
The interaction between monetary and macroprudential policies – Switzerland

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SCHWEIZERISCHE NATIONALBANK
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Institutional Set-Up

- Switzerland has no single macroprudential authority or Financial Stability Board
- Swiss legislation does not provide for a specific mandate for macroprudential oversight or policy
- Central bank (SNB) is the only institution with an explicit financial stability mandate (“contribute”)
- Division of responsibilities: both the central bank (SNB) and the Swiss Financial Market Supervisory Authority (FINMA) are entrusted with macroprudential tasks

Division of Labor between SNB and Supervisory Authority (FINMA)

- **FINMA:** Macroprudential instruments that are structural in nature (e.g., capital surcharge for SIFIs). These instruments are close to microprudential tools and aim at improving regulation of, and incentives for individual institutions;
- **SNB:** Macroprudential instruments that are cyclical in nature (e.g. CCB). These instruments aim at reducing the procyclicality and require a similar analysis to that which the SNB usually carries out for its monetary policy decisions.

SNB and Macroprudential Policy

- Macroprudential policy is preventative and thus distinct from financial crisis management.
- Main objectives of macroprudential policy:
 - Strengthening the resilience of the financial system
 - Preventing the build-up of excesses or imbalances on asset and credit markets, i.e. actively leaning against the financial cycle
- SNB Instruments:
 - Communication/moral suasion
 - CCB: formal responsibility, but no decision taking power

Division of responsibilities – the CCB example

- SNB *proposes* activation, modification and deactivation of the CCB
- Federal Council *decides* upon SNB proposition after *consultation* of the financial market supervisory authority

Procedure:

- The SNB conducts a quarterly assessment of the developments in the mortgage and real estate markets
- If the SNB determines that it is necessary to activate or adjust the level of the buffer, the SNB submits an official proposal to the Federal Council
- FINMA supervises the implementation of the CCB at individual bank level

