

Jean-Pierre Roth: Switzerland - a financial centre in the heart of the euro area

Summary of a speech by Mr Jean-Pierre Roth, Chairman of the Governing Board of the Swiss National Bank, at the Belgian Financial Forum, Brussels, 16 February 2004.

The complete speech can be found in French on the Swiss National Bank's website (www.snb.ch).

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Switzerland is not a fortress. In relation to the rest of Europe in particular, it is an economy that is very much open to mutual exchanges - notably with regard to trade and finance. It is not by chance that Switzerland has become a major financial centre. This can be ascribed to a number of positive factors, including specialist knowledge, a long-established banking tradition, the quality of the financial infrastructure, and customers' confidence in the soundness of the country's financial institutions. Switzerland's political stability, its high level of savings and the international standing of the Swiss franc have also enhanced the appeal of its financial system.

Increasingly, however, Switzerland is not alone in offering such advantages. Moreover, the Swiss financial centre - like all the others - has to face the challenges of globalisation and the fight against financial crime. As banking secrecy does not afford any protection to funds of dubious origin, the Swiss authorities are able to combat money-laundering with a reasonable degree of efficacy. In this area, Switzerland has implemented measures that have received international recognition.

The introduction of the euro has profoundly changed the environment in which the Swiss economy operates. Since 1999, the Swiss franc has coexisted quite harmoniously with the euro. In fact, the franc has been more stable against the euro than it was against the D mark. This is good news for Swiss companies exporting to the European market. On the other hand, such companies have to contend with a greater concentration of foreign-exchange risks. They are responding to this challenge with hedging policies that are more active than those pursued in the past. Pegging the franc to the euro in order to eliminate exchange-rate risks would entail more problems than advantages, as it would inevitably push up the level of interest rates in Switzerland. Against this backdrop, the National Bank is continuing to pursue an independent monetary policy that takes account not only of economic trends and inflation forecasts but also of the situation on the foreign exchange markets.