market

Interest rates on the capital market remained relatively stable in 1985. An exception was the spring, when they temporarily showed a slight upward trend in line with developments on the money market. All newly issued Federal bonds save the March flotation were equipped with a coupon of 4¾%. The pickup in demand for securities that became discernible in the second half of the year was reflected mainly in higher issue prices or extended maturities. On the secondary market yields started a slow decline from April onwards; on a yearly average they fell a little short of their 1984 level.

Decline in interest rates on medium-term notes

Under the influence of receding money market rates, interest rates on medium-term notes dropped somewhat more markedly than yields on bonds in the second half of the year. In early September and early December the big banks and the cantonal banks lowered their rates on these securities by

Money and capital market rates



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

Financial instruments	1981	1982	1983	1984	1985
Bonds ¹	23.5	26.6	25.6	27.4	36.3
Notes	36.8	47.2	51.4	47.6	41.9
Loans	39.7	26.2	22.9	25.0	21.8
Total	100.0	100.0	100.0	100.0	100.0
Groups of countries	1981	1982	1983	1984	1985
Industrial countries	71.1	74.7	78.7	73.7	79.2
Developing countries	14.0	9.9	8.5	8.8	4.8
Centrally planned economies	4.5	1.4	1.1	2.3	3.6
OPEC	1.4	0.3	0.6	1.0	0.2
International organisations ²	9.0	13.7	11.1	14.2	12.2
Total	100.0	100.0	100.0	100.0	100.0
Total, billions of francs	32.2	37.5	40.2	40.9	46.4

¹ Including foreign currency and dual currency bonds.

² IBRD, ADB, IDB, EIB, Coal and Steel Community, Euratom, Council of Europe Resettlement Fund.

a total of ½ percentage point after having still raised them slightly in spring. Savings deposit and mortgage rates were maintained unchanged as in the previous year.

Increased recourse to the Swiss capital market

Fund raising on the Swiss capital market in the form of public share issues and bond issues of Swiss and foreign borrowers totalled Sfr 28 billion in 1985 (not including conversions). At the same time Sfr 5.3 billion were repaid to the capital market, the net amount borrowed thus totalling Sfr 22.6 billion as compared with Sfr 13.6 billion in the previous year.

Strong growth in foreign bonds

The increase in net borrowings is chiefly attributable to the higher level of foreign bond issues, which accounted for 55% of the entire issuing volume against the previous year's 50%. Growth in the domestic sector was rather sluggish except in the case of bond issues launched by banks. There are three main reasons for this development. For one thing, seen as a whole, the financial situation of the Confederation, the cantons and the communes showed an improvement, which explains the relatively modest financial requirements of the public authorities. For another, the self-financing capacity of industries has grown with the result that only a small number of industrial bond issues were floated. Finally, the sharp rise in stock market prices provided corporations with a favourable opportunity to increase their capital resources by means of share issues. Measured by the National Bank's share index, prices soared by more than 50% in the course of 1985, culminating in a new absolute peak at the end of the year.

Purchases on the bond market

In 1985 the National Bank bought Swiss bonds with a nominal value of Sfr 316 million. After taking into account repayments totalling Sfr 112.5 million the net increase was Sfr 203.5 million. The National Bank thus continued the diversification of its assets begun in 1982.

Capital exports subject to authorisation up on the year-back level

Capital exports authorised by the National Bank in 1985 totalled Sfr 46.4 billion, clearly exceeding the previous year's level (cf table on capital exports). The high gross value of capital exports bears witness to the significant role played by Switzerland as a pivot of international capital flows since most of this capital is subscribed by foreigners and paid up in foreign currencies. Note issues still accounted for the bulk of these funds. Whereas the proportion of credits to foreign borrowers declined somewhat bond issues gained prominence. Some 7% of the issuing volume was attributable to dual-currency bonds.

Public bonds

The strong growth in the volume of public bonds of foreign borrowers in Switzerland is due partly to the fact that the cost advantages deriving from the combination of long-term bond issues and currency swaps were increasingly exploited. Another reason for the stepped-up issuing activity is to be

seen in the abolition of the maximum limit of Sfr 200 million for public foreign bonds (cf. page 17). The pronounced international trend towards large issuing volumes has thus also spread to the Swiss market. Moreover, the lifting of the ceiling on issuing volumes has enhanced the attractiveness of zero-coupon bonds.

