



# Governance

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## **Our Purpose**

Monetary policy is important. It has broad effects across the economy, affecting young and old, poor and rich, savers, home buyers, firms and workers, profits and wages, the business cycle, and the long-term prosperity of the country.

Public debate about monetary policy is vital not only for basic democratic reasons, but also for the SNB to explain its views, and to listen to the views of the public it serves. The SNB Observatory aims to promote such a constructive debate based on facts and economic science.

The SNB Observatory is currently run by Stefan Gerlach, Yvan Lengwiler, and Charles Wyplosz.

**Eine Kurzfassung befindet sich am Ende des Dokuments.**

**Un résumé exécutif se trouve à la fin du document.**

**An executive summary is located at the end of the document.**

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## **ZUSAMMENFASSUNG**

*Wir vergleichen die «Governance» der SNB mit anderen erfolgreichen Zentralbanken. Wir stellen fest, dass ihre «Governance» bis vor zwanzig Jahren sehr gut war. Seither sind die Fortschritte jedoch ins Stocken geraten und die SNB ist im Vergleich zum internationalen Standard zurückgefallen. Wir erörtern Reformbedarf im Bereich der Transparenz, der Grösse des Direktoriums, der Beschränkung der Amtszeit und einer Praxis von regelmässigen externen, unabhängigen Überprüfungen.*

## **RÉSUMÉ**

*Nous comparons la gouvernance de la BNS avec celle d'autres banques centrales performantes. Nous constatons que la gouvernance était plutôt bonne jusqu'à il y a vingt ans. Depuis lors, cependant, les progrès se sont arrêtés et la BNS a pris du retard par rapport à la norme internationale. Nous discutons du besoin de réformes dans les domaines de la transparence, de la taille de la direction générale, de la limitation des mandats et de la pratique d'examens externes réguliers et indépendants.*

## **ABSTRACT**

*We compare the SNB's governance with that of other successful central banks. We find that governance was quite good until twenty years ago. Since then, however, progress has stalled and the SNB has fallen behind the international standard. We discuss the need for reform in the areas of transparency, the size of the Governing Board, term limits, and a practice of regular external, independent reviews.*

In December 2016, the Federal Council issued a substantial [report](#) on monetary policy (referred to as “the Report” below). It covers issues that we have discussed in the past, such as monetary policy strategies, but also institutional considerations that we have not considered yet. The report is valuable since the SNB, in contrast to many other central banks, does not commission independent external reviews of its operations and management of policy.

In recent years, research has examined how central banks’ governance affects economic outcomes. That research makes it possible for the Report to benchmark the SNB against other central banks. We follow that approach here.

## **1. Central bank independence**

Independence is critical because central banks have time horizons that extend beyond political election cycles. They must therefore remain focused on their objectives without interference by politically interested parties.

Independence has different dimensions, as explained in the Report:

