The SNB and its monetary policy

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SCHWEIZERISCHE NATIONALBANK
BANQUE NATIONALE SUISSE
BANCA NAZIONALE SVIZZERA
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SWISS NATIONAL BANK

The SNB's mandate is to ensure price stability

Federal Constitution of the Swiss Confederation, Art. 99

[2] The Swiss National Bank, as an independent central bank, shall pursue a monetary policy that serves the overall interests of the country; […]

National Bank Act, Art. 5

[1] […] It shall ensure price stability. In so doing, it shall take due account of economic developments.

[2] Within this framework, it shall have the following tasks:

a. It shall provide the Swiss franc money market with liquidity.
b. It shall ensure the supply and distribution of cash.
c. It shall facilitate and secure the operation of cashless payment systems.
d. It shall manage the currency reserves.
e. It shall contribute to the stability of the financial system.

Organisation

- Joint-stock company governed by special provisions under federal law (since 1906)
  - Supervisory and executive bodies: Governing Board, Enlarged Governing Board and Bank Council
  - Approximately 55% of shares held by public shareholders (cantons, cantonal banks, etc.)
  - Rights of SNB’s shareholders restricted
- Two head offices, one in Berne and one in Zurich
  - Six representative offices across Switzerland
  - Branch office in Singapore
- 941 full-time equivalents (end-2025), plus apprentices and interns

Governing Board and internal organisation

Department I *M. Schlegel*	Department II *A. Martin*	Department III *P. Tschudin*
- Secretariat General - Economic Affairs - International Monetary Cooperation - Statistics - Communications - Legal Services - Compliance - Human Resources - Premises and Technical Services	- Financial Stability - Cash - Accounting - Controlling - Risk Management - Operational Risk and Security	- Money Market and Foreign Exchange - Asset Management - Banking Operations - Information Technology - Singapore

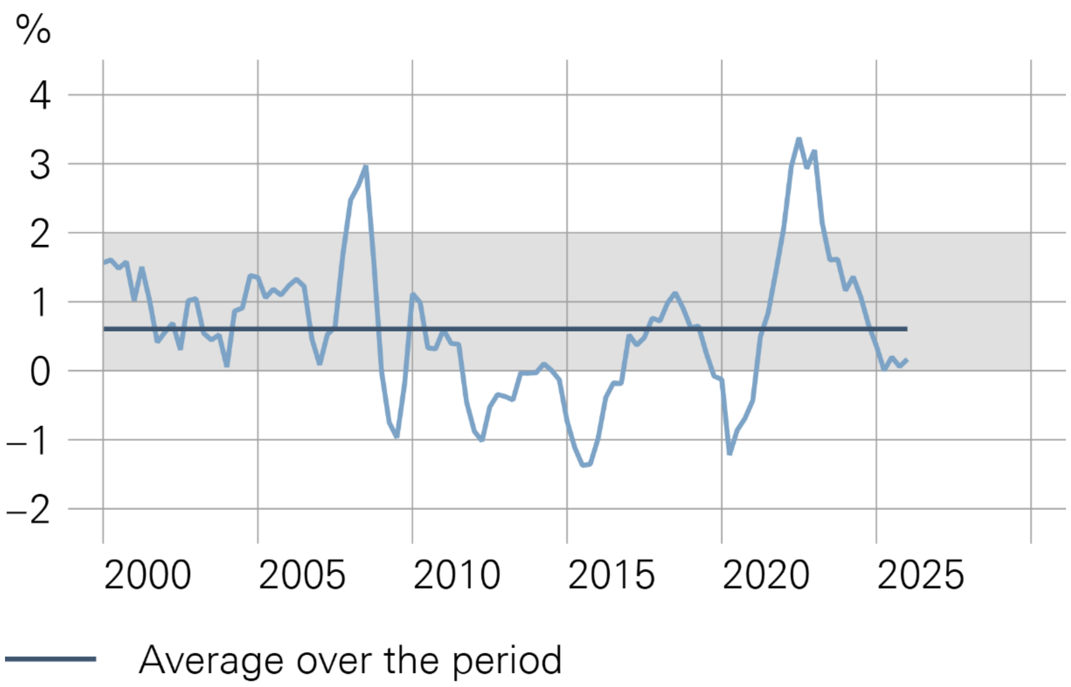
The SNB’s monetary policy strategy: three elements

I. Definition of price stability	The SNB equates price stability with a rise in the Swiss consumer price index (CPI) of less than 2% p.a.; the objective is to ensure price stability in the medium and long term
II. Inflation forecast	The conditional inflation forecast serves as the main indicator for the monetary policy decision and plays an important role in communications
III. Implementation of monetary policy	The SNB maintains appropriate monetary conditions by setting the SNB policy rate, seeking to keep short-term secured rates close to the policy rate and taking additional measures as necessary

Definition of price stability

SWISS CPI INFLATION

Year-on-year change



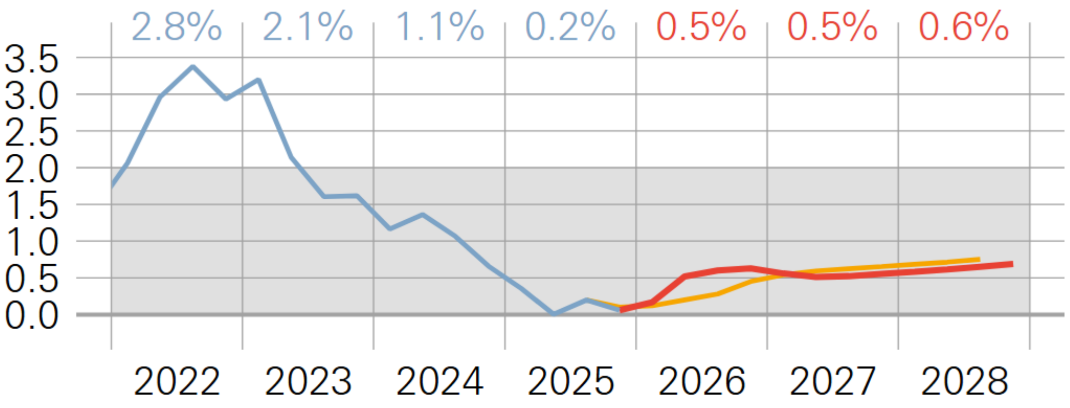
Source(s): SFSO, SNB

- CPI calculated by Swiss Federal Statistical Office (SFSO); measures the monthly change in prices of goods and services
- Price stability range between 0% and 2%
  - Price stability is an important prerequisite for growth and prosperity
  - Inflation cannot be steered with pinpoint accuracy
  - Inflation cannot be measured precisely (e.g. due to quality improvements)