The uninterruptedly high proportion of note issues is attributable to the substantial volume of Japanese convertible notes – due to the expectation of a continuously positive development of the Japanese stock markets – as well as to the fact that this instrument offers greater flexibility than public bonds. Overall, 59% of total note issues were launched by Japanese borrowers. The comparatively modest proportion of credits, which had accounted for as much as 40% in 1981, is connected with the payment problems still existing in a number of heavily indebted countries. It is, however, also a result of the growing practice of substituting off-balance-sheet transactions for international bank credits, by which means the banks seek to circumvent the costly capital adequacy requirements and to reduce risks.

High proportion of note issues

The breakdown according to groups of countries presents a slightly different picture compared with 1984: the industrial nations' share of total capital exports subject to authorisation rose while that of the less developed and threshold countries continued to shrink. The international development organisations, including the World Bank as the largest single borrower on the Swiss capital market, accounted for a total of 12%.

Developing countries' share modest

2.3 Bank balance sheets

As in the previous year the favourable economic situation was reflected by the development of the banks' balance sheets. The slide of the dollar, however, had a markedly adverse effect on a number of balance sheet items, causing the growth of the combined balance sheet total of the 71 banks to decline from 10% to 7.2%; calculated at invariable dollar rates it would have amounted to approximately 12.7%.

Vigorous balance sheet growth

The pickup in economic activity in 1985 manifested itself chiefly in the brisk pace of credit business. Net advances (minus repayments) reached the level obtaining in the boom year 1980. At the end of 1985 the total volume of outstanding bank credits exceeded the previous year's level by 9.4% (1984: 7.4%). Among the individual credit sectors, borrowers displayed the strongest growth, followed by mortgages. The less significant advances to public

Brisk credit business

authorities stagnated in view of the communes' excellent financial situations. Unlike the previous year, the dynamism in credit business had its origin mainly in the domestic sectors with the exception of building loans, where growth was slow.

Reduction of the banks' investments

As is usual in favourable economic conditions, the vigorous expansion of credits could not always be financed fully with new customer deposits. Particularly in the second and third quarters the banks therefore began reducing their investments, which they had augmented substantially (in net terms, i.e. by deducting their liabilities in interbank business) since 1980. Their financial assets were, however, also diminished by the lower dollar conversion rate applied to US money market investments. At the end of the year the banks' (net) investments nevertheless exceeded the level obtaining at the beginning of 1985 by 3%.

Rise in Swiss franc time deposits

On the liabilities side the rise of the dollar temporarily caused an overexpansion of time deposits until April since this category contains a particularly high proportion of dollars. Swiss franc time deposits increased substantially in view of the fact that right into November the big banks were paying interest in excess of savings deposit rates. Savings deposits held correspondingly little attraction; as in the previous year, they developed sluggishly. Sight deposits, too, showed only a modest increase; in the Swiss franc sector they barely exceeded the year-back level at the end of December. Holdings of medium-term notes expanded rapidly since their issue terms were adjusted to the yields on bond issues – which had been declining since the summer – with a time lag.

Slower growth of fiduciary business

The fiduciary business of all the banks expanded at a distinctly slower rate in the course of 1985 in the wake of falling short-term interest rates in the Swiss franc sector and the declining conversion rate of the dollar. Some 60% of trustee funds are denominated in the US currency. At the end of 1985 the volume of fiduciary funds surpassed the year-back level by a mere 6,6%, after having increased by 28% in the previous year. Relative to the balance sheet total trustee funds amount to about one third.

2.4 Other measures of central bank policy

Capital exports subject to authorisation

Legal basis: Art. 8 of the Bank Act

By virtue of Article 8 of the Bank Act, the issuing of foreign bonds and notes and the granting of credits to borrowers domiciled abroad by banks and investment companies in Switzerland and the Principality of Liechten-

stein are subject to authorisation if these transactions amount to Sfr 10 million or more and are for a period of one year or more.