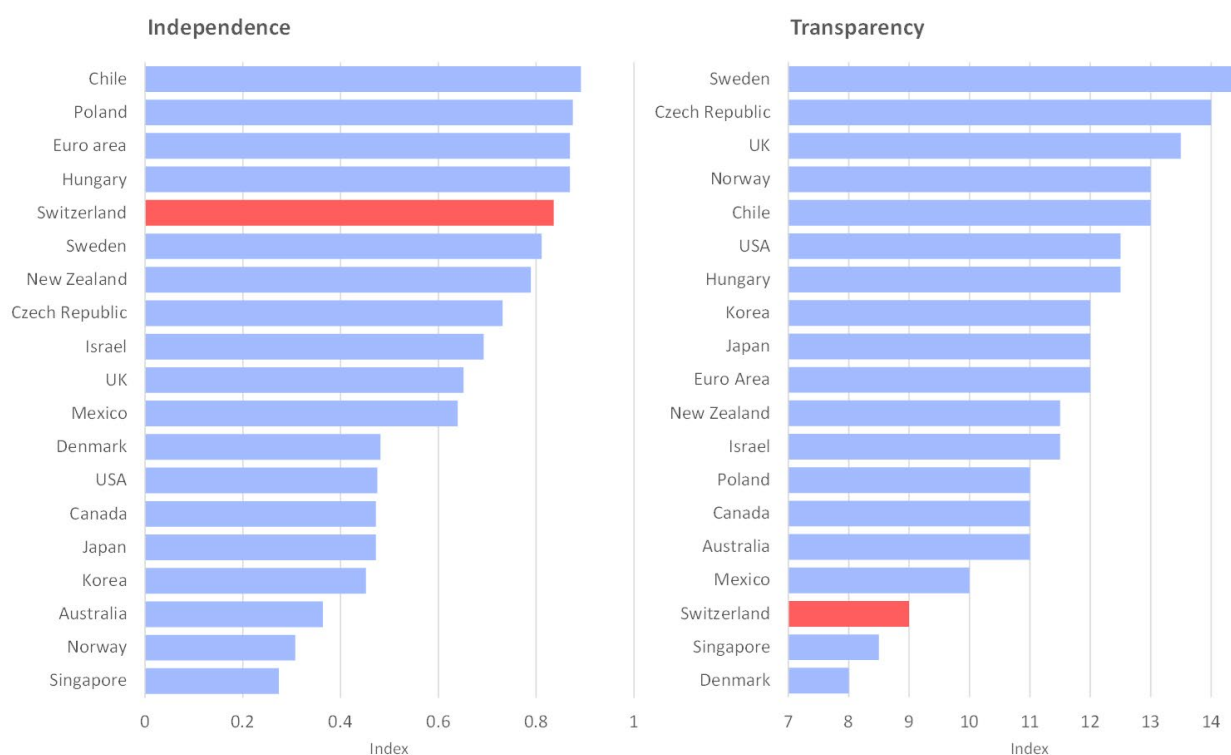
- The SNB cannot seek or accept instructions by the legislative or executive branch of government concerning matters related to monetary policy, reserves management, or financial stability (Art 6 of the [National Bank Act](#), NBA),
- The SNB enjoys financial independence. The Bank Council decides on the operating budget, sets the salaries of its management, and decides on the rule for remunerating its employees (Art 42 NBA). Moreover, the bank is forbidden from lending to the Confederation (Art 11 NBA).
- Finally, the members of the Governing Board are appointed for six years and can only be removed from office before their term ends under exceptional circumstances (Art 41 and 45 NBA).

To compare the SNB with other central banks, we use a study that proposes an index of central bank independence. The index ranges from 0 (no independence) to 1 (complete independence). The left panel of Figure 1 displays the most recent observations (in 2010) for selected OECD countries. By international standards, the SNB enjoys a high degree of independence.

## 2. Transparency

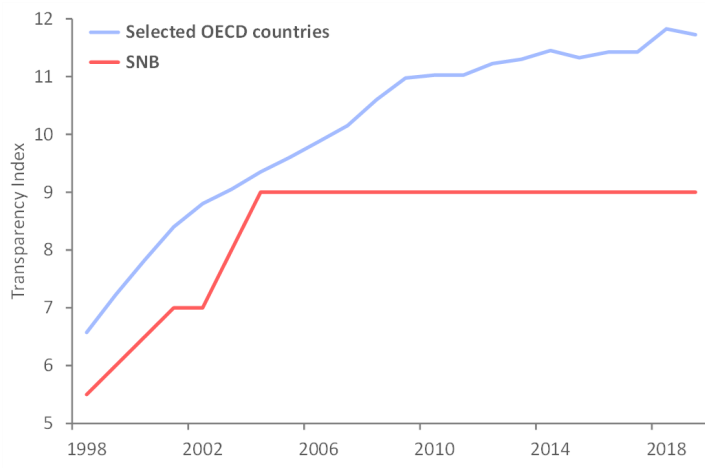
The Report emphasizes that accountability is essential for an independent institution such as the SNB. There is unfortunately no recent comparative study of central bank accountability. However, transparency is necessary for holding a central bank accountable, and we use an up-to-date index to make international comparisons in this domain. The transparency index is the sum of five main criteria (each of which has several components) rated from 0 to 3:

- *Political transparency* measures how open a central bank is about its policy objectives.
- *Economic transparency* refers to how much is revealed to the public about the economic information and analysis that is used in setting policy.
- *Procedural transparency* concerns information about how decisions are reached.
- *Policy transparency* measures the information provided when decisions are made.
- *Operational transparency* is about communicating problems of policy implementation and execution.



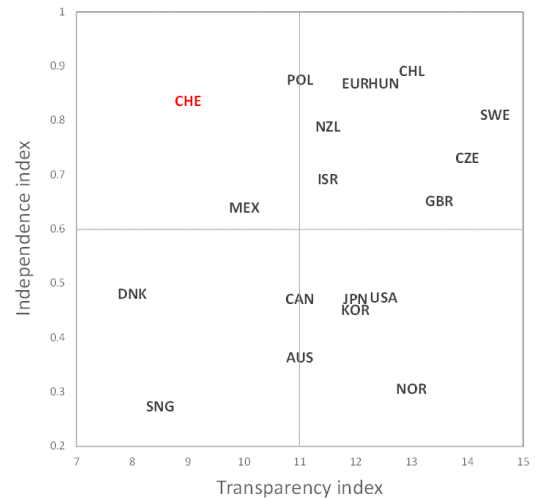
**Figure 1.** Independence and Transparency.