Inflation forecast

CONDITIONAL INFLATION FORECAST OF MARCH 2026

Year-on-year change in Swiss consumer price index in percent



Inflation

Forecast March 2026, SNB policy rate 0.0%

Forecast December 2025, SNB policy rate 0.0%

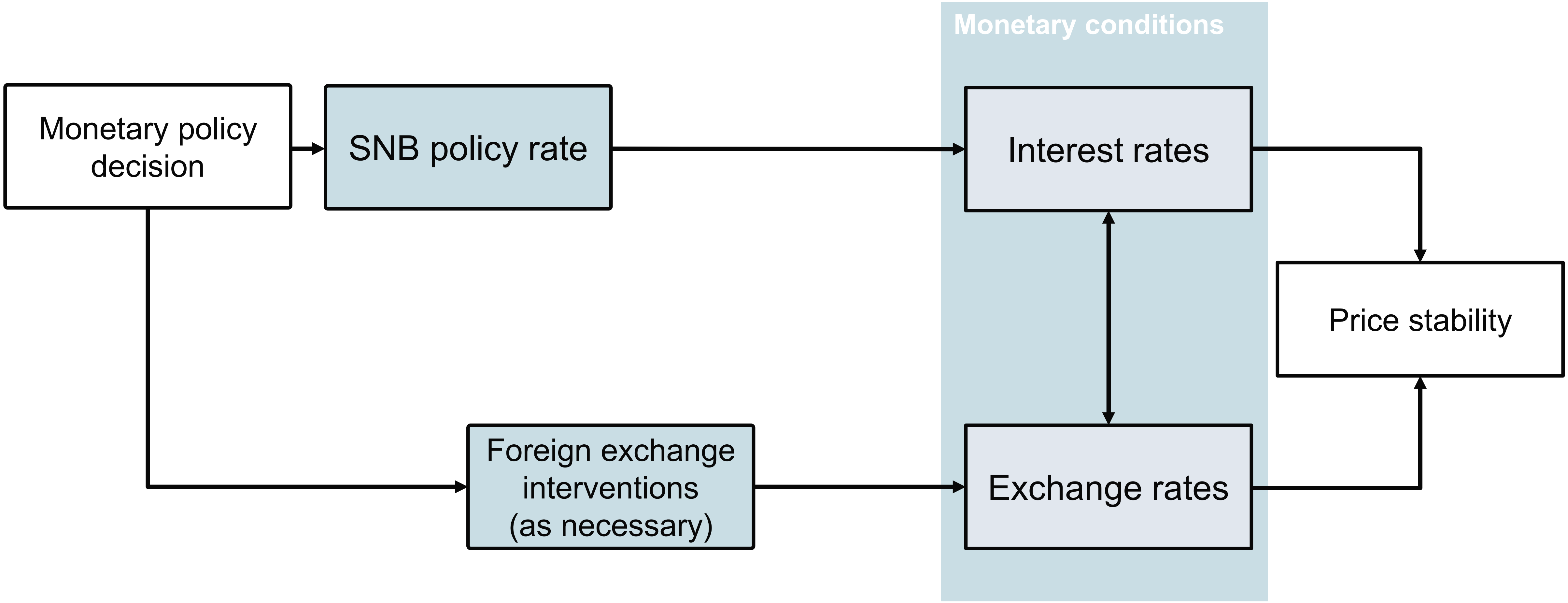
Source(s): SFSO, SNB

- Conditional forecast over next three years on quarterly basis
  - 'Conditional': forecast based on scenario for global economic developments and on assumption that SNB policy rate set will remain constant over forecast horizon
  - Three years corresponds roughly to time required for monetary policy stimuli to be transmitted
- Main indicator for monetary policy decision
- Plays important role in communicating monetary policy to public

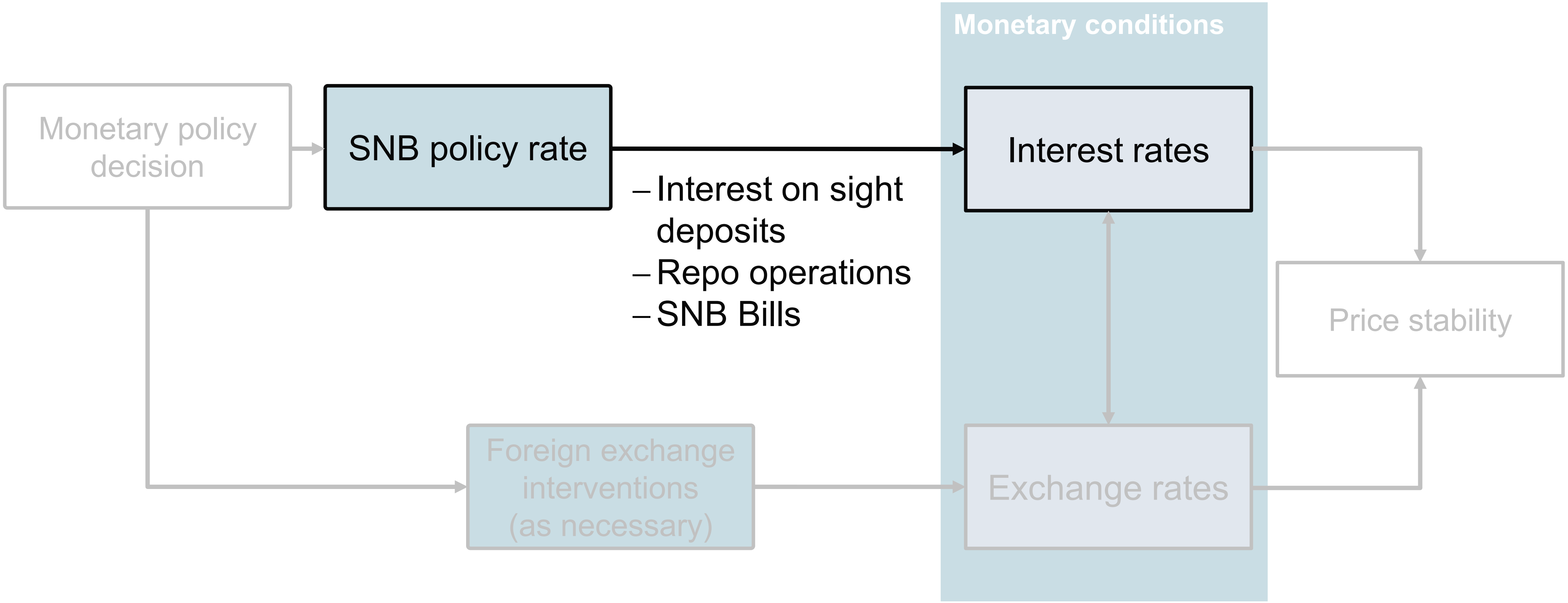
From inflation forecast to monetary policy decision