With effect from 15 May 1985, the Governing Board has abolished the applicable maximum limit of Sfr 200 million for public bond issues of foreign borrowers. This has put public flotations of bond issues by foreign borrowers on an equal footing, as regards the issue size, with note issues for which no ceiling exists or has existed in the past.

Abolition of maximum limit for public bonds

Background conditions of the Swiss financial centre

In the business year 1985 the Governing Board concerned itself in detail with the problem of the international competitiveness of the Swiss financial centre. Public opinion differs with regard to the extent of the threat. While record profits and other indicators of successful business activity do in fact point to unimpaired competitiveness, the traditional advantages of the Swiss financial centre seem to have been diminished by changes in background conditions abroad. Aspects of fiscal policy are of particular importance in the discussion on the competitiveness of the Swiss financial centre. No monetary policy measures which might adversely affect the competitiveness of the Swiss financial centre have been in force for quite some time.

International competitiveness of the Swiss financial centre

The increasing shift of banking activity from credit granting to the financial services («securitization») has focussed the attention of the Federal authorities on questions of investor protection and of ensuring the efficiency of the financial markets. The National Bank has dealt with these problems on two different levels.

Investor protection

As part of the preparatory work for the partial revision of the Bank Act the National Bank has submitted a proposal to the Federal Department of Finance that the finance companies which engage in credit business without recourse to public borrowing, as well as institutions which launch securities issues on behalf of third parties in a professional capacity, be subjected to some form of supervision. These bank-type institutions have become increasingly important in the past few years. There are a number of reasons why control should be exercised over them. The insolvency of unsupervised finance brokers is liable to lead to undesirable disruptions of the credit apparatus. Public confidence in the capital markets calls for solvent issuing houses which would also be in a position to meet any investor claims arising from a legal liability for the statements in the prospectus. Finance companies and issuing houses have considerable competitive advantages over the banks in that they do not have to fulfil any supervisory requirements

Growing significance of bank-type institutions

(e.g. as regards organisation, capital adequacy, risk distribution). Moreover, by setting up bank-like finance companies and issuing houses the principle of reciprocity applying to foreign banks may be circumvented.

Problematic investor protection in the notes sector

The growing volume of note issues has opened up this market for an ever increasing number of medium and small-scale investors. Besides, today note issues are brought to the attention of the general investing public in the form of advertisements and other notices in the press as well as by means of circular letters and electronic price information systems. The problem of investor protection which has thus arisen has been exacerbated by the fact that even unknown foreign companies have increasingly begun to raise funds by means of note issues and at the same time issuing houses are seeking to limit the risk of being held liable for investor losses. In 1984 a study group made up of representatives of the Federal Finance Administration, the Banking Commission and the National Bank was commissioned to investigate the possibility of introducing concrete measures for the protection of investors in notes. In an interim report the study group requested authorisation to cooperate in the drawing up of a banking convention that adequately takes investor interests into account by formulating some basic conceptions. At the beginning of December 1985 the responsible Federal authorities granted the study group a formal mandate to negotiate.

Payments transactions

«Swiss Interbank Clearing»

The existing interbank payments system does not take full advantage of the possibilities provided by modern technology in the form of electronic data processing. Thus a substantial part of the transactions still require vouchers, and the transmission of information is relatively slow. The National Bank therefore assisted the banks in their efforts to devise a new interbank payments system. Considerable progress has in the meantime been made in the realisation of this project known as Swiss Interbank Clearing (SIC). This system is expected to affect the banks' liquidity reserves. The National Bank will duly take into consideration any such changes in its monetary policy.

Cooperation of the National Bank in international monetary measures

Revised Federal Act on Switzerland's cooperation in international monetary measures

On 16 July 1985 the revised Federal Act on Switzerland's cooperation in international monetary measures, which has been extended until 15 July 1995, entered into force. It empowers the Federal Government to participate in international support operations in order to prevent or eliminate serious disruptions in international monetary relations. To the extent that

the Federal Council entrusts the National Bank with the task of providing credits or security the Federal Government guarantees, vis-à-vis the central bank, fulfilment of the agreement within the specified time limit.

