

Speech

SCHWEIZERISCHE NATIONALBANK
BANQUE NATIONALE SUISSE
BANCA NAZIONALE SVIZZERA
BANCA NAZIUNALA SVIZRA
SWISS NATIONAL BANK



Embargo

30 April 2021, 10.00 am

**The Swiss National Bank – focusing on its statutory mandate
in the interests of the country as a whole**

113th Ordinary General Meeting of Shareholders
of the Swiss National Bank

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Swiss National Bank

Zurich, 30 April 2021

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Dear Shareholders
Ladies and Gentlemen
Dear Guests

When I became President of the Bank Council two years ago, I assumed the role with great enthusiasm but also with a healthy sense of respect. As I take stock of this exciting and challenging time, I can thankfully and happily say that my experience has been positive. These two years have given me an even better understanding of the Swiss National Bank (SNB), of its wide range of activities, its operational structures and processes, and, last but not least, its employees.

I would like to begin our General Meeting by sharing some thoughts with you. Thoughts about the operational measures the SNB has used to ensure it can carry out its tasks at all times, even during this crisis; about the SNB as an attractive employer; and about the fulfilment of its statutory mandate.

The SNB's contribution to managing the coronavirus crisis

Ladies and gentlemen, the past 12 months have been very challenging for the SNB in light of the coronavirus crisis. While directing monetary policy at managing the crisis, the SNB reviewed its policy on provisions and concluded a new profit distribution agreement with the Federal Department of Finance. The Chairman of the Governing Board will be talking about this in greater detail.

The coronavirus pandemic is, on the one hand, a health crisis, and I would like to say that my thoughts and best wishes go out to all those who have been directly affected by this disease and to their families. On the other hand, however, the pandemic also has serious economic and financial consequences for households, businesses and the state.

Ensuring business continuity and performance

Skilled and dedicated employees are key to the SNB being able to fulfil its statutory mandate even under the adverse conditions of the coronavirus pandemic. However, extensive arrangements also have to be put in place to ensure business continuity. Following the outbreak of the pandemic last spring, the SNB developed and implemented a set of precautionary measures and established corresponding rules of behaviour, which are reviewed on an ongoing basis and adjusted as necessary. These requirements are based on the principle of safety first, on the orders and recommendations issued by the federal authorities and the cantons, as well as on the operational situation. A central element is that those employees who do not need to be on-site mainly work from home to reduce the risk of infection. For the same reason, teams performing critical activities that do require on-site presence have been split and moved to alternative working places. In addition to the general hygiene and distancing rules, the precautionary measures also cover what to do in the event of symptoms of the disease or following contact with people who have since tested positive. An internal contact

tracing system has also been set up to track chains of infection and pre-empt the spread of the virus within the bank.

Thanks to the measures taken, the SNB has been able to ensure the fulfilment of its mandate, even under difficult conditions. In this respect, it has been able to rely on structures, resources and processes developed over the past years within the context of business continuity management. The SNB was prepared. The alternative workplaces required for team splitting had already been set up. And the long-standing drive to develop a robust IT infrastructure, including remote access for working from home, has been another key success factor in maintaining operations, even through the partial economic shutdown. Furthermore, the experience gained from the annual emergency and crisis management exercises also proved useful.

In the areas of the SNB directly or indirectly involved in its monetary policy contribution to managing the crisis, the workload increased – in some cases quite sharply – within a short space of time. This called for strong commitment and a high degree of flexibility on the part of employees – and indeed still does. We can take pride in the fact that the SNB is able to rely on highly qualified and dedicated staff who have proven themselves in crises and are willing to go the extra mile when required. And the SNB for its part also regards protecting the health of its employees as being of paramount importance.

The SNB – an attractive and modern employer

However, it is not only in this respect that the SNB aims to be an attractive employer; it strives to offer ideal working conditions across the board. The SNB has regularly scored very highly in various employer rankings. Nevertheless, last autumn certain media reports surprisingly raised allegations of bullying, discrimination and sexism at the SNB. The Governing Board reacted immediately and made it clear that such behaviour – should it occur – would not be tolerated at the SNB. It contravenes the self-concept of the SNB as unequivocally expressed in its Charter and Code of Conduct. Any indications of possible misconduct are taken seriously, and suitable sanctions are imposed where appropriate. An examination of all such cases reported since 2015 concluded that, first, they were few in number and, second, that none was of a serious nature. They were also very diverse and followed no regular pattern. There are therefore no indications that bullying, discrimination and sexism are a systemic problem within the SNB, as regrettably claimed by certain representatives of the press.

The SNB has been steadily optimising its HR processes in recent years. Following the publication of the allegations in the media, the Governing Board, in consultation with the Bank Council, commissioned a comprehensive review of these processes to ensure that they are fully up-to-date, and that they guarantee equal opportunities and do not permit any form of discrimination. This work is being closely monitored by an ad hoc committee set up by the Bank Council. In particular, processes relating to the reporting of misconduct – as well as to

hiring, salary-setting and promotion – are being validated or certified by external experts. The SNB's diversity strategy and its efforts in respect of work-life balance are also to be reviewed.