- The SNB does not react mechanically to the conditional inflation forecast, but if predicted inflation deviates from price stability range, an adjustment in monetary policy may prove necessary
- Monetary policy assessments in March, June, September and December
  - The SNB sets the level of its policy rate
  - If necessary, the SNB may also use additional monetary policy measures
- Communication: press release, monetary policy report, news conference and summary of discussion at monetary policy assessment
  - Conditional inflation forecast is an important communication tool for explaining monetary policy decision

Monetary policy transmission channels

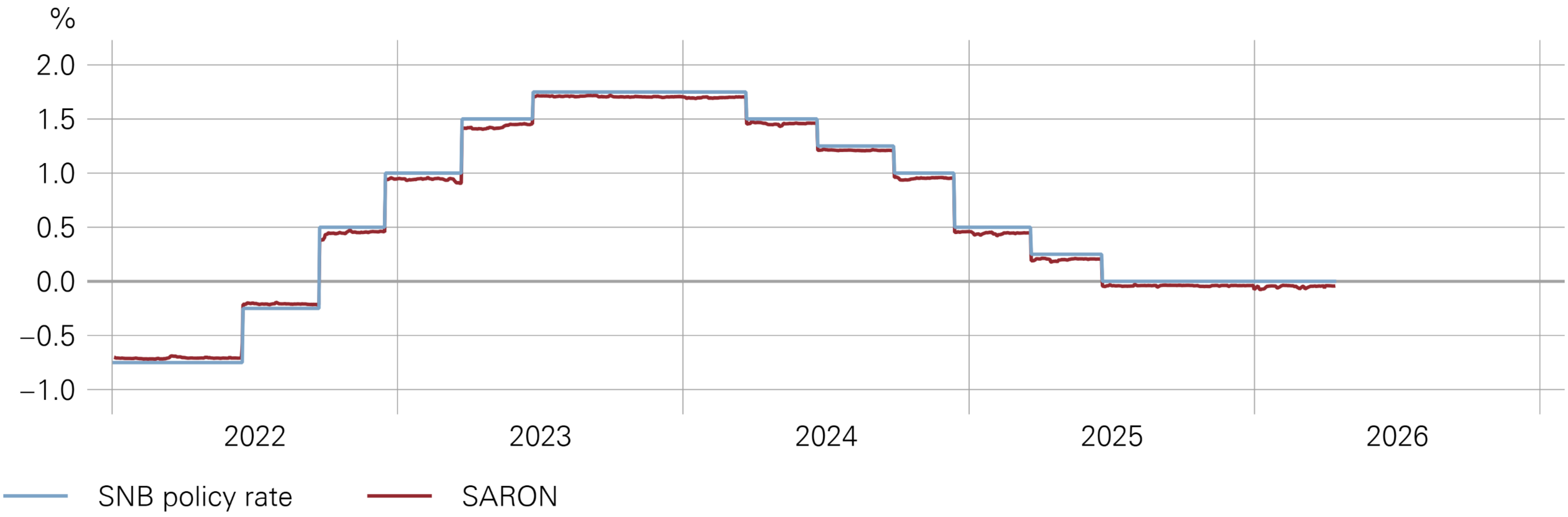


Instruments to keep short-term secured rates close to policy rate



SNB seeks to keep short-term secured rates close to policy rate (1/2)