The amendments to the Federal Act duly took the changed circumstances into account. In the article circumscribing the object, «agreements with international organisations» are now mentioned prior to «international agreements» as instruments of international monetary assistance; this is due to the fact that, based on the Federal Act, credits and guarantees are in future likely to be provided primarily through international organisations such as the Bank for International Settlements (BIS) and the International Monetary Fund (IMF). With Switzerland's accession to the General Arrangements to Borrow (GAB) as a full-fledged member on 10 April 1984 the credit commitments (totalling Sfr 865 million) entered into by the Federal Government under the former GAB lapsed; the ceiling for guarantee and credit commitments within the context of the monetary assistance act has thus been lowered from Sfr 2000 million to Sfr 1000 million. Moreover, the guarantee to be furnished by the Federal Government does not only cover repayment of the credit sum within the specified time limit but also repayment of interest on loans.

Lower ceiling for
guarantee and credit
commitments

In the Federal Council's report to parliament on the Federal Act the criteria for providing international monetary assistance are more precisely defined in order to distinguish such assistance from measures for the promotion of exports and development aid. In particular, foreign currency loans may not be tied to deliveries of Swiss goods and services.

Distinction between
monetary assistance and
export promotion

In 1982 and 1983, based on the Federal Act on Switzerland's cooperation in international monetary measures, the National Bank had entered into substitution undertakings for short-term bridging loans provided by the Bank for International Settlements (BIS) in favour of heavily indebted countries; as in 1984, the National Bank again entered into no new commitments of this kind in 1985.

No new substitution
undertakings vis-à-vis
the BIS

At the end of April 1984 the BIS, together with 19 industrial countries and Saudi Arabia, agreed to grant the IMF a credit totalling 6 billion Special Drawing Rights (SDRs). The National Bank had undertaken – via the BIS – to contribute 180 million SDRs to the loan. In 1985 this facility was fully utilised.

Utilisation of credit
commitment by the IMF

The IMF repaid, at regular intervals, part of the loan provided by the National Bank under the «Witteveen» facility in 1979. At the end of 1985 500.7 million SDRs were still outstanding.

Partial repayment of
credits by the IMF

Early loan repayment by
Yugoslavia

The credit – equipped with a Federal guarantee – granted by the National Bank to Yugoslavia to the total amount of \$ 80 million was partially repaid, prior to expiry, in 1985.

Participation of the National Bank in stand-by arrangements at the end of 1985

	Original undertakings	Outstanding credits		Open undertakings End 1985
		End 1984	End 1985	
1. Swap agreements				
Federal Reserve Bank of NY	\$ 4 billion		0	\$ 4 billion
Bank of Japan	Yen 200 billion		0	Yen 200 billion
BIS	\$ 600 million		0	\$ 600 million
2. Multilateral credits				
General Arrangements to Borrow (GAB)	SDR 1020 million		0	SDR 1020 million ¹
IMF "Witteveen" facility	SDR 650 million	SDR 592.8 million	SDR 500.7 million	0
Credit commitment to BIS in favour of IMF	SDR 180 million	SDR 61.4 million	180.0 million	0
3. Bilateral credits				
Turkey ²	\$ 45.5 million	\$ 45.5 million	\$ 45.5 million	0
Yugoslavia ²	\$ 80 million	\$ 80 million	\$ 58 million	0

¹ It has been agreed that if the GAB are utilised the credits granted within the context of the SDR 180 million credit commitment vis-à-vis the BIS in favour of the IMF will be deductible. Thus the actual open undertaking at the end of 1985 amounted to SDR 840 million.

² With Federal Government guarantee.

