

**EXECUTIVE
BOARD
MEETING**

SM/23/124
Correction 1

May 30, 2023

To: Members of the Executive Board

From: The Secretary

Subject: **Switzerland—Selected Issues**

Board Action:

The attached corrections to SM/23/124 (5/15/23) have been provided by the staff

**Factual Errors Not
Affecting the
Presentation of Staff's
Analysis or Views**

Page 45

Typographical Errors

Page 7

Questions:

Ms. Berkmen, EUR (ext. 38219)
Mr. Zeng, EUR (ext. 35723)

Box 2. Swiss National Bank: Equity Structure and Profit Appropriation and Distribution (concluded)

2. Calculate the *net profit or loss*:

Net profit/loss = *annual distributable income* + previous DR balance, where

Annual distributable income = *annual profit/loss* – amount allocated to the PCR.

3. If the net profit is positive, the SNB will then pay a dividend to the shareholders, followed by profit transfers to the government based on the rules set in the [agreement](#) with the Federal Department of Finance (FDF).^{2/} The remaining balance of the net profit—which cannot be negative in this case—will be the DR carried forward to the next period.

The profit distribution agreement with the FDF is updated every five years. The latest agreement between the FDF and the SNB on the SNB's profit distributions for the financial years 2020 to 2025 can be found at [this link](#). The SNB may adjust the allocation requirement for the PCR. For instance, in 2020, the SNB raised the minimum annual allocation to the PCR from 8 percent to 10 percent of the provisions at the end of the previous year.

Swiss National Bank: Profit Appropriation and Distribution, 2021–23								
SNB Equity (CHF millions)	End-2021 (Stock)	Appropriation of 2021 profit (flow change)	Beginning-2022 * (Stock)	Dividend, and profit transfers to government in 2022 (flow change)	End-2022 (Stock)	Appropriation of 2022 profit (flow change)	Beginning-2023 * (Stock)	Dividend, and profit transfers to government in 2023 (flow change)
Share capital	25		25		25		25	
Provisions for currency reserves	86,981	8,698	95,679		95,679	9568	105,247	
Distribution reserve	90,943	17,602	108,545	Dividend: 1.5 Transfer to Gov.: 6,000	102,544	-142047	-39,504	Dividend: None. Transfer to Gov.: None.
Annual result in the year ending	26,300				-132,480			
Total equity	204,249		204,249		65,768		65,768	

Sources: Swiss National Bank Annual Reports. * Beginning of a year versus the end of the previous year is used here for the clarity of illustration. It does not mean that actual changes take place at the beginning of each year.

^{1/} According to the SNB [2022 Annual Report](#), at December 31 2022, 65,989 of its 100,000 shares were voting shares. 77.74 percent of the voting shares were held by public sector shareholders (cantons, cantonal banks, and other public law corporations/institutions), while the rest 22.26 percent were held by private sector shareholders.

^{2/} The SNB has a public mandate, including the note-issuing privilege, due to which the SNB earns profits on average in the long run. Insofar as the profits are not needed for provisions for currency reserves, it is the public sector that is entitled to the amount remaining after the payment of a dividend. See [SNB Q&A](#): "Why are the Confederation and cantons entitled to the SNB's net profit?"

Implications from a Long-term Perspective

6. As the balance sheet expanded, the SNB has cautioned against the associated risks and has taken measures to strengthen its resilience. Starting in 2010, especially since 2014, the SNB's ~~finance~~ financial performance has been largely driven by the returns from its FX positions (Figure 1). Prior to 2022, the SNB had already incurred significant losses from FX investments three times, in 2010, 2015

Council adopted the Ordinance on Climate Disclosures that will come into force on January 1, 2024.¹³ Furthermore, ~~Art. 9 of the Climate Protection Act – if passed – would,~~ commits Switzerland to ensure that its financial industry contributes to a low carbon development (Art. 9.1) and authorizes the Federal Council to conclude agreements with the financial industry to align financial flows with climate objectives (Art. 9.2). As part of its sustainable finance strategy Switzerland is also assessing the need for regulation to combat greenwashing (e.g., at the financial product- and entity-level).

8. In light of developments in the energy markets following the war in Ukraine, authorities have taken preemptive measures to ensure energy security in the short term while drafting legislation to ensure a low-carbon and secure energy system in the long term. Short-term measures targeted possible gas shortages due to Russia's war in Ukraine, as well as potential power generation shortfalls during winter peak hours. The authorities procured reserve generation capacity from hydro power plants and commissioned a reserve (gas) power plant as well as passed emergency measures, valid until 2025, to incentivize the development of utility scale solar PV plants. In the longer term, the authorities are aiming to further expand renewable energy capacity and strengthen security of electricity supply through the Federal Act on a Secure Electricity Supply from Renewable Energy Sources. Lifting barriers to the deployment of household and utility scale renewable power generation, as well as adequate transmission network expansion are essential to the achievement of Switzerland's power sector decarbonization. The authorities should ensure that incentives for a consistent development of generation and transmission capacity are in place, especially after 2025.

9. This paper reviews the climate policy framework and suggests options to achieve long-term goals in a cost-effective manner. The Swiss authorities have actively engaged in the development of climate mitigation and related sustainable finance policies over the last two years. This paper aims to contribute to the near-term (2030) as well as the medium- and long-term (2040 and 2050) policy debate. The analysis starts with a review of cross-sectoral policies and then discusses sector-specific emission reduction policies. Specifically, it places an emphasis on industry, road transport and buildings.

B. Climate Policy Instruments in Switzerland

10. Switzerland's federal and cantonal authorities share competencies over policy instruments affecting domestic emissions. Legislative authority and implementation responsibility for climate policy instruments reside primarily with the federal government. This is the case, for instance, for instruments covering emissions from industry, power generation, road transport. The main instruments under federal responsibility are the Emissions Trading Scheme (ETS), the CO₂ levy on heating and process fuels, CO₂ emission regulations for newly registered vehicles, as well as the

¹³ Large public companies, banks and insurance companies will have to report on both the effects that climate change has on them and the impact of their activities on climate change (i.e., the "double materiality" of climate change). The Ordinance, available at <https://www.news.admin.ch/news/message/attachments/74006.pdf>, specifies the reporting obligations of Section 6 of Title 32 of the Swiss Code of Obligations with regard to climate issues on the basis of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).