

Address by Hansueli Raggenbass,
President of the Bank Council,
at the official ceremony of the 100th anniversary of the
Swiss National Bank on 22 June 2007

Welcome address

Honoured President of the Swiss Confederation

Honoured Prime Minister of the Principality of Liechtenstein

Honoured members of the federal parliament

Honoured representatives of cantonal governments

Honoured presidents and governors of fellow central banks

Honoured guests from Switzerland and all over the world

Herzlich willkommen zum offiziellen Festakt "100 Jahre Schweizerische Nationalbank"!

Soyez les bienvenus à la Cérémonie officielle du Centenaire de la Banque nationale suisse!

Benvenuti alla Cerimonia per il Centenario della Banca nazionale svizzera!

Welcome to the official ceremony of the 100th anniversary of the Swiss National Bank!

I welcome you to this, the most important event in our centenary celebrations. I am delighted that so many notable personalities from around the world and from Switzerland are honouring the Swiss National Bank with their presence at this official ceremony.

Almost exactly 100 years ago, on 20 June 1907, the Swiss National Bank opened its doors for business in Basel, Berne, Geneva, St Gallen and Zurich. Today we look back on a history of continuity and stability, but also one of inexorable change; years when we were occasionally contested, a period of great challenges; but just as much a history of success

for an institution which has always rendered service to the Swiss economy and thus also to our country.

The musical prelude to our celebrations this evening, performed by the Tonhalle Orchestra under the baton of Heinz Holliger, has transported us back to the historic times when the Swiss mountain folk were fighting for freedom and independence. The legendary Swiss archer of that time, William Tell, was to be immortalised in a play by Friedrich Schiller and finally became known around the world when Gioacchino Rossini used the tale as the basis for an opera.

However, it was no legend upon which the Swiss National Bank was founded, one hundred years ago. The very tangible past and present of the SNB will therefore be the topic of the various addresses to be given today. As President of the Bank Council, I consider it a particular honour to say a few words on the business management of the Swiss National Bank. I am especially delighted that the Swiss Federal President, Micheline Calmy-Rey, will talk about the SNB from the Swiss point of view in her speech, while the President of the European Central Bank, Jean-Claude Trichet, will be doing so from a European vantage point.

Then, before the Chairman of the Governing Board, Jean-Pierre Roth, gives his address on 100 years of stability policies at the SNB, we will be able to enjoy a number of short folk melodies from the four cultural regions of Switzerland, specially arranged for today's event and performed for us by the Swiss Octet. Heinz Holliger will give a brief presentation of the four pieces while the stage is being rearranged.

Our celebrations will close with another performance by the Tonhalle Orchestra Zurich under their conductor, Heinz Holliger. This time we will hear "Pacific 231" by Arthur Honegger.

Our musical selection represents the balance for which the SNB is continually striving: a balance between our national basis in the four regions of the country and our international focus in a globalised world; a balance between historical retrospective, the present day and the challenges of the future. A musical metaphor, if you like. A metaphor for the Swiss National Bank. But equally a metaphor for Switzerland as a whole.

In celebrating its centenary today, the Swiss National Bank feels a certain sense of satisfaction in what it has achieved, while at the same time remaining well aware that it is not one of the oldest central banks. There are central banks in Europe that are more than twice as old. However, the main difference between the SNB and many other central banks is the legal basis upon which its activities are founded. Thus the SNB is unusual in its dual character of, on the one hand, a joint-stock company quoted on the stock exchange and on the other, an institution with a public mandate.

Even before the new central bank could be established, fervent disputes arose between the supporters of a state bank and the advocates of a shareholding bank. Those who adhered to the state bank approach left no stone unturned in their efforts to cull all possible elements in their favour from the two central bank proposals that had previously failed. Meanwhile, the advocates of the private bank approach were reproached with not really knowing whether they wanted a 'federal cantonal bank' or a 'cantonal federal bank'. Thus, the creation of the Swiss National Bank became a prime example of how Swiss politics works. Generally, in the Swiss system, solutions have to be worked for and attained in a laborious and protracted process, resulting, in practice, in well-balanced compromises that are all the more stable and enduring.