3. Balance sheet and financial results

3.1 Main components of the balance sheet since 1946

Assets

Year-end	Gold holdings ¹	Foreign exchange	Foreign Treasury Bonds in Swiss francs; SDRs ²	Balances with foreign central banks covered by exchange rate guarantee	Domestic portfolio				Lombard advances	Securities	Balances with domestic correspondents	Loss on foreign exchange end gold holdings
					Swiss bills	Treasury Bonds ³	Dis-counted bonds	Total				
<i>In millions of francs</i>												
1946	4 949,9	158,0	—	—	46,1	14,5	13,9	74,5	164,2	52,7	51,7	—
1947	5 256,2	102,5	—	—	116,3	20,1	18,8	155,2	246,6	48,4	68,6	—
1948	5 821,0	236,6	—	—	115,2	1,5	8,8	125,5	79,0	47,4	50,4	—
1949	6 240,2	260,0	—	—	81,4	2,0	0,7	84,1	31,0	39,7	26,7	—
1950	5 975,8	256,4	—	—	165,3	31,5	4,4	201,2	85,0	40,9	60,3	—
1951	6 003,8	227,6	—	—	233,8	4,6	12,7	251,1	58,9	39,9	53,0	—
1952	5 876,1	490,9	—	—	243,9	—	1,8	245,7	64,0	40,1	37,5	—
1953	6 086,1	522,2	—	—	190,8	14,7	1,1	206,6	65,2	35,5	34,9	—
1954	6 323,4	649,8	—	—	91,6	2,0	9,6	103,2	116,6	46,5	41,3	—
1955	6 686,3	624,1	—	—	129,2	2,0	23,0	154,2	131,8	45,9	47,8	—
1956	7 102,9	627,0	—	—	170,9	21,5	80,0	272,4	186,9	45,7	56,1	—
1957	7 383,5	781,4	—	—	193,9	—	31,9	225,8	52,0	45,3	41,4	—
1958	8 329,3	560,9	—	—	56,0	—	2,3	58,3	21,8	44,6	33,0	—
1959	8 369,3	534,6	—	—	50,6	—	7,3	57,9	39,7	44,2	45,2	—
1960	9 454,7	583,0	—	—	49,2	—	4,3	53,5	37,8	43,3	45,1	—
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 ⁴
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 ⁴
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 ⁴
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 ⁴
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 ⁴
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 ⁵
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 ⁵
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	—

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

² Since 1980, Special Drawing Rights.

³ Since 1948, only Federal Treasury Bonds; since 1979 including money market debt register claims.

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

⁵ Covered by hidden reserves on gold.

Liabilities

Note circulation	Cover- age of note circu- lation by gold holdings	Sight liabilities					Banks' minimum reserves	Time liabilities	Foreign exchange valuation adjust- ment	Capital end reserves	Provisions for foreign exchange risks	Balanca sheet total	Year- and	
		Total	of which giro accounts of banks, trade and industry	Ac- counts of the Confed- eration	Ac- counts held under payment and clearing agree- ments	Balan- ces of foreign banks ^a								
In millions of francs	%	In millions of francs												
4 090,7	121,00	1 164,6	662,3	194,6	223,5	—	—	—	67,5	—	7,8	5 499,8	1946	
4 383,4	119,91	1 172,3	722,3	127,2	263,4	—	—	—	68,0	—	5,1	5 932,1	1947	
4 594,3	126,70	1 242,8	960,0	11,2	221,7	—	—	337,1	68,5	—	5,1	6 400,6	1948	
4 566,3	136,66	1 731,1	1 334,8	105,8	249,6	—	—	200,0	69,0	—	4,1	6 721,9	1949	
4 663,8	128,13	1 773,1	1 042,1	485,6	170,2	—	—	—	69,5	—	4,4	6 658,6	1950	
4 927,3	121,85	1 528,8	1 101,9	225,4	159,9	—	—	—	70,0	—	3,6	6 675,9	1951	
5 121,9	114,73	1 453,9	1 209,2	78,9	126,8	—	—	—	70,5	—	3,9	6 796,8	1952	
5 228,5	116,40	1 540,9	1 147,3	157,3	171,5	—	—	—	71,0	—	5,3	6 996,8	1953	
5 411,6	116,86	1 692,2	1 255,2	216,1	171,5	—	—	—	71,5	—	4,8	7 327,2	1954	
5 515,5	121,23	1 990,4	1 623,8	268,9	82,1	—	—	—	72,0	—	13,4	7 738,2	1955	
5 809,7	122,26	2 286,4	1 570,6	609,2	89,2	—	—	—	73,0	—	16,0	8 340,1	1956	
5 931,2	124,49	2 393,0	1 831,1	471,1	74,7	—	—	—	74,0	—	17,1	8 574,6	1957	
6 109,3	136,34	2 726,4	2 541,2	105,7	61,3	—	—	—	75,0	—	16,8	9 098,9	1958	
6 343,9	131,93	2 535,3	2 330,7	165,6	22,1	—	—	—	76,0	—	17,0	9 141,5	1959	
6 854,1	137,84	2 756,4	2 288,4	416,6	33,3	—	—	390,3	77,0	—	18,4	10 266,2	1960	
7 656,0	144,70	2 947,0	1 996,1	662,5	37,2	231,5	1 035,0 ⁷	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 ⁷	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 ⁷	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 ⁷	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 ⁷	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 ⁷	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	5 770,2	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 ⁸	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 ⁹	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 ⁹	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 ⁹	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 ⁹	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 ⁹	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	—	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	—	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	—	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	—	852,0	—	250,0	1 624,6	97,0	6 564,6	450,0	49 374,2	1982
24 759,4	48,06	15 229,4	14 229,2	812,0	—	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	—	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	—	128,1	—	—	1 564,2	100,0	13 467,7	490,0	58 546,7	1985