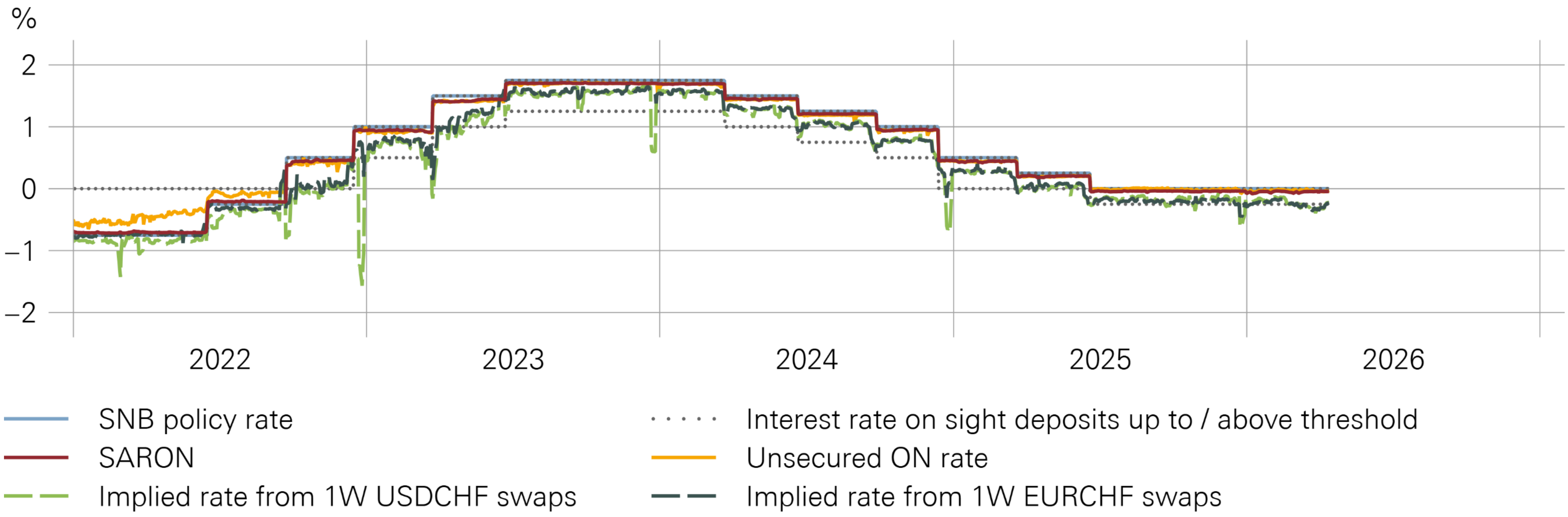
SNB POLICY RATE AND SARON



Source(s): Bloomberg, SNB

SNB seeks to keep short-term secured rates close to policy rate (2/2)

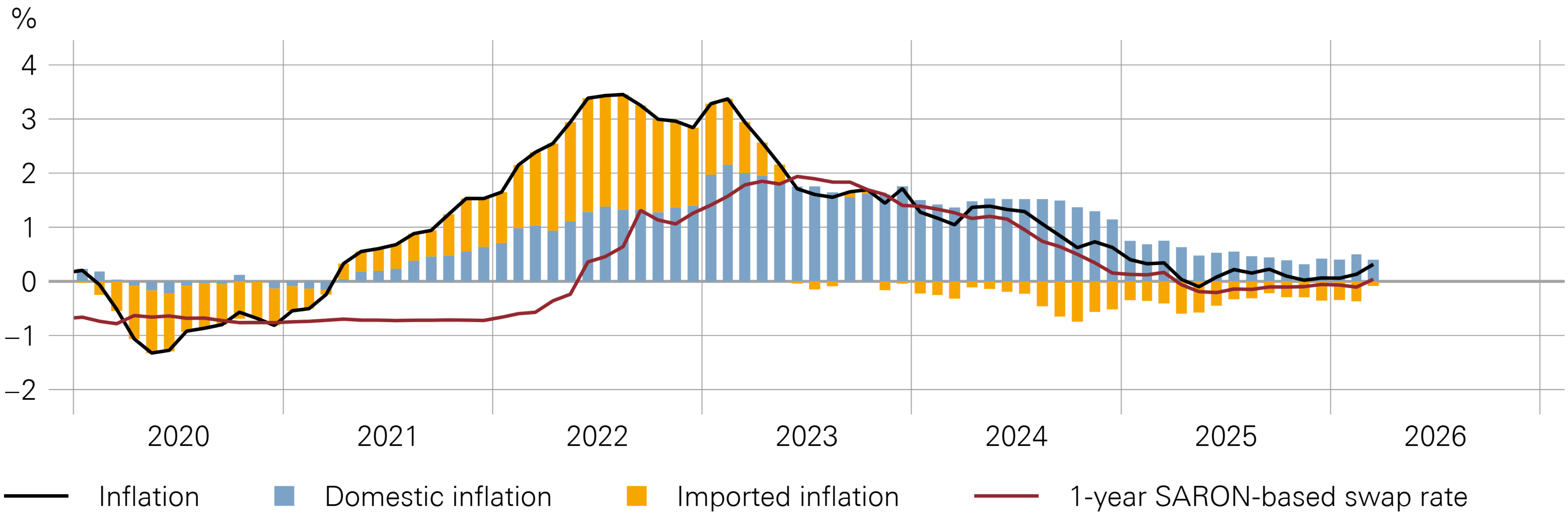
SNB POLICY RATE AND SHORT-TERM MONEY MARKET RATES



Source(s): Bloomberg, Gottex Brokers (prev. Cosmorex), Instimatch, SNB

Monetary conditions determined by interest rate level and exchange rates (1/2)

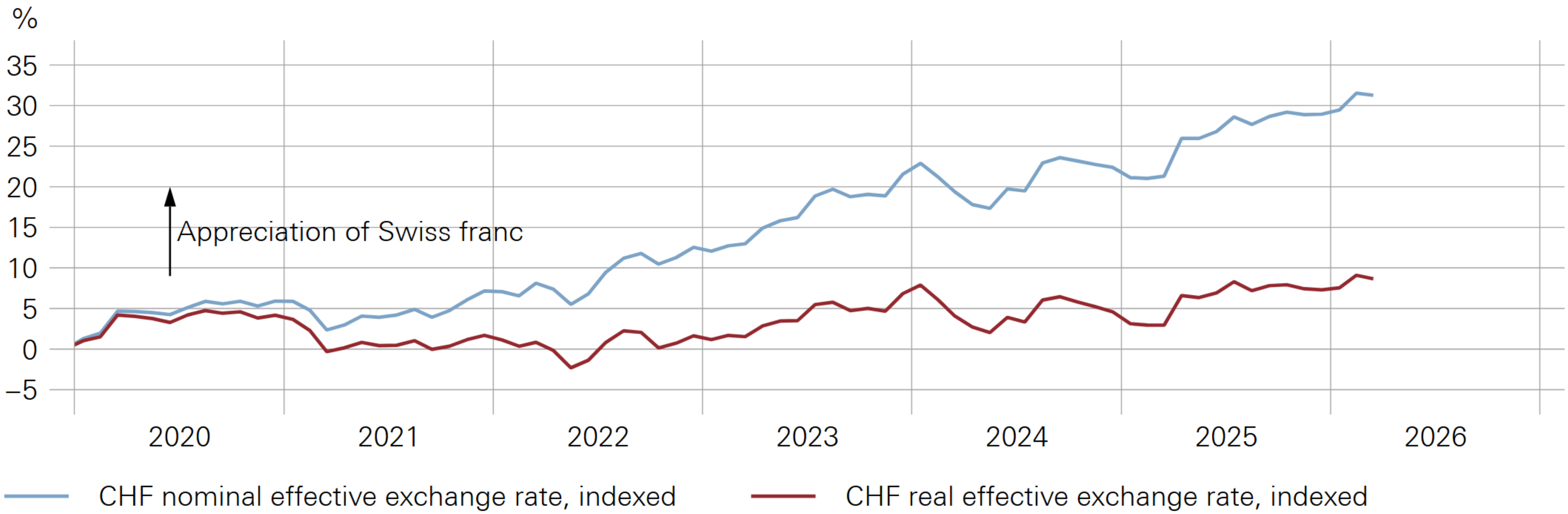
SWISS INFLATION WITH CONTRIBUTIONS AND SARON-BASED SWAP RATE



Source(s): Bloomberg, IMF, SFSO, SNB

Monetary conditions determined by interest rate level and exchange rates (2/2)