This brings us to the main focus of my comments today: How can an institution combining elements of both private joint-stock companies and public sector institutions be managed? One hundred years ago there was no talk of good business management – or corporate governance – as it would be called today. At the constituent General Meeting of Shareholders, the requirements with respect to corporate governance did not go beyond drawing up a job profile for the members of bank management. Federal Councillor Comtesse demanded that "the men" – in those days it was not only corporate governance that was an unknown concept; women in management were also unheard of – "who are called to lead the bank may ever display a level of intelligence, ability, vigilance and patriotism of a degree that is sufficiently elevated for the mission with which we are about to entrust them." The century that followed has seen a great number of high-calibre personalities, all of whom have made their own contribution to the successful history of

the Swiss National Bank. We remember them with gratitude. Some of them are here with us today.

From the time of its foundation until just a few years ago, regional and cantonal factors were strongly reflected in the SNB management structure. When the SNB was founded, the legislators established the basis for seven rather than the normal three governance bodies: the General Meeting of Shareholders, the Bank Council, the Bank Committee, the Auditing Committee, and the Governing Board, plus the Local Committees and the Local Managements. The Bank Council alone, as the SNB's supervisory body, numbered 40 members. Its composition was based first and foremost on party political and regional considerations. It represented all the important economic and social interest groups in the country.

The growing complexity of the SNB's tasks, their increasing interconnectedness and international character, as well as the ever greater expectations and demands placed on management in recent years have resulted in a strengthening in corporate governance and a comprehensive modernisation of the SNB's governance bodies. The revision of the National Bank Act in 2003 provided the opportunity to carry through these changes. The size of the Bank Council was pruned radically and its powers were extended. It was far too large for an effective supervisory body, and in-depth discussion was rare. Nowadays, the Bank Council bears far-reaching responsibility for the finances and organisation of the SNB as a business. Moreover, it has established four committees, in line with the Swiss Code of Best Practice for Corporate Governance. The Compensation Committee formulates principles on salary policy and makes proposals to the Bank Council relating to the salaries for top management. The Risk Committee is responsible for assessing and overseeing risk management and the investment process. The Audit Committee oversees financial accounting and financial reporting. It also monitors compliance with laws and regulations, and checks the effectiveness of the internal control system. Finally, the Nomination Committee prepares the Bank Council's election proposal in the event of vacancies in the SNB's top management.

SNB governance has also become more effective in the area of implementation. First, the internal auditors have been reconstituted as an independent instrument for overseeing

and controlling the SNB's business activity; they report direct to the President of the Bank Council. Second, the former Auditing Committee has been replaced by an external and independent Audit Board. Third, the audit bodies and the Bank Council Audit Committee meet regularly to adopt preventative measures at an early stage in possible weak areas in business activities. This collaboration between different bodies plays a major role in preventing reputation risks from arising in the first place, thereby ensuring that the Governing Board has a free hand to run a successful monetary policy.

As before, the principle of strict separation of supervisory and business management functions still holds. The three-person Governing Board bears sole and unlimited responsibility for the conduct of monetary policy. As early as 1894, the "emphatic requirement" was that "management and execution be united in one body, the Governing Board. We wish to see strong management at the head of the SNB, management that is as independent as possible, management that is totally bonded with the institution and has no other interests than those of the institution with which it has been entrusted." As the supreme business management and executive body, the current Governing Board continues to make the strategic and operational monetary decisions, determines the investment of assets, takes responsibility for the use of the individual central bank instruments and – together with the Swiss Federal Council – performs the tasks relating to international monetary cooperation.