^a Prior to 1961 under "Giro accounts of banks, trade and industry".

^b Giro accounts of banks temporarily blocked.

^c In accordance with the agreement of 18 August 1971 concerning extraordinary minimum reserves.

^d Minimum reserves of banks in respect of domestic and foreign liabilities, in accordance with the Federal Act of 20 December 1972 and 19 December 1975 respectively.

3.2 Financial results

Expenditure (in Sfr 1000)

	1978	1979	1980	1981	1982	1983	1984	1985
Operating expenses	75 174	79 369	80 731	71 604	86 920	106 160	120 232	93 998
Bank authorities	492	643	581	594	688	722	726	718
Personnel	31 164	32 625	34 401	40 815	47 790	46 602	49 984	52 123
Premises	24 937	8 614	14 354	6 083	9 464	20 355	16 115	9 379
Furniture and fixtures	2 312	13 829	6 351	1 829	2 652	9 658	17 858	2 402
Business and office equipment and supplies	1 570	1 592	1 782	1 720	2 117	2 248	2 754	2 914
Information and communication	1 035	1 144	1 183	1 355	1 867	1 639	1 859	1 951
Printing, publications	558	628	714	1 617	1 045	615	548	635
Expenditure in respect of note circulation	8 413	13 452	15 263	14 190	16 116	18 659	18 601	17 105
Other expenditure on materials	4 693	6 842	6 102	3 401	5 181	5 662	11 787	6 771
Other expenses	4 522 796	1 948 544	1 272 895	258 323	182 890	197 099	132 687	122 193
Interest payable to depositors	1 532	1 431	1 740	2 482	2 664	2 409	2 767	3 077
Interest payable to Federal Government	17 169	13 060	5 040	18 179	24 086	42 289	39 296	56 767
Interest payable on Federal Treasury bonds	43 313	23 958	2 644	33	—	—	—	—
Interest payable on bonds	—	—	32 127	19 772	34 600	13 126	—	—
Other sterilisation expenses	—	29 578	41 285	20 506	4 533	167	—	—
Write-down								
Write-down of own securities	—	109 364	54 166	183 038	114 510	138 467	90 624	62 349
Depreciation of bank buildings	26 000	40 315	24 950	14 313	2 497	641	—	—
Write-down of foreign exchange holdings	4 434 782	248 328	—	—	—	—	—	—
Amortisation of the loss on foreign exchange holdings entered in the balance sheet per 31. 12. 1978	—	1 482 510	1 110 943	—	—	—	—	—
Taxes	—	—	—	—	8 898	—	2 851	—
Appropriation to staff and pensioners' welfare facilities funds	—	—	10 000	4 000	3 000	2 500	5 000	3 000
Donation to the Gerzensee study centre foundation	—	—	—	—	—	—	32 733	—
Provisions	—	—	2 290 149	2 444 142	2 143 355	2 051 141	2 245 993	2 655 953
Provisions for foreign exchange risks	—	—	2 157 117	2 374 142	2 033 355	2 001 141	2 245 993	2 655 953
Other provisions	—	—	133 032	70 000	110 000	50 000	—	—
Net profit	—	—	7 516	7 593	7 593	7 593	7 593	7 593
Allocation to the reserves	—	—	—	—	—	—	—	—
Dividend	—	—	1 000	1 000	1 000	1 000	1 000	1 000
Payment to the Federal Finance Administration	(1500) ¹	(1500) ¹	1 500	1 500	1 500	1 500	1 500	1 500
	(5016) ¹	(5016) ¹	5 016	5 093	5 093	5 093	5 093	5 093
Total	4 597 970	2 027 913	3 661 291	2 785 662	2 432 656	2 364 493	2 547 089	2 882 737