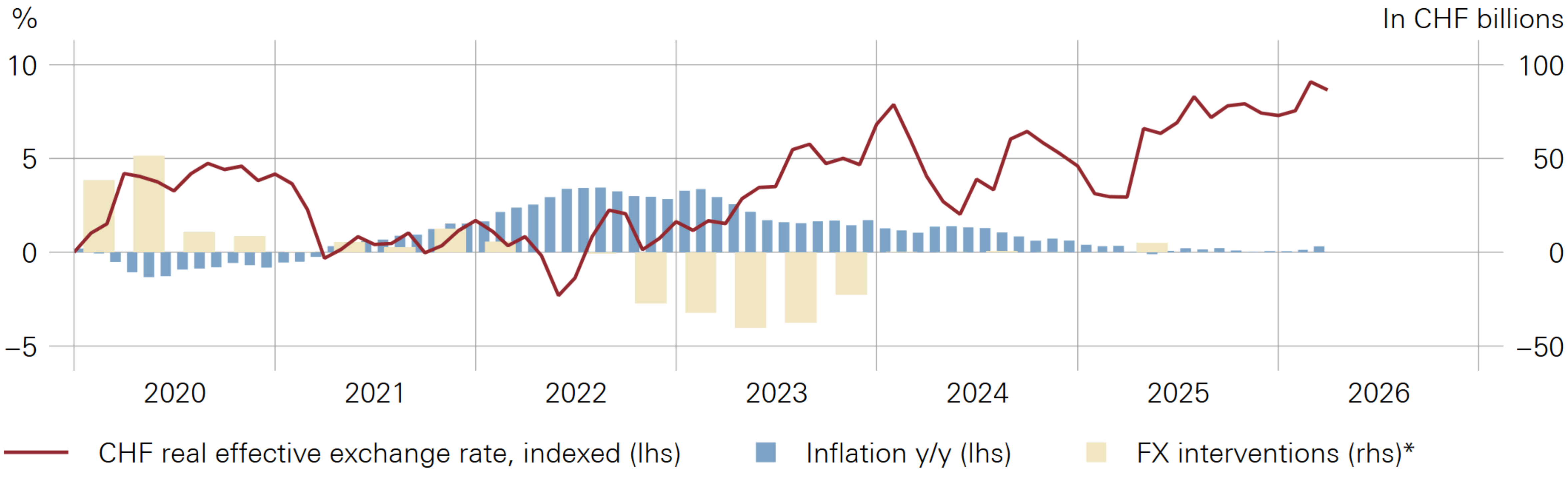
SWISS FRANC EFFECTIVE EXCHANGE RATES



Source(s): SNB

Foreign exchange interventions conducted as necessary to complement the SNB’s interest rate policy

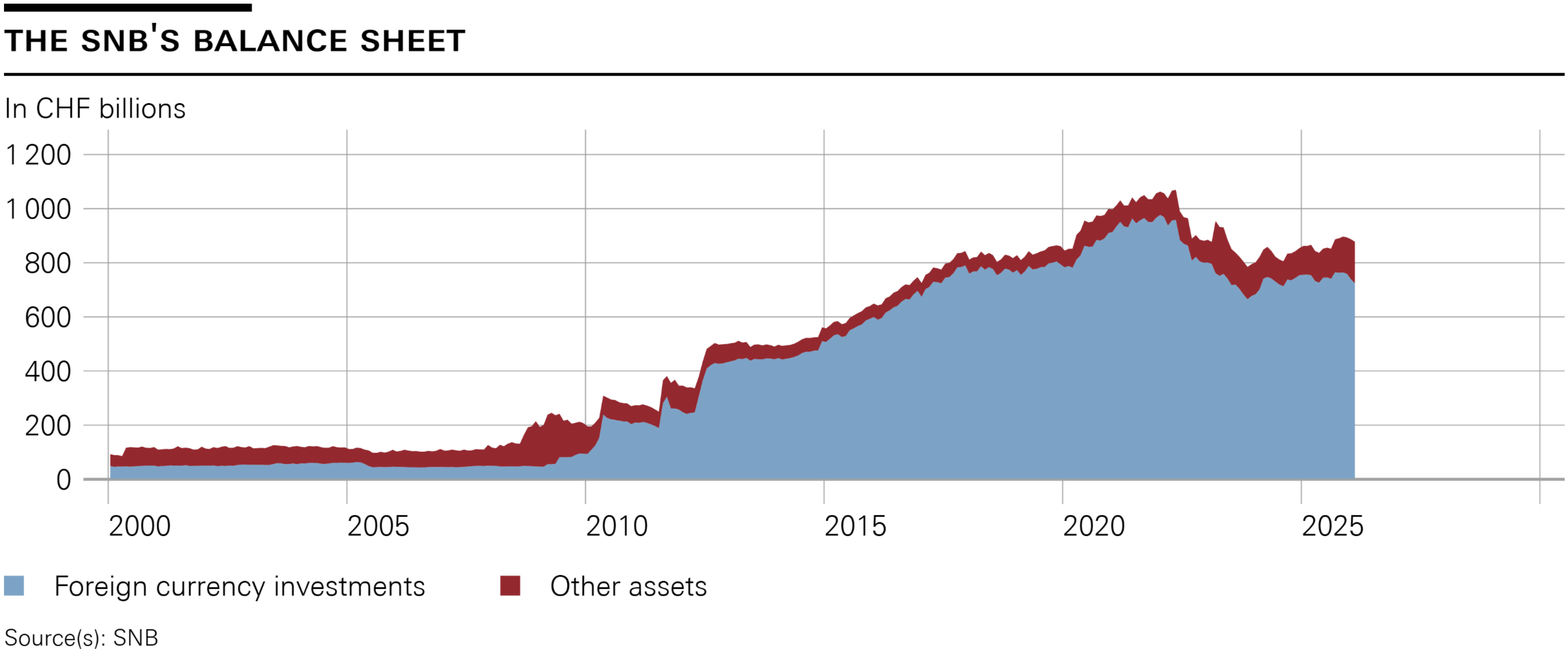
CHF EFFECTIVE EXCHANGE RATE, INFLATION AND THE SNB'S FX INTERVENTIONS



*FX intervention data reported up to Q4 2025.