CCB decision-making process: A ‘guided discretion’ approach

The approach combines

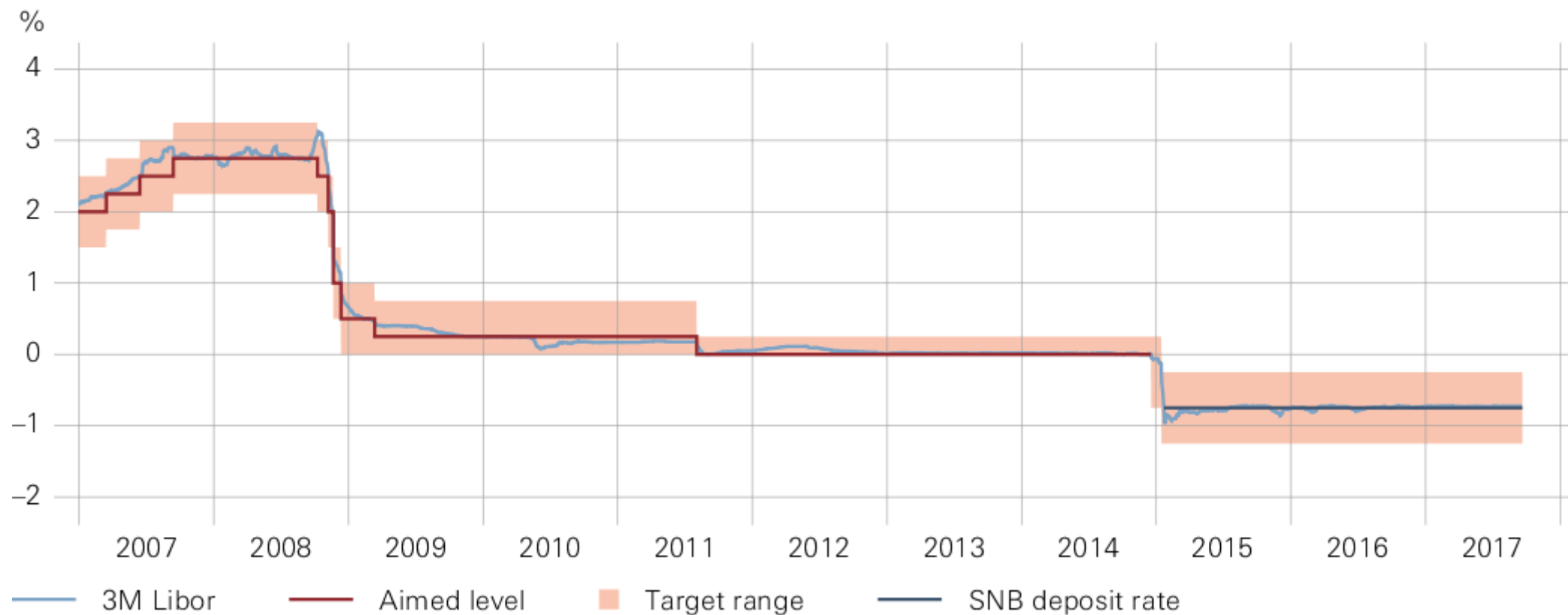
1) a rule component

- Mechanic guidance built on 4 key indicators
- Mortgage and real estate markets

2) a discretionary component

- The mechanic guidance can be ‘overruled’ based on an analysis of additional (“secondary”) indicators
- the bigger the heterogeneity from key indicators, the more weight on discretionary component