¹ To the debit of provisions.

Income (in Sfr 1000)

	1978	1979	1980	1981	1982	1983	1984	1985
Operating income	4 107	5 085	5 776	6 933	7 389	9 319	8 245	7 569
Commissions	2 802	3 661	2 913	2 832	3 006	4 756	3 935	2 945
Income from bank buildings	691	927	2 161	2 465	2 603	2 892	2 816	3 170
Sundry income	614	497	702	1 636	1 780	1 671	1 494	1 454
Other income	1 316 171	1 982 578	3 655 515	2 778 729	2 425 267	2 355 174	2 538 844	2 875 168
Income from foreign exchange and gold	1 257 674	1 957 316	2 313 747	2 552 937	2 307 193	2 228 957	2 391 222	2 709 177
Valuation adjustment to foreign exchange holdings	—	—	1 264 579	90 019	—	—	—	—
Income from discounting	5 464	4 307	19 461	43 844	37 518	23 651	23 442	25 511
Income from secured advances	616	1 529	8 513	25 096	15 656	17 738	21 536	25 257
Income from own securities	52 213	19 282	47 880	64 840	62 801	83 232	100 691	113 281
Income from domestic correspondents	204	144	1 335	1 993	2 099	1 596	1 953	1 942
Drawings on provisions	684 239	40 250	—	—	—	—	—	—
Drawing on provisions for currency risks	648 239	—	—	—	—	—	—	—
Drawing on other provisions	36 000	40 250	—	—	—	—	—	—
Shortfall due to write-down of foreign exchange holdings	2 593 453	—	—	—	—	—	—	—
Total	4 597 970	2 027 913	3 661 291	2 785 662	2 432 656	2 364 493	2 547 089	2 882 737

Explanatory notes on the Profit and Loss Account

The National Bank's Profit and Loss Account closed in 1985 with an income surplus (total income less operating expenses and other expenses) of Sfr 2666.5 million. The surplus is largely attributable to the interest yield on dollar investments and was used primarily to increase the provisions for foreign exchange risks (Sfr 2656.0 million).

Earnings from investments and trading in foreign currencies amounted to Sfr 2709.2 million. The dollar was shown in the annual accounts at the December average rate of Sfr 2.103 (1984: Sfr 2.556). The corresponding book loss on foreign currency holdings totalling Sfr 3554.5 million was debited to the balance sheet item «valuation adjustment to foreign exchange holdings».

Rates on discount and lombard business were left unchanged, while at the same time earnings rose to Sfr 50.8 million. Discount credits were in greater demand than lombard advances, though the gap was much smaller than in the previous year. Income from securities climbed to Sfr 113.3 million – the result of an extended portfolio.

Despite a slight decline in the number of employees staff expenditure rose by some 4% up to Sfr 52.1 million. Expenditure on premises receded to Sfr 9.4 million. Aside from the renovation of the Geneva branch office these outlays were mainly for current expenses on premises (rent, maintenance, insurance, etc.).

Expenditure in connection with the issue and circulation of bank notes, which includes the cost of paper, printing, transport and insurance, was cut back to Sfr 17.1 million. Given the increase in the Federal Government's deposit and investment accounts interest payments on these accounts rose to a total of Sfr 56.8 million.

Book profits on repayments of securities previously written off (Sfr 24.1 million) were set off against the cost of depreciation of securities acquired in the year under review (Sfr 86.4 million). On balance this resulted in a write-off totalling Sfr 62.3 million.