Source(s): IMF, SFSO, SNB

Foreign exchange interventions and resulting large balance sheet



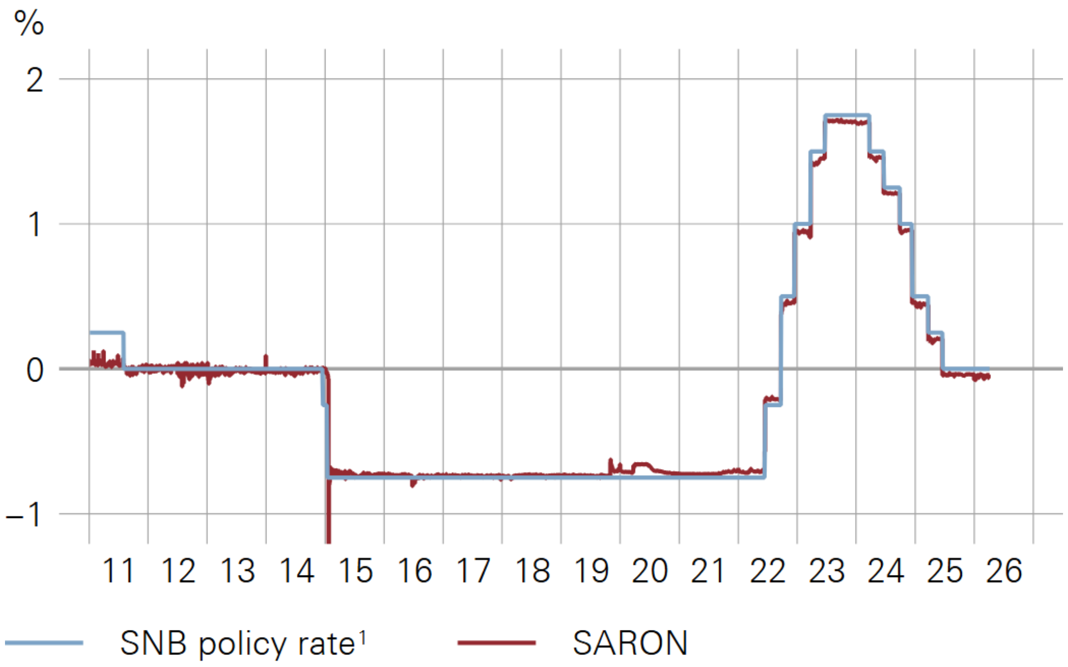
How the SNB’s implementation of monetary policy has changed with the level of the policy rate

2025-09 SNB Economic Note

Roman Baumann, Oliver Gloede, Damien Klossner and Christian Myohl

In an environment with abundant sight deposits, how did the SNB steer SARON for different levels of the SNB policy rate?

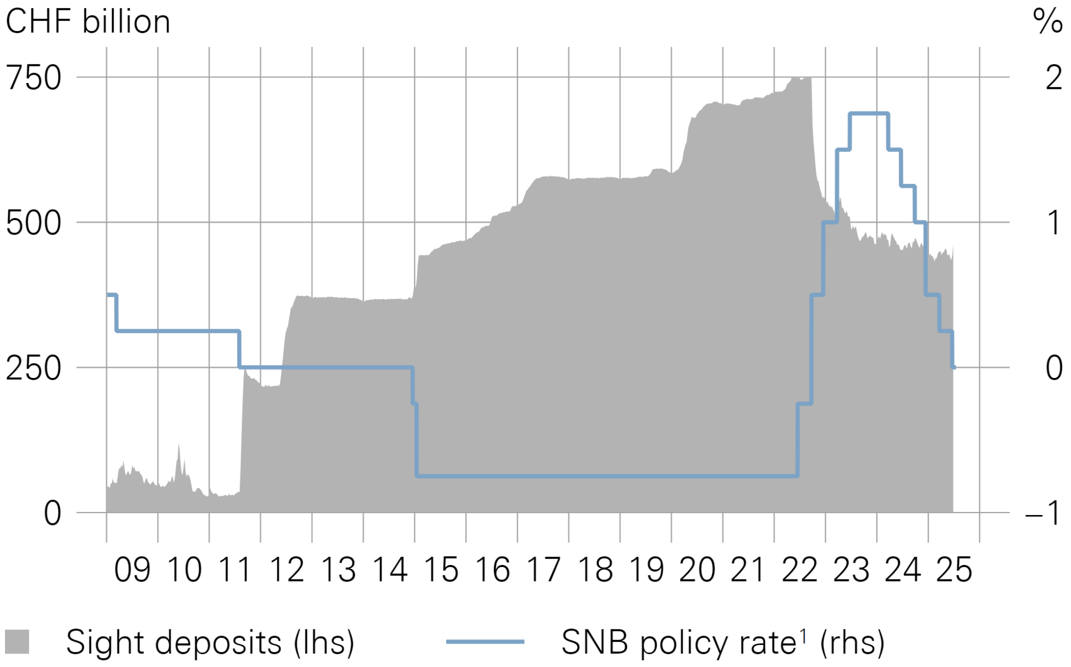
CHART 1: SNB POLICY RATE AND SARON



1 Before the introduction of the SNB policy rate on 13 June 2019, the blue line shows the SNB's aim within its 3M CHF Libor target range.