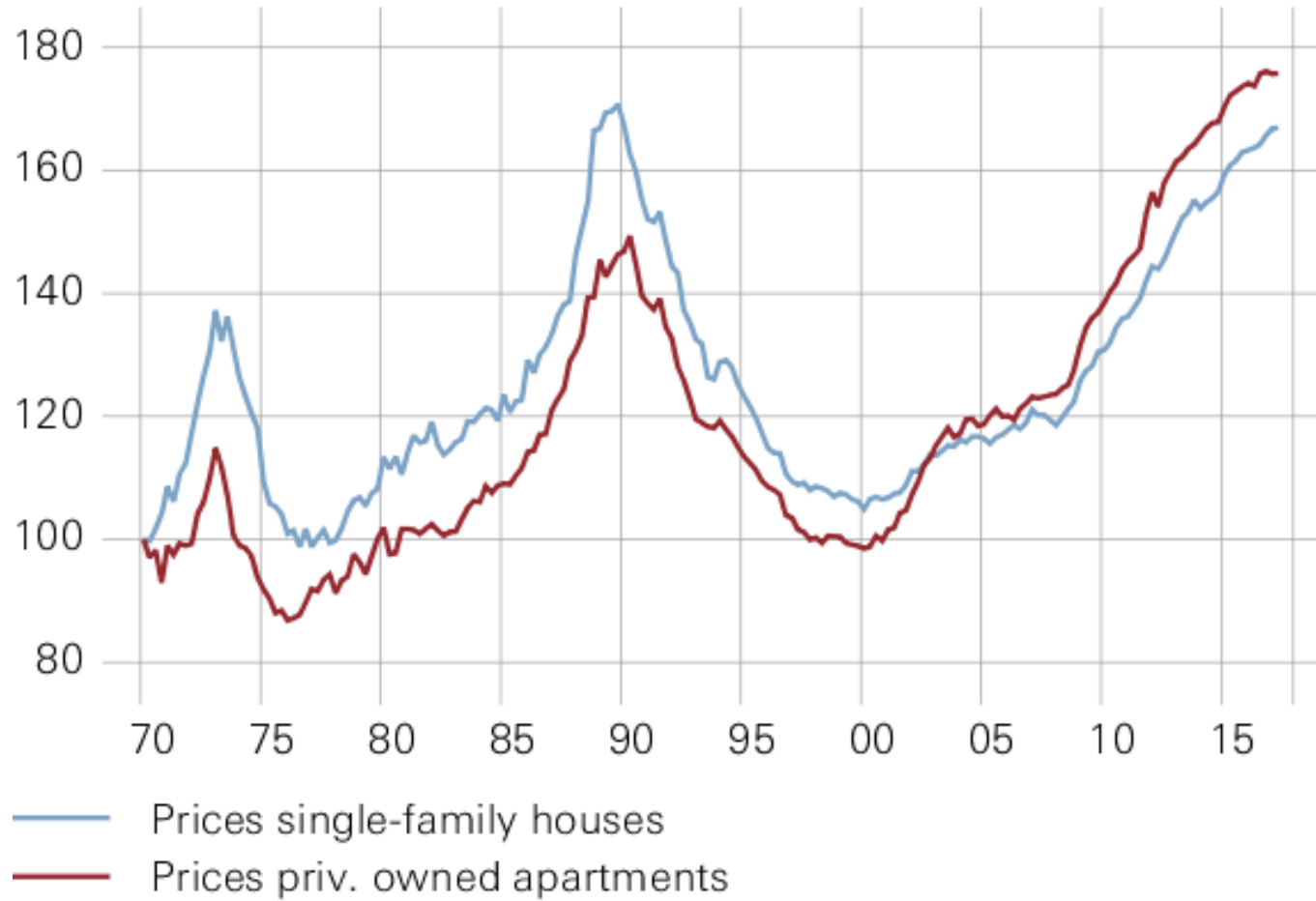
TARGET RANGE FOR 3M LIBOR



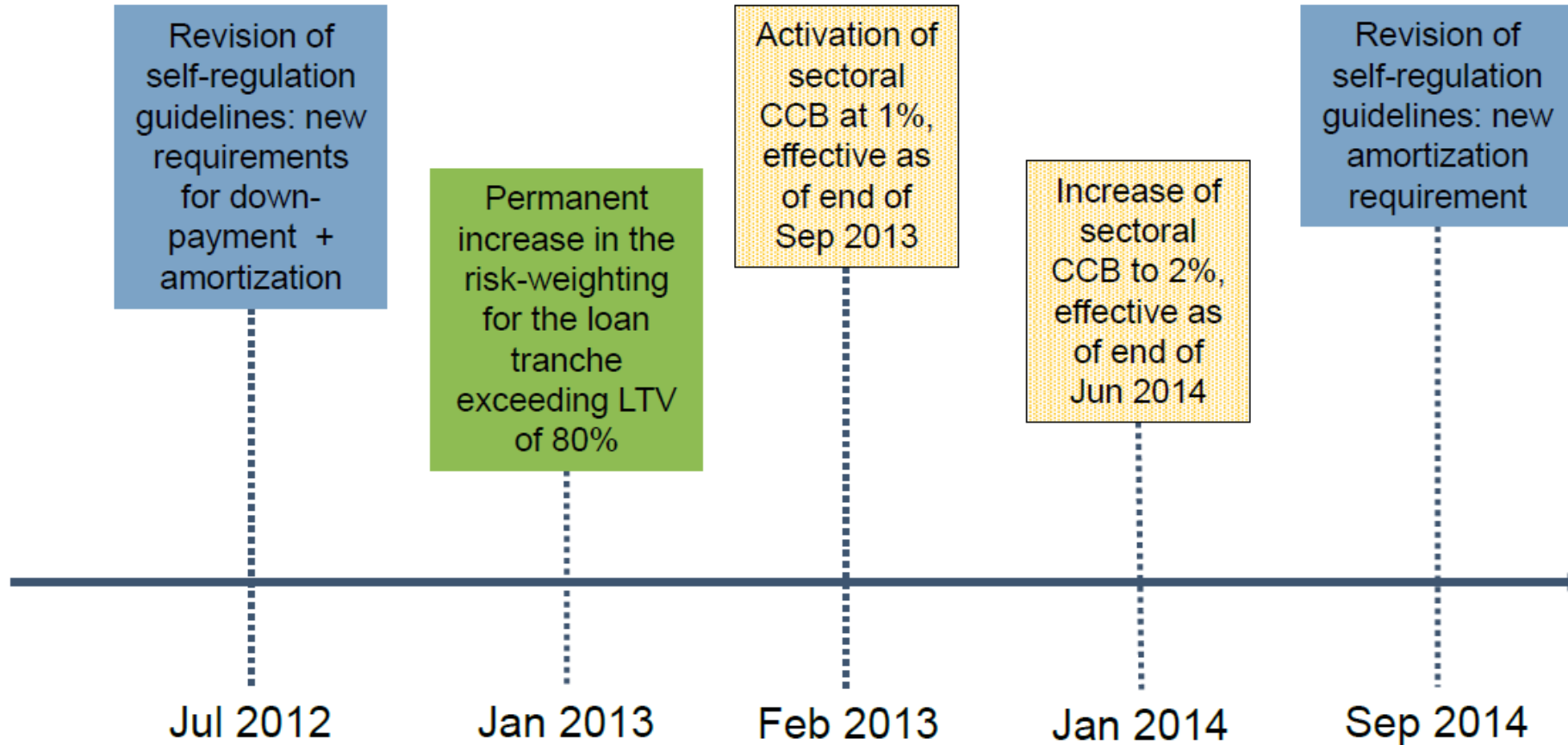
Quellen: Bloomberg, SNB

REAL ASKING HOUSING PRICES AND RENTS (WÜEST PARTNER)