**Sources:** Independence data: [Cristina Bodea and Raymond Hicks](#), "Price Stability and Central Bank Independence: Discipline, Credibility, and Democratic Institutions", *International Organization*, 69(1), 2015: 35-61. Transparency data: [Nergiz Dincer, Barry Eichengreen and Petra Geraats](#), "Trends in Monetary Policy Transparency: Further Updates," *International Journal of Central Banking*, March 2022.



**Figure 2.** Transparency over time.

Sources: see Figure 1.



**Figure 3.** Transparency versus Independence.

The index ranges from 0 (no transparency) to 15 (perfect transparency). The right panel of Figure 1 shows that, with an index of 9, the SNB is among the least transparent central banks among the countries studied.

This was not always so. Figure 2 depicts the evolution of transparency since 1998 in Switzerland and in the (unweighted) average of the other countries displayed in Figure 1. Average transparency among these central banks has increased over time, as was true for the SNB until 2003. But progress has stalled and the SNB is now substantially lagging its peers in four of the five components of transparency (economic, procedural, policy, and operational).

The information contained in the two panels of Figure 1 is again depicted differently in Figure 3. This reveals that the SNB has become an outlier in international comparison. Low transparency is less of a problem for a central bank that does not enjoy much independence (e.g., Singapore in the bottom left corner of Figure 3). But a central bank that is highly independent from the executive and legislative branches must be transparent for it to be held accountable. This is the case, for instance, for the Swedish Riksbank (top right corner). The SNB, however, combines exceptional independence with poor transparency (top left corner). This is not a feature of good governance.

### 3. Openness about monetary policy

Over recent decades, central banks have enhanced their communications with the public about monetary policy. They now provide more and better information about the background to and rationale for their policy decisions.

Monetary policy around the world is set by policy committees. These committees operate under different rules and labels. Sometimes they are referred to as Monetary Policy Committees (MPCs), but terminology and the rules governing these committees vary. In the interest of brevity, we use the term *policy committee* for all central banks. Comparing the communication of the SNB's Governing Board to that of other leading central banks helps illuminate the sources of its relatively poor transparency ranking.

- The Federal Open Market Committee (FOMC), the policy committee of the US Federal Reserve, publishes [detailed minutes](#) a few weeks after its meetings, including how individual members voted on each issue. The full [transcripts](#) are published five years later.
- The Bank of England also publishes [summary minutes](#) after the meetings of its MPC. These minutes are more condensed than those of the FOMC, but similar in style. They also contain the voting records of members.
- The [Monetary Policy Minutes](#) of the Swedish Riksbank are equally detailed. The statements of each member are published, which reveals the various viewpoints within the committee.
- The ECB does not release any minutes. Instead, it publishes [Monetary Policy Accounts](#) after the meetings of its Governing Board, which indicates what topics were discussed. However, these are markedly less informative than the reports of the FOMC or the Bank of England. Deviating views or alternative decisions that could have been taken are not clearly identified. That said, members of the Governing Council often spell out their positions in speeches and interviews. Thus, it is possible to assess the range of views held.

In comparison, the SNB releases little information. The Governing Board normally meets four times a year for formal monetary policy decisions, and publishes a two-page [press release](#) that announces its decision with few explanations, as well as a single chart with a point estimate of the inflation forecast. Contrary to other central banks, the SNB does not provide forecasts of other economic variables such as economic activity, unemployment, or interest rates.

Twice a year, the Board holds a press conference during which the President restates the press release while the two other Board members provide technical statements concerning their areas of responsibility. As suggested by their brevity, these statements lack depth and detail. Alternative policy options that were considered but rejected are not mentioned, and no attempt is made to provide insight into the

deliberations of the Board. The minutes of the meetings of the Governing Board are available upon request for public viewing after 30 years.

The SNB is also opaque about changes to its monetary policy strategy. Seven years after the last change, it continues to assert that the interest rate is still its main monetary policy instrument.

#### **4. Accountability**

The Report adopts the widely accepted view that the degree of independence should go hand-in-hand with accountability. The NBA specifies how the SNB is held accountable.

*Accountability to the public* is achieved by regular updates about the SNB's economic outlook and monetary policy intentions, and by publishing annual and quarterly reports as well as making relevant quantitative data available.

