

**Speech**

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**Fulfilling its mandate in challenging times –  
the SNB is prepared**

114th Ordinary General Meeting of Shareholders  
of the Swiss National Bank

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President of the Bank Council

Swiss National Bank

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Dear Shareholders

Ladies and gentlemen

Esteemed guests

The SNB has been faced with a series of major challenges for some time now, challenges it has met with great success despite their varied nature; it has also managed to fulfil its statutory mandate in full at all times under these conditions. None of this can be taken for granted.

I am convinced that this will continue to be so in the future, even though the landscape has once again changed dramatically of late. I am referring in particular to Russia's attack on Ukraine, which has left us speechless, after so many years without a war in Europe. In his address, the Chairman of the Governing Board will consider this military conflict from an economic and monetary policy perspective. For my part, I would like to commemorate the victims and to express our compassion for their families, as well as for the countless people forced to suffer this dreadful war in their homeland, or who have sought refuge abroad.

### **Smooth functioning thanks to established organisation and governance**

I will begin my remarks with an account of the SNB's successful handling of challenges both internal and external last year. I will close with a development that I find increasingly worrying: the steady stream of new demands by external stakeholders concerning the use of the SNB's assets and profits, and the simultaneous rise of ambitions in this regard.

Ladies and gentlemen, the SNB continued to see its operations significantly affected by the coronavirus pandemic last year. Thanks to the measures implemented, which had already proven their effectiveness in the previous year, the SNB was able to fulfil its mandate despite the difficult conditions. The internal set of precautionary measures was subject to regular review and adapted to the course of the pandemic. So as to reduce the risk of infection, an average of between 70% and 80% of employees worked from home. Teams performing critical activities that require on-site presence were temporarily split up and moved to alternative workplaces.

As early as the end of 2021, the positive experience gained from home working prompted an update of the general rules governing employment at the SNB. We resumed normal operations at the beginning of this month, with a new feature: employees may now work from home up to 60%. A certain on-site presence is necessary, however, to allow the SNB to develop further, to integrate new employees and to foster cohesion. I am convinced that the SNB will find the right balance here and use it to further enhance its already considerable appeal as an employer.

As with the coronavirus pandemic, the SNB was also successful in its management of another extraordinary situation that arose this past year when, in relatively quick succession, two members of the Governing Board had to undergo medical procedures. I am delighted – as are

we all – that both interventions proceeded without complications, and that Thomas Jordan and Fritz Zurbrügg were soon fully in effect once again and able to perform their duties as usual.

The episode demonstrated the SNB's remarkable resilience. Even if a member of the Governing Board is temporarily 'out of commission', the SNB remains able to make decisions and to act, without restriction and at all times. Deputation functioned as intended and the SNB was well able to deal with these absences. Its organisation and its governance have thus proven themselves once again.

### **Further development of basic HR conditions and processes**

The next challenge I would like to discuss is particularly close to my heart. I am talking about the accusations of bullying, discrimination and sexism levelled unexpectedly against the SNB in certain media reports in autumn 2020. As I explained at last year's General Meeting of Shareholders, the SNB already had appropriate and robust HR processes in place at the time, as has been confirmed by an enquiry into cases of potential misconduct since 2015: Only a few violations were reported, and not a single one of them was serious in nature. Furthermore, the accusations clearly conflicted with the results of regular employee surveys, with experience gathered during daily business, and with the sound assessments received in the 'Switzerland's Best Employer' ranking. Upon closer examination, the strident claims and sensational allegations made in the media reports proved to be simply incorrect.

Nevertheless, in order to ensure that the SNB is fully up to date, we have addressed the issue. In consultation with the Bank Council, the Governing Board commissioned a comprehensive review of the relevant HR processes, with a view to making further improvements where appropriate. The Bank Council established an ad hoc committee, which I myself led, to closely monitor the work of the steering group headed by the Chairman of the Governing Board. I am pleased to be able to offer you some insight into the focus and findings of that work today.

The project had three objectives. First, optimising the HR processes for hiring, promotion and salary-setting, by building on the processes already in place. Second, modernising the process for reporting violations of regulations, and aligning it with the latest standard. Third, further developing the diversity strategy and reviewing the basic conditions for work-life balance. The SNB drew on the support of external specialists in all of these endeavours. And it goes without saying that the SNB's staff committee was also kept regularly informed and was included in the discussions.

So what have we accomplished? The processes for hiring, promotion and salary-setting have been more clearly standardised throughout the SNB, and the role of the Human Resources unit has been significantly enhanced. Based on the equal pay analysis required by law and performed for the first time, the SNB last year received the 'We Pay Fair' label as well as banking industry accolades. The gratifying results of our own studies, carried out during the annual pay round, were thus confirmed.

When it comes to dealing with violations of regulations, the SNB is committed to ensuring that processes are both correct and state of the art. At the beginning of November 2021 it launched its overhauled system for reporting violations of regulations, based on the new global standard known as ISO 37002. The focus of the system is on easy access and on ensuring a high level of protection for all persons involved in reporting. In February 2022, the SNB successfully had its reporting system certified in accordance with this standard – we believe we are the first central bank, and one of the first companies worldwide, to do so.

The third element of the project involved the further development of the diversity strategy and a review of the basic conditions for work at the SNB. The SNB is convinced that diversity helps it fulfil its mandate while at the same time making it a more attractive employer. The relevant sections of the Charter were therefore supplemented and made more specific, and measures were defined to promote diversity at our institution.