This work is already well underway and any possibilities for improvement will be systematically implemented.

Statutory mandate, independence and governance

Let us now return to the SNB's contribution to managing the coronavirus crisis. In general, expectations regarding central banks have increased since their resolute and successful interventions during the financial crisis. Yet there are major risks in taking it for granted that central banks will always be able to come to the rescue in an emergency. The expectation that a central bank can resolve all the world's problems is both naive and dangerous. This can lead to it being overburdened with additional tasks that go beyond its mandate. The more objectives a central bank has to consider, the greater the danger that it will no longer be able to properly fulfil its mandate.

The SNB's mandate was deliberately narrowly defined in the Federal Constitution and in the National Bank Act. It must ensure price stability, while taking due account of economic developments. Setting it more objectives – such as making extraordinary distributions in crisis situations, securing pension provision or protecting the climate – could lead to conflicts of interest. What criteria should the SNB apply when deciding which objective to prioritise over another at any given time? A sense of arbitrariness and unpredictability would be hard to avoid, and would inevitably damage the SNB's credibility and effectiveness. This is why the mandate has to remain narrowly defined and with a clearly focused objective. This principle must not be discarded, even in times of crisis or during a pandemic.

The SNB's independence is also enshrined in the Constitution, and specified in greater detail in the National Bank Act. But this independence is not an end in itself. Rather, monetary policy theory and practice have shown that an independent central bank is better able to fulfil its mandate over the long term. An independent central bank has much greater prospects of ensuring price stability and thus contributing to sustainable economic development than one which is under the influence of political interest groups.

But the privilege and duty of conducting an independent monetary policy also entail a special responsibility. As the bearer of this responsibility, the SNB is accountable to the Federal Council, the Federal Assembly and the general public for its decisions, as well as for the way in which they are implemented and the results achieved. The precise scope of this accountability is again defined in the National Bank Act.

Another mainstay for the SNB is good governance, i.e. the clear definition of responsibilities within the institution. The SNB's governance structure provides the best foundation for the optimal fulfilment of its statutory mandate.

The four statutory bodies of the SNB – the General Meeting of Shareholders, the Bank Council, the Governing Board and the External Auditor – are allocated fixed and clearly defined responsibilities that ensure each is able to optimally perform its tasks.

Ladies and gentlemen, as we all know, the rights of SNB shareholders are limited due to the special nature of the SNB. That said, our General Meeting does have important powers. It elects five of the eleven members of the Bank Council as well as the External Auditor, it approves the financial report, determines the dividend and grants discharge to the Bank Council. Moreover, the private shareholders have epitomised the SNB's firm roots in society ever since it was established.

The Governing Board is the supreme management and executive body of the SNB. It is responsible for monetary policy, asset management strategy, contributing to the stability of the financial system, the supply and distribution of cash, and international monetary cooperation. The Governing Board represents the SNB vis-à-vis the public and is responsible for rendering account of its activities. As a small team, it is able to react to challenges quickly and flexibly, and bears ultimate responsibility for the fulfilment of the SNB's mandate.

The Bank Council, in turn, oversees and controls the conduct of business by the Governing Board. It lays down the fundamental elements of the SNB's organisation, and approves the budget and the level of provisions for currency reserves. The Bank Council also assesses risk management and the basic principles of the investment process. Furthermore, it approves the agreement with the Federal Department of Finance on profit distribution and decides on the design of banknotes.

Finally, the External Auditor examines whether the accounts, the annual financial statements and the proposal for the appropriation of the net profit comply with the statutory requirements.

As you can see, the separation of powers is finely balanced. The SNB's record over recent years, which have been extremely eventful in terms of economic policy, proves that this system of checks and balances works. The SNB's statutory mandate, independence and the clearly defined responsibilities of the different bodies enable it to perform its tasks well even in times of crisis, as has been clearly demonstrated.

Closing remarks

Let me now sum up my remarks today. The coronavirus pandemic has had a serious impact on individuals, on society and on the economy in our country, too. The SNB has made, and will continue to make, a key contribution to managing the crisis by fulfilling its statutory mandate in the face of difficult circumstances and ensuring appropriate monetary conditions – for the benefit of Switzerland as a whole, its people and the economy.

I am convinced that our country is best served when the SNB, as an independent central bank, focuses solely on its narrowly defined statutory mandate. It is crucial in this respect that it has the flexibility and autonomy to select the tools and measures required to fulfil its mandate.

The SNB's independence is not an end in itself, but rather helps to ensure a monetary policy that serves the country as a whole, rather than specific individual interests.

Ladies and gentlemen, let me finish by thanking my colleagues on the Bank Council for all their hard work and constructive cooperation. I would also like to thank the Governing Board under its Chairman Thomas Jordan for the very pleasant and productive collaboration this past year. My gratitude also goes to the SNB's employees for their commitment to our institution. Finally, I would like to thank you the shareholders – the cantons, cantonal banks and other public sector institutions as well as private individuals – for your loyalty and trust.

Grazcha fich per Voss'attenziun.