Q1 1970 = 100, deflated by CPI excl. rents

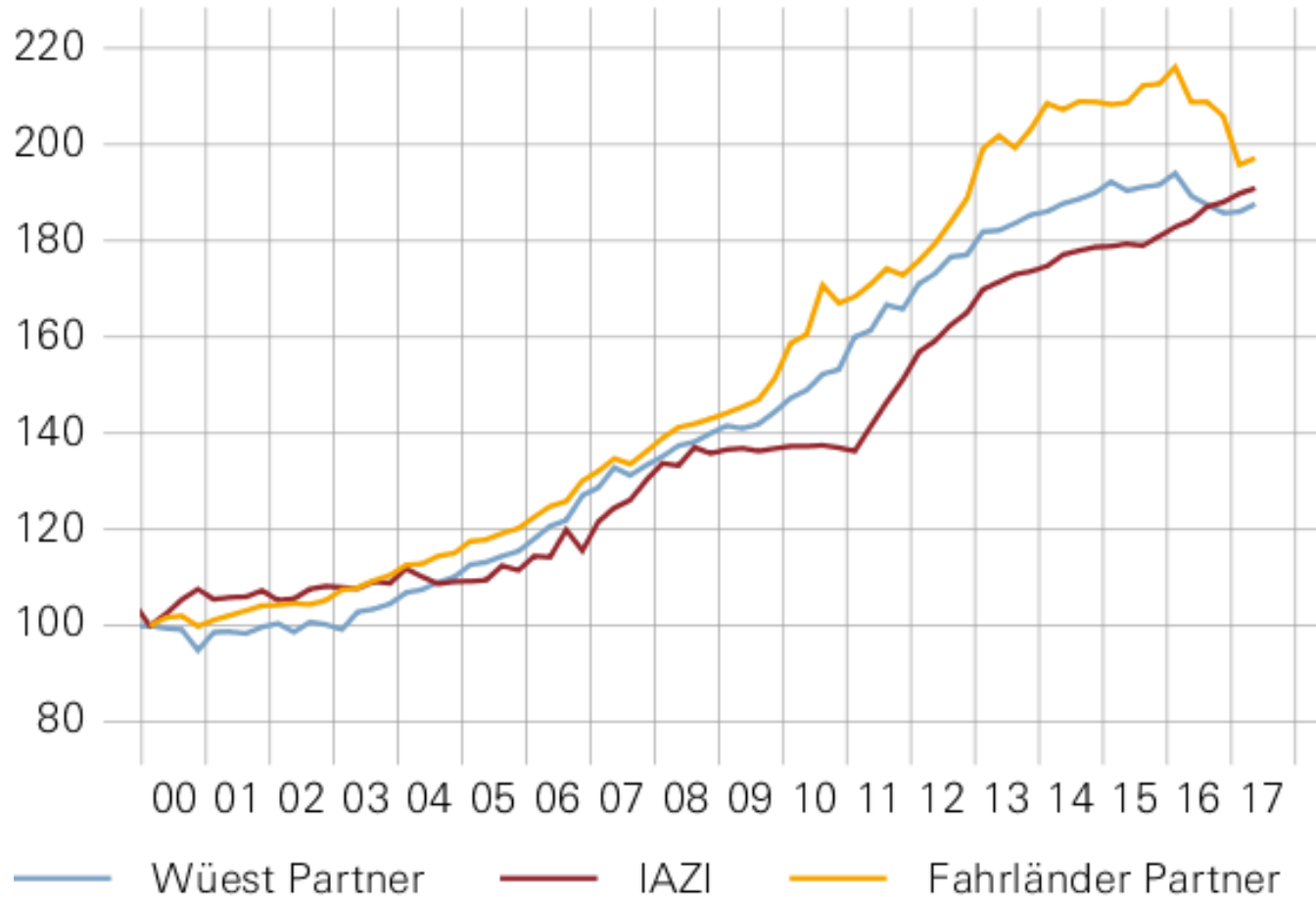


Macroprudential Policy Measures in Switzerland



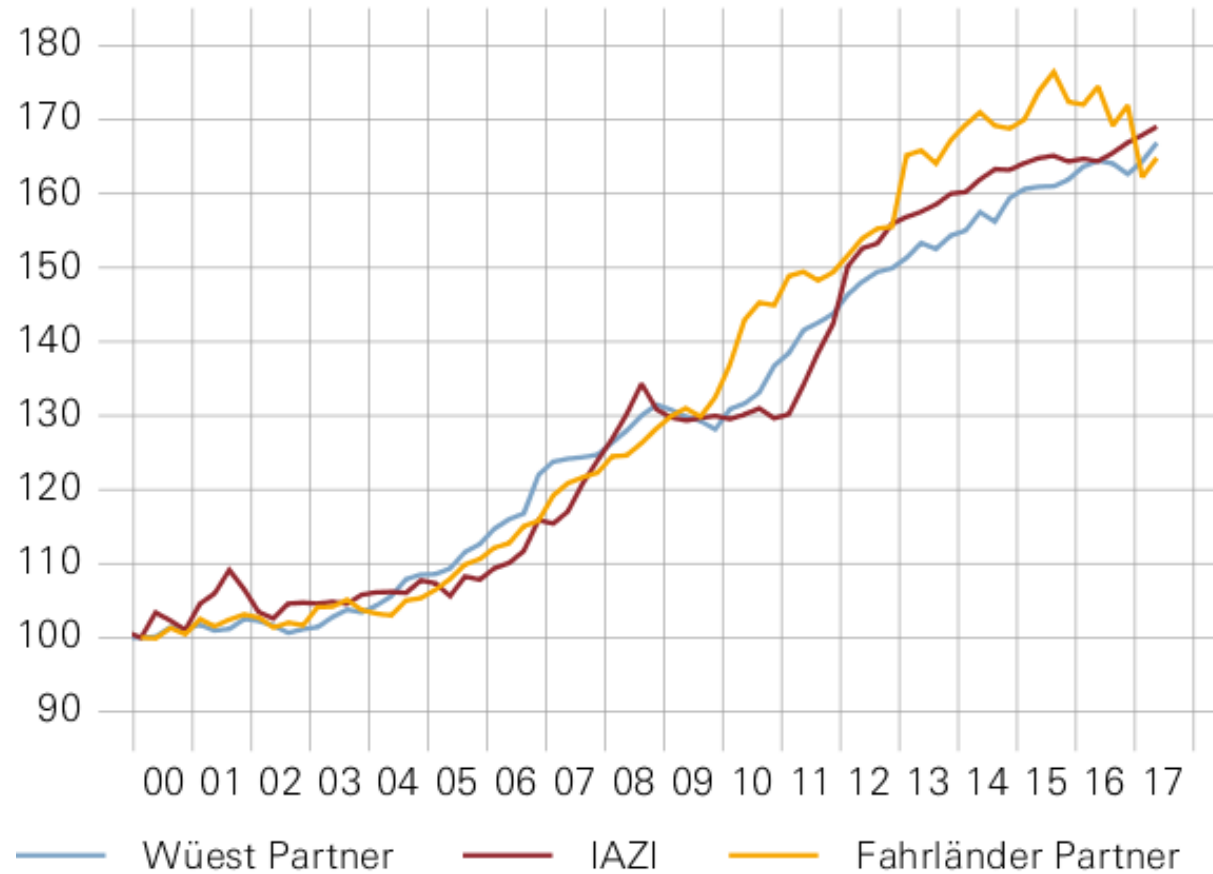
TRANSACTION PRICES, PRIVATELY OWNED APARTMENTS