*Accountability vis-à-vis parliament* is achieved through annual reports that explain how the SNB has fulfilled its mandate. In addition, the members of the Governing Board are regularly invited before specialized committees of the parliament. These meetings are held behind closed doors, however. This limits the accountability of the SNB to the public. In other countries, parliamentary testimony of central bank officials is public and scrutinized by independent experts and the media. To the extent that members of parliament lack the required technical expertise and experience for judging monetary policy, the effective degree of accountability may be very limited.

The *Federal Council* and the SNB are required to inform each other about important upcoming decisions (Art 7 NBA). This is only about sharing information and not about seeking approval, so this arrangement fully respects mutual independence.

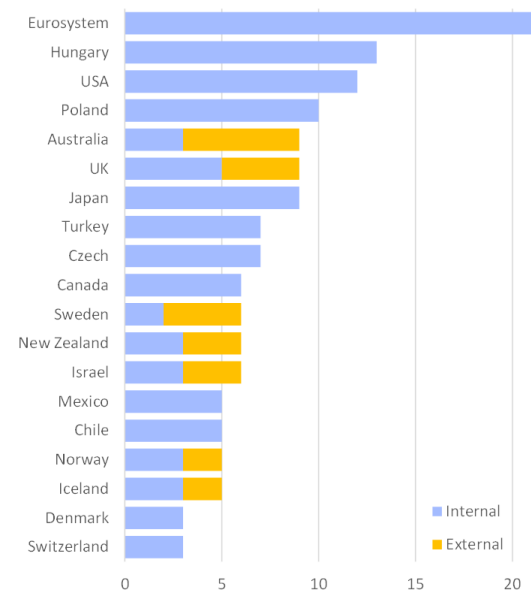
Yet even this weak requirement is evidently not always observed as illustrated on January 15, 2015, when the SNB lifted the floor it had imposed on the EUR exchange rate. According to [Die Zeit](#), the Minister of Finance was informed only hours before the public of the SNB's decision — and not before it was made, as the law requires. This report has never been denied.

#### **5. Size of the Policy Committee**

The SNB's policy committee, the Governing Board, has three members. The Report compares it to other central banks and concludes that most central banks have larger policy committees, see Figure 4.



The optimal size of decision-making committees has been studied by economists, psychologists, and political scientists. Too small a committee creates the risk of group think whereby some decisions may receive too little scrutiny. But too large a committee may hamper in-depth discussions and dilute personal responsibility. The general view is that monetary policy committees should not be too small or too large. In addition, to enhance democratic legitimacy, a diverse membership is desirable.



**Figure 4.** Number of voting policy committee members.

The Report recognizes these arguments but rejects any change. However, if the SNB's Governing Board were doubled in size, it would remain smaller than the average of the central banks featured in Figure 4. Instead, the Report puts forward four unconvincing arguments against enlarging the size of the policy committee.

*First*, it asserts that the Governing Board effectively consists of six members, because the alternate members have in practice a decisive role in policy formulation. This statement ignores the very concept of hierarchical organizations. While the alternate members are appointed by the Federal Council and therefore cannot be fired without cause, the hierarchical relationship between the heads of departments and their alternates remains. An alternate member can be given instructions by the department head. It is naïve to think that alternate members would disagree with their department head at policy meetings. In addition, they have no voting right. While they are critical members of the SNB's top management, to assert that their views are as important as the views of the members of the Governing Board in setting policy is misleading.

*Second*, the Report notes that many staff members are invited to contribute to the policy deliberations, suggesting that the policy making committee is even larger than six. This is disingenuous. All central banks involve their staff in the policy process. These include deputies, economists and, in some cases, non-voting members in rotation arrangements like at the FOMC and ECB. The general view is that only members with voting rights are to be seen as policy makers.

*Third*, the Report claims that because each member of the Governing Board is also the head of a department, changing the size of the board would require a fundamental reorganization of the business side of the institution. This ignores the practice in many central banks, such as the Swedish Riksbank and central banks with policy committees, where only some members exercise executive functions. There is no logic behind the view that membership to a committee requires a management responsibility within the bank. On the contrary, one could argue that responsibility for management and responsibility for monetary policy should be kept separate, as these tasks require quite different competences.

An important point that is not discussed in the Report concerns whether the President of the Governing Board should always be head of the first department and whether this arrangement gives the President a larger influence on monetary policy than envisaged by parliament. This issue arises because the material (data, models, forecasts, scenarios, etc.) that form the basis of the monetary policy decisions is prepared in the first department. A robust internal debate is necessary to ensure that the three members of the Governing Board play an equal role as envisaged by the “[Regulations on the Organisation of the Swiss National Bank](#)” (Art 18 and 19) and the NBA (Art 46).