4. Organisation (as on 1 January 1986)

4.1 Supervisory authorities

Bank Council	40 members President: Edmund Wyss Vice-President: François Schaller
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: Werner Staub

4.2 Bank management

Governing Board	Pierre Languetin, Zurich Markus Lusser, Berne Hans Meyer, Zurich
Secretariat General	
Secretary General	Andreas Frings, Director, Zurich
Deputy Secretary General	Theodor Scherer, Assistant Director, Berne Peter Hadorn, Assistant Director, Zurich
<i>Department I (Zurich)</i>	
Head of Department	Pierre Languetin, Chairman of the Governing Board
Secretariat	Anna Elisabeth Heeb, Senior Officer
Press Relations	Werner Abegg
Deputy Heads of Department	Peter Klauser, Director Georg Rich, Director
Economic Section	Georg Rich, Director
Economic Studies	Jean-Pierre Béguelin, Director Pascal Bridel, Economic Adviser Hans-Jürg Büttler, Economic Adviser Franz Ettl, Economic Adviser
Banking Studies	Max Baltensperger, Director Urs Birchler, Senior Officer Daniel Hefti, Senior Officer
Banking Statistics	Christoph Menzel, Assistant Director
Legal and Administrative Section	
Legal Department	Peter Klauser, Director
Personnel	Peter Klauser, Director
Technical Services	Gerhard Nideröst, Director Theo Birchler
Auditing and Controlling	Hans Baumgartner, Director

Department II (Berne)

Head of Department	Markus Lusser, Vice-Chairman of the Governing Board
Deputy Head of Department	Jean-Pierre Roth, Director
Banking Section	Walter Bretscher, Director
Central Accounting	Hans-Peter Dosch, Deputy Director
Cashier's Office (Berne)	Adolf Lerch, Assistant Director
	Paul Bürgi, Senior Officer
Correspondence, Bills and Cheques	Daniel Ambühl, Assistant Director
Securities	Max Isenschmid, Deputy Director
Cash and Collection, Security, Services	Johann Ammann, Director
Chief Cashier's Office	Roland Tornare, Chief Cashier
	Peter Trachsel, Deputy Chief Cashier
Security	Alex Huber, Senior Officer

Department III (Zurich)

Head of Department	Hans Meyer, Member of the Governing Board
Deputy Head of Department	Mario Corti, Director
Staff	Monique Dubois, Assistant Director
Monetary Operations	Hans Stahel, Director
	Bruno Müller, Assistant Director
Foreign Exchange	Werner Bächtold, Assistant Director
Investment Group	Martin Papp, Assistant Director
Money Market Operations,	
Bills and Cheques	Hans Walter Preisig, Assistant Director († 5. 1. 1986)
Securities	Karl Hug, Assistant Director
General Processing and Back Office	Christian Vital, Director
	Eugen Guyer, Deputy Director
Payments Transactions	Eugen Guyer, Deputy Director
Accounting	Werner Bolliger, Assistant Director
Correspondence	Walter Obi, Assistant Director
Cashier's Office	Roland-Michel Chappuis, Assistant Director
Electronic Data Processing	Raymond Bloch, Assistant Director
	Jürg Ziegler, Senior Officer
	Peter Berwert, Senior Officer

Branches

<i>Aarau</i>	Heinrich Herzog, Director
	Fritz Merz, Senior Officer
<i>Basle</i>	Anton Föllmi, Director
	Karl Schär, Senior Officer
<i>Geneva</i>	Serge Delémont, Director
	Daniel Allamand, Senior Officer

<i>Lausanne</i>	Willy Schreyer, Director Georges Mounoud, Senior Officer
<i>Lucerne</i>	Hans Theiler, Director Daniel Wettstein, Senior Officer
<i>Lugano</i>	Cesare Gaggini, Director Franco Poretti, Senior Officer
<i>Neuchâtel</i>	Jean-Pierre Borel, Director Charles Girod, Senior Officer
<i>St. Gall</i>	René Kästli, Director Alfred Geiger, Senior Officer

Sub-Branch

<i>La Chaux-de-Fonds</i> (attached to Neuchâtel Branch)	Jacques Jolidon, Head of Sub-Branch
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Agencies at other banks

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

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

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