Nominal, hedonic, Q1 2000 = 100

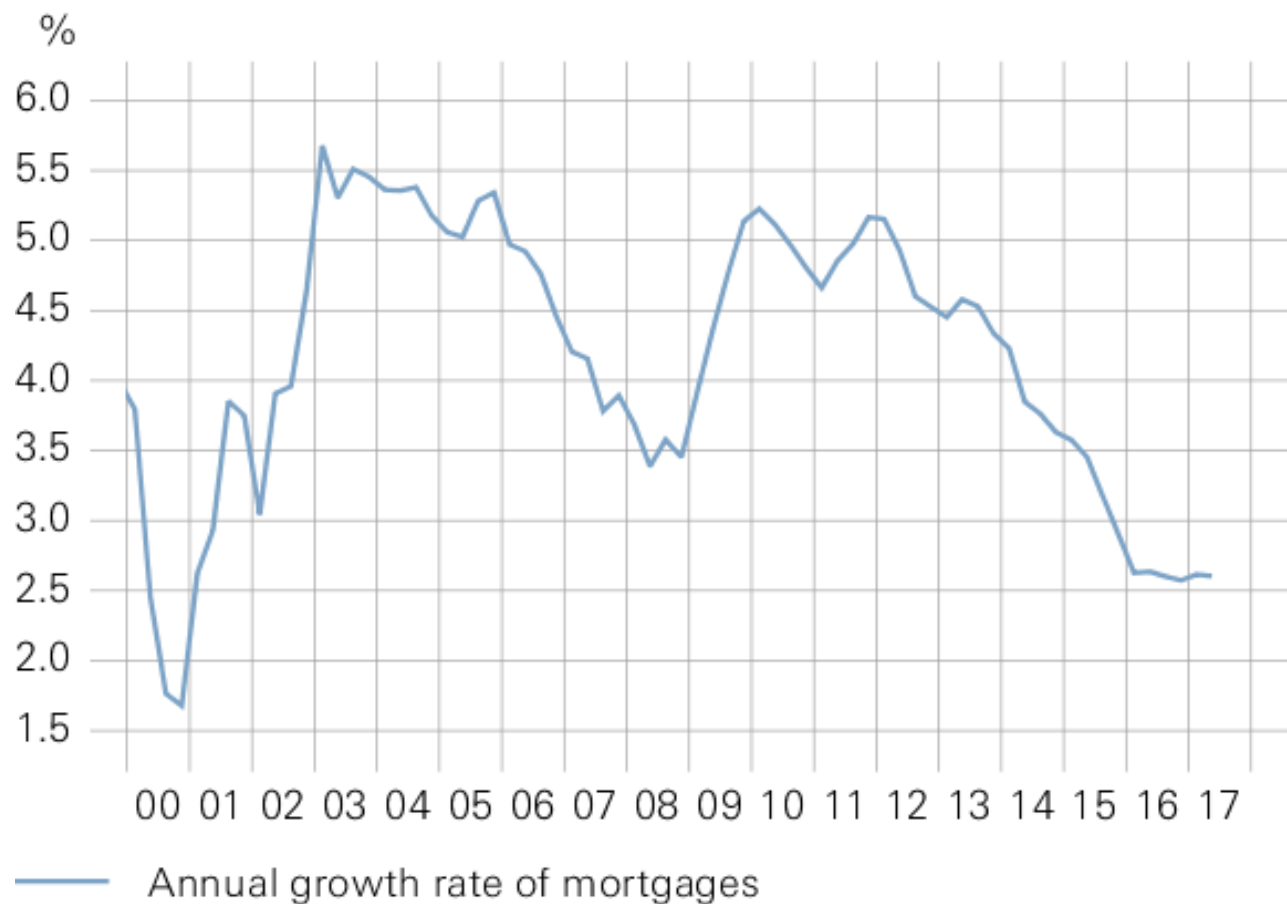


TRANSACTION PRICES, SINGLE-FAMILY HOUSES

Nominal, hedonic, Q1 2000 = 100



MORTGAGE GROWTH



Source: SNB

Thank you for your attention!

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