*Finally*, the Report asserts that there are not enough qualified potential members for the Governing Board in Switzerland. This is a strange argument. The population of Switzerland is about as large as those of Israel and Sweden and larger than those of Iceland, Norway, and New Zealand, yet their central banks all have larger policy committees than the SNB.

Moreover, it has become more common for central banks to supplement the policy committee with external members (Figure 4 and Table 1). These are persons who are not on the staff of the central bank and who may maintain their professional responsibilities, barring conflicts of interest. External members bring in alternative perspectives and further

**Table 1.** Comparing Policy Committees. (Source: Websites of the different central banks.)

	SNB	Federal Reserve	Eurosystem*	Bank of England	Swedish Riksbank	Bank of Canada	Bank of Denmark	Bank of Norway	RB of New Zealand
<b>Size (executive + non-executive)</b>	3 + 0	12 + 0	21 + 0	5 + 4	2 + 4	6 + 0	3 + 0	3 + 2	3 + 3
<b>Duration of term (years)</b>	6	9	8	8	5 or 6	7	No limit	6 and 4	5 and 4
<b>Renewable</b>	No limit	Once	No	Once	No limit	No limit	—	Once	Once

\* The Eurosystem comprises the European Central Bank and the National Banks of the countries that have adopted the Euro. Members of the governing councils of national central banks may or may not have renewable terms.

help protect against the risk of group think. They also enhance diversity in the committee, which ought to go further than language, geographical origin, or gender, and encompass different fields of competence and professional experience.

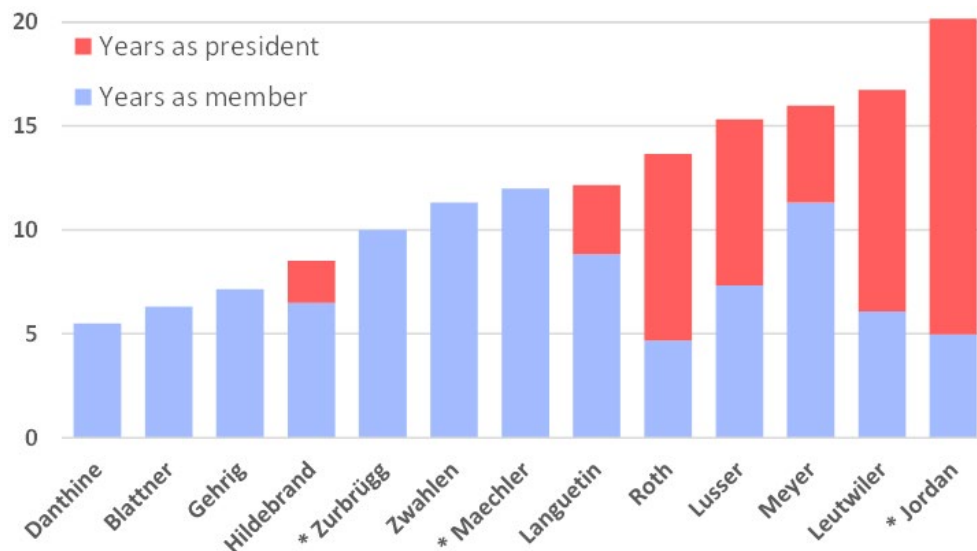
## **6. Appointment and length of tenure**

Another issue that is surprisingly missing from the Report concerns the appointment and lengths of tenure of Governing Board members. As central banks have become more independent, these issues have taken on more prominence. As can be seen from Table 1, members of monetary policy committees are typically given relatively long mandates. Contracts are often renewable once. The ECB is exceptional in this respect; the ECB has non-renewable contracts to buttress independence.

Because the nature of monetary policy of the SNB changed with the advent of floating exchange rates in the early 1970s, we look at the membership of the Governing Board from 1982 onward. With one exception, all members in this forty-year period were appointed after 1976. There have been 13 appointments of which 4 (or 31%) were “insiders” — that is, appointment from the SNB’s staff — and 9 (69%) were “outsiders”. The Governing Board has always had one insider as member, but there have rarely been two. Between 1 Jan 1982 and 31 July 2022 (when the next Governing Board retirement will occur), this happened merely 18% of the time (2680 of 14821 days). The appointment of a second insider appears to occur in anticipation of a retirement.