Source(s): Bloomberg, SNB

CHART 3: THE GROWTH OF SIGHT DEPOSITS

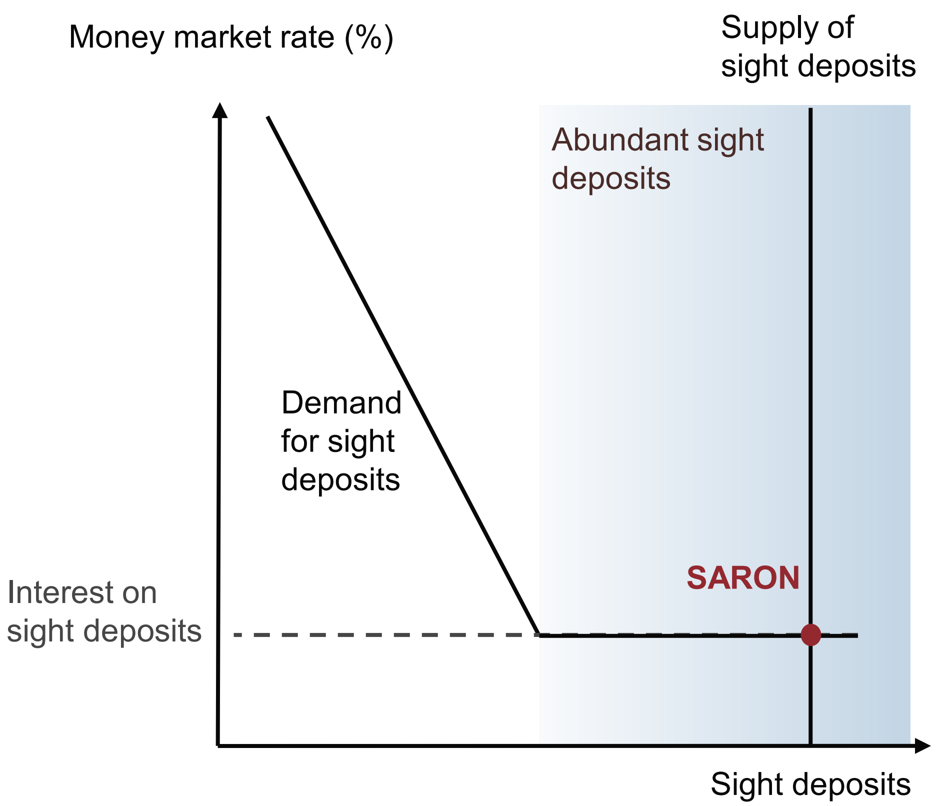


1 Before 13 June 2019, the blue line shows the SNB's aim within its 3M CHF Libor target range.

Source(s): SNB

In an environment with abundant sight deposits, the key determinant for the level of money market rates is interest on sight deposits

CHART 4: RATE STEERING WITH ABUNDANT SIGHT DEPOSITS

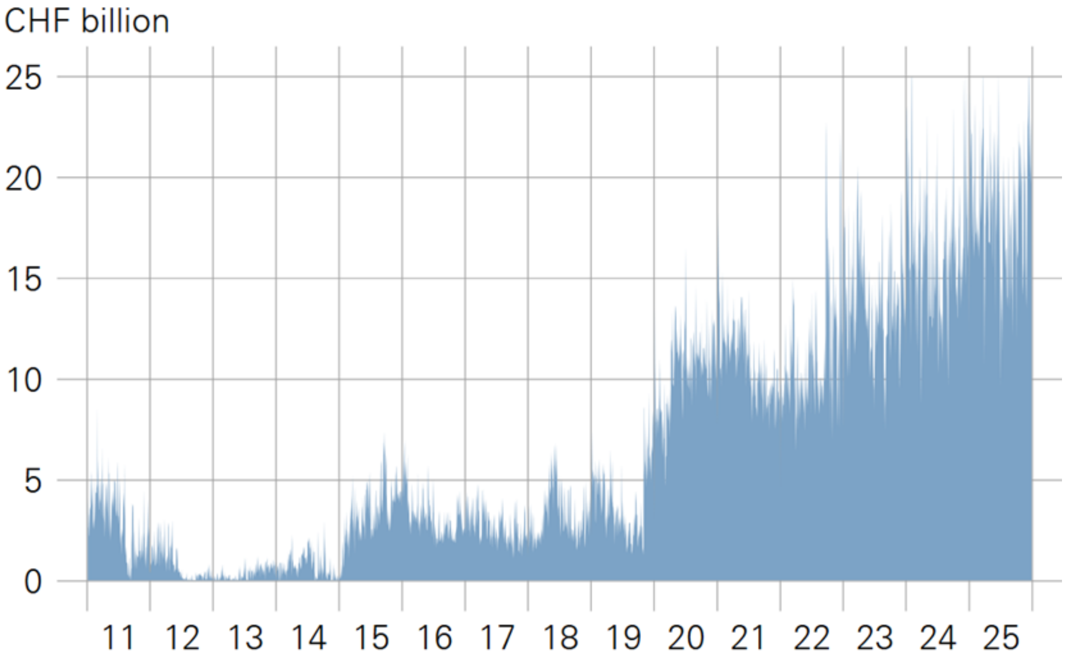


- Because banks have abundant sight deposits, they will not borrow at a rate above the interest rate on sight deposits
- Banks also generally have no incentive to lend at a rate below the interest rate on sight deposits
- As a result, market rates converge to the policy rate… and money market activity declines