Although the Swiss National Bank is independent in monetary policy matters, it is not dissociated from the state it serves. That is why its duty of accountability towards the Federal Council, the Federal Assembly and the public constitutes part of good business management. This duty relates to its monetary policy as well as its management of the bank. Consequently, the SNB is required to submit its Business and Financial Report to the Swiss Federal Council for approval before then handing both reports to the General Meeting of Shareholders for subsequent approval. Federal Council, shareholders and the general public all enjoy complete transparency on SNB business activities as well as its financial and earnings position.

Strengthening corporate governance was a key element in modernising the legal framework within which the SNB works. It now has a sound system of reporting, control

and disclosure requirements that ensure transparency as well as a balanced relationship between management and control at operating level, in the interest of all stakeholder groups. At the Swiss central bank, the system of 'checks and balances' that is so often cited works extremely well. Good business management alone does not guarantee that monetary policy will be successful. But it is one of the most important conditions for such success.

As President of the Bank Council, it is with a good conscience that I can encourage the SNB to go ahead and step into the second century of its business existence with confidence! As a well-managed business, the SNB will in future sustain its endeavours to prove itself worthy of the most important capital it has accumulated over its first hundred years of existence. That capital is the trust placed in it by the people of Switzerland! Thank you for your attention.

It is now my great pleasure to invite Federal President Micheline Calmy-Rey to present her address to us.

Closing remarks

We are reaching the end of our event today. This is the opportunity for me to thank each and every one of you. First of all, I would like to extend my heartfelt thanks to our Federal President, Micheline Calmy-Rey, and to the President of the European Central Bank, Jean-Claude Trichet, for their extremely informative addresses as well as for the goodwill that they have expressed towards the Swiss National Bank as an institution. Today's official ceremony is also an opportunity to thank – on behalf of our institution – all our partners in politics, business, the cantons, the world of finance and banking, the media, the universities and many other parties that support the SNB's in its endeavours. I would like to say a special word of thanks to our fellow central banks for the outstanding collaborative relationships we have with them. I also want to express my sincere gratitude to the Swiss people who have repeatedly placed in our institute the trust which we require. Last but not least, it is of particular importance to me to thank both the Governing Board and the SNB staff for their unremitting hard work.

Now, before we move on to drinks and – for invited guests – to the centenary banquet, we will enjoy our final musical contribution, Arthur Honegger's symphonic movement, "Pacific 231". This piece is a tribute to a former wonder of technology, the steam engine. In the composer's words, it transposes a visual experience into the musical sphere. We hope that the power, rhythm and movement expressed in the music you are about to hear will characterise the next century of the Swiss National Bank.

In monetary policy as in the structure of the institution entrusted with running this policy, the correct measure and the correct rhythm between modernity and tradition, change and stability, acceleration and deceleration must be found. This is necessary if we are to ensure that the *ceterum censeo* of Johann Hirter, the first President of the SNB Bank Council retains its validity in the coming years and decades. Hirter said,

"The elevated objective of the management of the institution, whose interests we have been entrusted with protecting, should be evident in all the measures and decisions of our authorities. This objective is to serve the general interests of the country, and to promote and uphold the prestige and independence of the Swiss Confederation in the economic sphere."

Meine Damen und Herren

Ich danke Ihnen herzlich für Ihre Teilnahme am heutigen Festakt und wünsche Ihnen weiterhin alles Gute im Jubiläumsjahr der Schweizerischen Nationalbank.

Mesdames et Messieurs,

Je vous remercie vivement d'avoir pris part à la cérémonie de ce jour et vous adresse mes vœux les meilleurs en cette année du Centenaire de la Banque nationale suisse.

Signore e Signori,

Vi ringrazio d'aver partecipato all'odierna cerimonia e Vi presento i miei migliori auguri per quest'anno in cui festeggiamo il centenario della Banca nazionale svizzera.

Ladies and Gentlemen

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8

I would like to thank you most sincerely for taking part in today's official ceremony and wish you all the very best in the Swiss National Bank's centenary year.