Regarding length of tenure, the members of the Governing Board are appointed for 6 years and have in the past been reappointed until their retirement. The average tenure of the board members is 11.9 years (counting current board members until the end of their current appointment), see Figure 5.

In recent decades, some members of the Governing Board have been appointed at a younger age than previously. This suggests that they will stay longer than their predecessors. While long tenures take advantage of members’ experience, the rapid change of the environment in which central banks operate puts a premium on up-to-date skills and openness to new ideas. To ensure that the benefits of appointing younger members are not lost, the costs and benefits of automatic reappointments of Governing Board members need to be reviewed and alternatives, such as adopting the practice of reappointing them once or possibly twice, should be considered.



**Figure 5.** Length of tenure at the Governing Board of the SNB in years, from 1982 to today. Tenures of current members (\*) are counted to the end of their current term.

## 7. The need for reform

The Federal Council's Report of 2016 was prepared in response to questions raised by parliament following the January 2015 removal of the exchange rate floor. Parliament obviously takes a keen interest in the activities of the SNB.

The Report offered an opportunity for the Federal Council to evaluate the SNB. The analysis it presents is of high quality. It presents many persuasive arguments, and it provides useful international comparisons. However, on every issue that it considers, the Report concludes that there is no need for change. After in-depth consideration of the state of the art in central banking, it concludes that the institutional setup of the SNB cannot be perfected. This conclusion is odd and robs the Report of its credibility.

One possible reason why the Report shied away from considering any change is that the SNB has delivered on its price and financial stability mandates. Another reason may be a concern that redrafting the NBA could lead to a range of poorly thought-through politically motivated demands putting the SNB's achievements at risk.

The current legal framework was revisited twenty years ago. At that time, the SNB took an ambitious step in moving from an outdated strategy emphasizing monetary aggregates to a modern strategy closely related to inflation targeting. But much has happened since the NBA came into force in 2003. It would be extraordinary that choices made then would *all* remain ideal. Having revisited the benchmarking exercise that the Report performed 2016, we draw four conclusions.

*First*, among the developed countries, the SNB is one of the most independent but also one of the least transparent central banks. The SNB should improve transparency by providing more information about the background to its policy decisions. In our view, it should provide data and models prepared by staff that form the basis for the Board's decisions and elaborate on alternative decisions that were discussed but rejected. Doing so would provide a better understanding of the policy process. Such information is a precondition for proper accountability of the SNB.

*Second*, in international comparison, the size of the Governing Board of the SNB is small. Small committees are susceptible to group think. This is one reason why the policy committees of an increasing number of central banks have external members. They bring different perspectives to the table and are more likely to challenge accepted opinions. This can improve the robustness of the committee's debates and enhances its democratic legitimacy. We believe that the SNB would benefit from having external members.

*Third*, the effective lengths of the terms served by the members of the Governing Board have increased in the recent past. This seems to be the result of the trend of appointing members at a younger age than before, coupled with the continuing practice of re-electing all members until retirement. We believe that limiting the number of reappointments is warranted.

*Fourth*, many organizations commission occasional independent external reviews of their operations. The IMF, the BIS, the Bank of England, the Reserve Bank of New Zealand and the Swedish Riksbank are just a few examples. It would be appropriate for the SNB to undergo such reviews regularly.

## KURZFASSUNG

Der Bundesrat hat 2016 einen Bericht über die SNB veröffentlicht, der Funktionsweise der SNB untersucht. Obwohl der Bericht feststellt, dass die SNB in verschiedener Hinsicht von der «Best Practice» im Zentralbankwesen abweicht, kommt er zum Schluss, dass keine Änderungen erforderlich sind. Das ist bemerkenswert. Die Arbeit der SNB stützt sich auf das Nationalbankgesetz von 2003. In den letzten zwei Jahrzehnten hat sich in der Welt der Zentralbanken viel bewegt. Es ist plausibel, dass einige Anpassungen der SNB helfen würden, ihren Auftrag heute besser zu erfüllen.

In unseren früheren Berichten haben wir bereits mehrere Verbesserungen vorgeschlagen. Im vorliegenden Bericht konzentrieren wir uns auf die «Governance» und vergleichen die SNB mit anderen Zentralbanken.

Im internationalen Vergleich gehört die SNB zu den unabhängigsten Zentralbanken. Dies ist wichtig, aber nicht ausreichend für eine gute Geldpolitik. Wie der Bericht feststellt, muss die Unabhängigkeit mit einer effektiven Rechenschaftspflicht einhergehen. In Bezug auf die Transparenz, die eine Voraussetzung für die Rechenschaftspflicht ist, liegt die SNB in einer aktuellen Rangliste jedoch auf einem der letzten Plätze.