Tiered remuneration to support trading activity

CHART 2: MONEY MARKET ACTIVITY

Swiss franc overnight repo market, trade volume



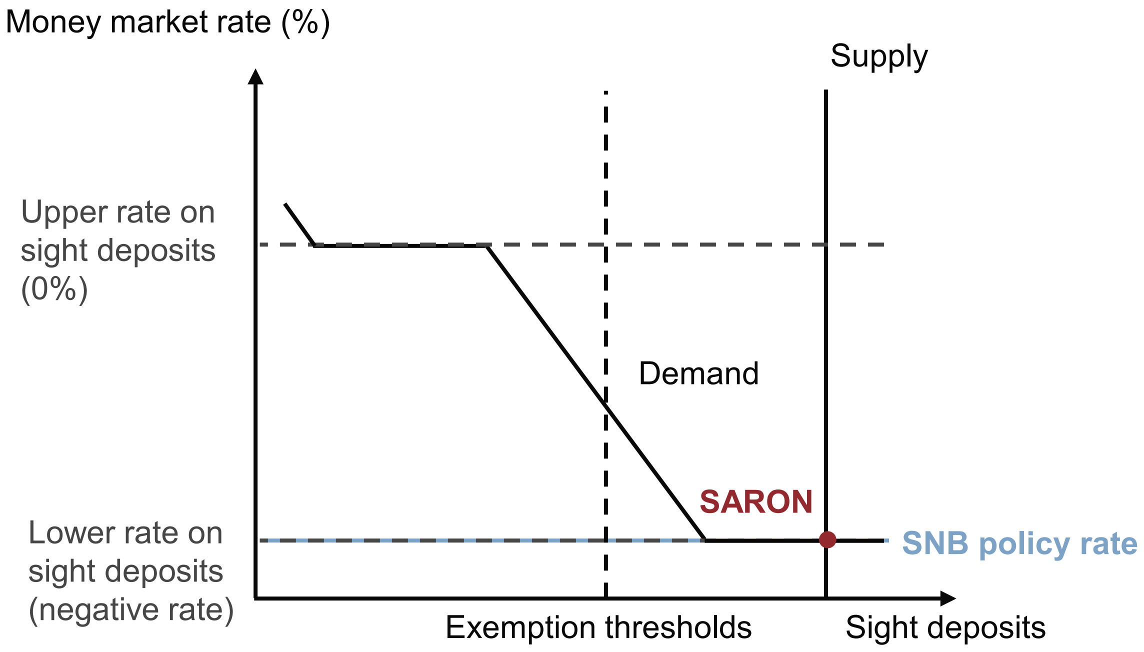
Note: Transactions against the SNB General Collateral basket, excluding SNB trades.

Source(s): SIX, SNB

- Money market activity supports a reliable calculation basis for SARON
- Introduction of tiered remuneration in 2015
- Under tiered remuneration, each bank is granted a specific threshold
  - Sight deposits below (above) the threshold are remunerated at an upper (lower) rate
  - Borrowers (lenders) hold sight deposits below (above) their threshold
  - Both groups can improve their interest income by trading at a market rate between the upper and lower rate

Implementation with a negative SNB policy rate from 2015 to 2022

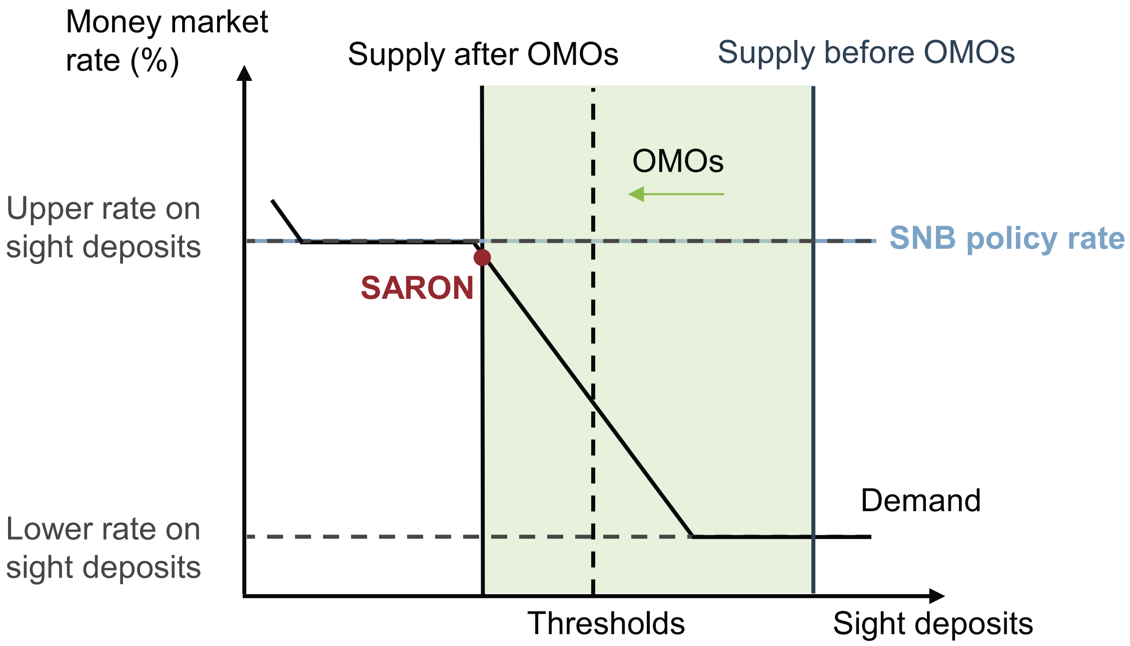
CHART 5A: SNB POLICY RATE < 0%



- In 2015, the SNB lowered its policy rate to −0.75%
- The SNB applied negative interest (the lower rate) only to deposits that exceeded a bank-specific ‘exemption threshold’
- Sight deposits below that threshold were remunerated at 0% (the upper rate), with the goal of limiting the burden on the banking system
- Regarding money market activity, the introduction of tiered remuneration caused activity to pick up again

Implementation with a positive SNB policy rate from 2022 to 2025

CHART 5B: SNB POLICY RATE ≥ 0%



- In 2022, return to a positive policy rate
- The SNB continued remunerating sight deposits at the policy rate and applying tiered remuneration, with the upper rate being equal to the policy rate
  - Continuing with the lower rate being equal to the policy rate would technically have been possible, but this would have entailed higher monetary policy implementation costs
- Reserve-absorbing open market operations (OMOs – SNB bills and repo operations) as necessary to keep SARON close to the policy rate

Implementation with a zero SNB policy rate since 2025

- In June 2025, the SNB lowered its policy rate to 0%
- The main aspects of the implementation are unchanged compared to the positive policy rate regime
- Sight deposits below the threshold are subject to interest at the policy rate of 0%, while those above the threshold are remunerated at a lower rate equal to −0.25%
- Only a very small portion (approx. 3%) of sight deposits are remunerated at the lower rate
- The SNB also continues to absorb sight deposits above the thresholds through open market operations
- As a result, SARON continues to be close to, and slightly below, the policy rate, at around −0.05%

Thank you for your attention!

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