After all, it is important to expand our pool of potential employees as broadly as possible. Thus, for instance, the SNB will be intensifying its HR marketing at academic institutions; while it already conducts such activities throughout Switzerland, it aims to have a more frequent and stronger presence at selected fairs for graduates and job-seekers in the French and Italian-speaking parts of the country in particular. We hope this will enable us to recruit more staff from these regions.

In March of this year, the Bank Council was delighted to learn the results of the project as a whole. The improvements undertaken and the attestations by external bodies lent further credence to the conviction that the SNB's HR processes are exemplary. When I look back at what has been accomplished with this project, I can confirm – now more than ever – that the SNB is in every respect an attractive and fair employer. Nevertheless, abiding by and optimising these HR and reporting processes is not a one-off activity – it is something that we as an institution must continuously work at and refine in our day-to-day work. This is important for ensuring that the SNB has the skills required to perform its tasks as effectively as possible.

## **Expansion of mandate and earmarking of SNB profits not in interests of Switzerland as a whole**

While the prerequisites for the fulfilment of the SNB's mandate are assured internally by proven structures and highly qualified employees, I see such fulfilment under growing threat from external influences. As I mentioned at the outset, there are ever more varied proposals – and indeed, increasingly, demands – for potential uses to which the SNB's assets or profits might be put. There is understandably no limit to the creativity exhibited by the authors of such proposals. I believe, however, that it would be anything but a good idea to meet these demands. Allow me therefore to address the topic of profit distribution in a little more detail, since specific initiatives are afoot to undermine the applicable regulation.

There are two main arguments against tampering with the balanced distribution agreement between the Federal Department of Finance and the SNB. First, the amount available to the SNB for distribution is overestimated. And second, diverting funds for special purposes would at best render the fulfilment of the SNB's mandate more difficult, and at worst endanger it. Let me expand briefly on these two points.

Many people spy potential for additional distributions given the robust growth of the SNB's balance sheet in recent years. What they are happy to overlook is the fact that only a comparatively small proportion of that balance sheet is equity capital, and that that amount in turn is only partially available for distributions. Now, it is true that, following the pleasing 2021 annual result, the reserve relevant for the distributions to the Confederation and the cantons currently stands at CHF 102 billion, an amount which may at first glance appear very high in view of the annual profit distribution to the Confederation and the cantons of a maximum of CHF 6 billion.

There are two things, however, we must bear in mind: First, the distribution reserve is the key instrument for ensuring that the profit distribution to the Confederation and the cantons remains as constant as possible and is paid out without interruption year after year. Attaining this goal is by no means a triviality, since the size of the distribution reserve depends largely on developments in the financial markets. Weaker equity markets, rising interest rates and, above all, an appreciating Swiss franc weigh on the SNB's financial result, and thus on the distribution reserve. While the broad diversification of the currency reserves generally reduces the risk of losses, we all know that falling share prices, rising interest rates and a strengthening franc may converge – and not only for a short period. The first quarter of 2022 shows how important it is to keep an eye on this at all times. A substantial buffer – at the end of 2021 it was equivalent to around a tenth of the balance sheet total – is therefore mainly in the interests of the Confederation and the cantons. Otherwise the likelihood of phases without a distribution – phases which may also be of longer duration – increases.

Now to the second aspect, of equal importance: Earmarking the SNB's distributed profits would lead to a politicisation of its mandate. In addition to ensuring price stability, the SNB would then also have to keep a constant eye on turning a profit, which is alien to the legislators' intentions. Conflicts of interest would be inevitable. Ultimately, the SNB would lose the latitude required for the fulfilment of its mandate, and thus its independence in setting monetary policy, which would be very dangerous. In future, therefore, decisions regarding the use of these profits should continue to be made by their beneficiaries – the Confederation and the cantons.

Ladies and gentlemen, as you know, the demands made of the SNB go much further, well beyond increasing or earmarking profit distributions. In such cases, as for example when it comes to combating climate change, it is not simply a matter of massively overestimating what the SNB can contribute. There is also neither a legal nor a legitimate basis for the SNB to make decisions on such issues.

In any event, the more duties that are laid upon the SNB and the more constraints it has to factor in, the harder it becomes to pursue these objectives. But above all, it would make it unnecessarily difficult or even impossible for the SNB to fulfil its actual mandate, which is to ensure price stability while taking due account of economic developments.

Ladies and gentlemen, there are matters that require the attention of politicians, challenges they alone must meet – without succumbing to the temptation of dipping into the SNB's funds, as easy and convenient a solution as that might be. There should thus be no tampering with the SNB's independence, nor with its focus on a narrowly defined mandate.

### **Closing remarks**

Allow me to briefly summarise my remarks to you today. Despite numerous challenges, the SNB once again fulfilled its mandate last year in all respects and ensured that Switzerland was on a sound monetary policy footing at all times. The SNB is in a strong position and has recently further enhanced its HR processes. It is fit for the future. The conditions have thus been met for it to continue successfully carrying out its tasks, despite the upcoming challenges.

However, it is all the more important that the SNB should not be limited by extraneous stipulations as it performs a function of such eminent importance for our country. Earmarking SNB profits, or some part of them, and expanding its mandate, would gravely jeopardise the fulfilment of the SNB's core task, which is to pursue a monetary policy serving the interests of the country as a whole.

Ladies and gentlemen, in conclusion I would like to thank my colleagues on the Bank Council for all their efforts, their committed work and their valuable contributions. My heartfelt thanks as well to the Chairman of the Governing Board, Thomas Jordan, for all he has done and for a consistently cordial and productive collaboration. I also thank all SNB employees for their extraordinary commitment. And I 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.