Die Transparenz wiederum hängt von den Informationen ab, die die Zentralbank bereitstellt. Die geringe Transparenz der SNB ist auf die begrenzten Informationen zurückzuführen, die sie in ihren schriftlichen Veröffentlichungen und ihren öffentlichen Erklärungen zu den Wirtschaftsaussichten und ihren geldpolitischen Optionen bereitstellt.

Zur Rechenschaftspflicht gehört auch die formelle Berichterstattung an Regierung und Parlament, die im Nationalbankgesetz umschrieben ist. Vergleicht man die SNB mit ihren Konkurrenten, so wird sie faktisch nur begrenzt kontrolliert. Viele andere Zentralbanken sind sowohl sehr unabhängig als auch in hohem Masse rechenschaftspflichtig, was auch angemessen ist.

Eine weitere Frage der «Governance» betrifft das Entscheidungsgremium, das Direktorium. Mit drei Mitgliedern ist es kleiner als bei anderen Zentralbanken. Die Grösse ist wichtig für die Tiefe und Robustheit der Beratungen. Grössere und vielfältigere Ausschüsse bieten auch eine bessere Grundlage für demokratische Legitimität.

Die Amtszeit der Mitglieder des geldpolitischen Ausschusses sollte lang genug sein, um ihre Unabhängigkeit zu gewährleisten und von ihrer Erfahrung zu profitieren. Die Amtszeiten können aber auch zu lang sein, wenn sie angesichts des sich weiterentwickelnden Wissens im Zentralbankwesen einen stetigen Zufluss neuer Fachkenntnisse verhindern.

Diese Beobachtungen zeigen, dass die Schlussfolgerungen des Regierungsberichts — dass alles perfekt ist — nicht gerechtfertigt sind. Wir begründen in unserem Bericht folgende, wünschenswerte Reformen:

1. Die SNB sollte transparenter werden. Sie sollte nicht nur ihre geldpolitischen Entscheidungen bekannt geben, sondern auch die in Betracht gezogenen Handlungsalternativen erläutern und erklären, warum sie verworfen wurden. Und sie sollte mehr Informationen über die Meinungsvielfalt innerhalb des Direktoriums offenbaren.
2. Das Direktorium der Nationalbank sollte vergrössert werden, beispielsweise durch die Aufnahme externer Mitglieder in das Direktorium.
3. Auch wenn in den letzten Jahren jüngere Mitglieder ernannt wurden, sollte die Dauer der Amtszeit der Direktoriumsmitglieder nicht länger werden. Die heutige Praxis der automatischen Verlängerung bis zur Pensionierung sollte überdacht werden.
4. Viele führende Zentralbanken und öffentliche Finanzinstitutionen geben inzwischen regelmässig externe Überprüfungen bestimmter Aspekte ihrer Funktionsweise in Auftrag. Die SNB sollte diese Praxis übernehmen.

## RÉSUMÉ EXÉCUTIF

En 2016, le Conseil fédéral a publié un rapport sur la BNS. Ce rapport examine le fonctionnement de la BNS. Bien qu'il constate que la BNS s'écarte à plusieurs égards des meilleures pratiques en matière de banque centrale, le Rapport conclut qu'aucun changement n'est nécessaire. Cette conclusion est peu convaincante. Le fonctionnement de la BNS est dicté par la Loi sur la Banque nationale de 2003. Au cours des deux dernières décennies, beaucoup de choses ont changé dans le monde des banques centrales. Il serait surprenant qu'aucun ajustement ne soit susceptible d'aider la BNS à mieux remplir son mandat.

Nos précédents rapports ont déjà suggéré plusieurs améliorations. Dans le présent rapport, nous nous concentrons sur la gouvernance, en comparant la BNS aux banques centrales des autres pays développés.

En comparaison internationale, la BNS se classe parmi les banques centrales les plus indépendantes. C'est une condition nécessaire, mais pas suffisante pour une politique monétaire hautement performante. Comme le note le rapport, un haut niveau d'indépendance doit être associé à un degré élevé s'accompagner d'une exigence comparable en termes de redevabilité. Or, si l'on considère la transparence, condition préalable à la redevabilité, la BNS figure parmi les dernières dans un classement récent qui fait autorité.

La transparence, à son tour, repose sur les informations fournies par les banques centrales. La faible transparence de la BNS est due au peu d'informations qu'elle fournit dans ses publications écrites et ses déclarations publiques concernant les perspectives économiques et ses options tant stratégiques que tactiques.

La redevabilité implique également la présentation de rapports formels au gouvernement et au parlement, ce qu'exige d'ailleurs par la loi sur la Banque nationale. Si l'on compare la BNS à ses homologues, dans la pratique, la BNS est soumise à des obligations limitées. De nombreuses autres banques centrales sont à la fois très indépendantes et très redevables, comme il se doit.

Un autre problème de gouvernance concerne son organe de décision, la Direction générale. Avec trois membres, ce comité est plus petit que ceux des autres banques centrales. La taille d'un comité décisionnaire est importante pour la profondeur et la vigueur de ses délibérations, gage de la qualité de ses décisions. Des comités plus larges et plus diversifiés contribuent également à la légitimité démocratique d'une banque centrale.

La durée des mandats des membres du comité de politique monétaire doit être suffisamment longue pour garantir leur indépendance et bénéficier de leur expérience. Mais les mandats peuvent aussi être trop longs s'ils empêchent un apport régulier de nouvelles compétences,



compte tenu de la rapide évolution des connaissances en matière de politique monétaire.

Ces observations indiquent que les conclusions du rapport du gouvernement - selon lesquelles tout est parfait - ne sont pas justifiées. Notre rapport suggère plusieurs réformes souhaitables :

1. La BNS devrait devenir plus transparente. Elle devrait non seulement annoncer ses décisions politiques, mais aussi expliquer les actions alternatives qui ont été envisagées et pourquoi elles ont été rejetées. Elle devrait également fournir davantage d'informations sur la diversité des opinions au sein de la Direction générale.
2. La direction générale de la BNS devrait être élargie, par exemple en y ajoutant des membres externes.
3. Ces dernières années, les membres de la Direction générale ont été nommés à un plus jeune âge, ce qui représente une excellente évolution. Mais le bénéfice de cette évolution risque d'être perdu si la durée du mandat des membres augmente. La pratique courante de renouvellement automatique jusqu'à la retraite devrait être reconsidérée.
4. De nombreuses banques centrales et institutions financières publiques de premier plan commissionnent désormais périodiquement des examens externes concernant divers aspects spécifiques de leur fonctionnement. La BNS devrait adopter cette pratique.

## EXECUTIVE SUMMARY

In 2016, the Federal Council produced a Report on the SNB. It examines the functioning of the SNB. Despite noting that the SNB deviates from best practice in central banking in several ways, the Report concludes that there is no change is needed. This is striking. The work of the SNB is based on the National Bank Act of 2003. During the last two decades, much has changed in the world of central banks, which makes it likely that some adjustments would help the SNB better fulfill its mandate.

Our previous reports have already suggested several improvements. In this report, we focus on governance, benchmarking the SNB against other central banks.

In international comparison, the SNB ranks among the most independent central banks. This is important, but not enough, for good monetary policy. As the Report notes, independence must come with accountability. But looking at transparency, a precondition for accountability, the SNB is among the last in a recent authoritative ranking.

Transparency, in turn, relies on the information provided by central banks. The SNB's poor transparency is due to the limited information that it provides in its written publications and its public statements regarding the economic outlook and its policy options.

Accountability also involves formal reporting to the government and parliament, which is required by the National Bank Act. Benchmarking the SNB against its peers, in practice, the SNB is subject to limited scrutiny. Many other central banks are both very independent and highly accountable, as is appropriate.

Another governance issue concerns its decision-making body, the Governing Board. With three members, it is smaller than those of other central banks. Size matters for the depth and vigor of deliberations. Larger and more diverse committees also provide more scope for democratic legitimacy.

The duration of tenures of members of the policy committee should be sufficiently long to guarantee their independence and to benefit from their experience. But tenures may also be too long if they prevent a steady inflow of new expertise in view of the evolving knowledge in central banking.

These observations indicate that the conclusions of the government's Report — that all is perfect — are not warranted. Our report broadly suggests several desirable reforms:

1. The SNB should become more transparent. It should not only announce its policy decisions, but also explain alternative actions that were considered and explain why they were rejected. And it should provide more information about the diversity of views within the Governing Board.
2. The Governing Board of the SNB should be enlarged, for instance by adding external members to the Board.

3. While younger members have been appointed in recent years, the length of tenure of board members should not be allowed to grow. The current practice of automatic renewal until retirement should be reconsidered.
4. Many leading central banks and public financial institutions are now periodically commissioning outside reviews of specific aspects of their functioning. The SNB should adopt this practice.