1929 December 20

Amendment to the National Bank Law [Switzerland], 1929. As the Great Depression took hold, the Swiss Government made some modest changes to its banking laws. Most notably, it removed silver from the list of acceptable currency reserves [Article 14, paragraph 9; and Article 19] and obliged the bank to purchase interest-bearing bonds [Article 14, paragraph 7] as a component of its reserves. The amendment also expanded the gold repayment options of the Swiss National Bank [Article 20*bis*].

Article 1.

Articles 14, 19, 20 and 22 of the Federal Law of April 7th, 1921, concerning the National Bank of Switzerland are hereby abrogated and replaced by the following provisions :

[...]

Article 14.

The National Bank is a bank effecting the issue of notes and transfer and discount operations, and is only authorised to carry out the following transactions :

[...]

7. To purchase for its own account interest-bearing bonds issued by the Confederation or Cantons and by foreign States, which are made out to bearer and can find a ready market; such transactions may only be carried out in order to provide for the temporary investment of Bank balances.

[...]

9. To issue certificates for gold.

[...]

Article 19.

The total value of the notes in circulation must be covered :

By Swiss gold coin;

By gold bullion reckoned at mint parity allowing for coinage charges; By foreign gold coin;

By bills of exchange and cheques drawn on Swiss banks, and by Swiss bonds; By bills of exchange and cheques on foreign countries ;

By the Treasury bills of foreign States and by assets payable at sight on foreign countries;

By loans resulting from advances on current account :

(a) Against bonds, in accordance with the stipulations of Article 14, 4(b);

(b) Against precious metals (Article 14, 8).

The metallic cover must amount to at least 40 per cent of the value of the notes in circulation. The minimum metallic cover of 40 per cent must be maintained exclusively in Switzerland.

Article 20.

The National Bank shall be required to pay its notes on presentation in Swiss gold coin :

(a) At its Berne office up to any amount;

(b) At its Zurich office, and at its branches and agencies under the direct management of the Bank, to the extent to which the reserve and their own requirements permit; payment in full shall, however, be made if sufficient time is allowed to obtain cash from the head office.

The note repayment service must be organised so as to meet local requirements.

Article 20*bis*.

As long as the banks of issue in the countries designated as important by the Bank authorities do not themselves repay their notes in gold coin, the Bank shall have the option to repay its notes on presentation in one or other of the following forms :

In Swiss gold coin;

In gold bullion of the usual commercial weight (approximately 12 kilogrammes) on the basis of the mint parity;

In gold foreign exchange (bank remittance or cheque), that is to say, in foreign exchange on countries having a free gold market. The rate for converting these currencies shall be calculated on the basis of the exchange rate of the foreign currency at the time of the transaction. It may not, however, under any circumstances exceed the export point of Swiss gold coin consigned to the foreign banking centre on which the payment is to be drawn. The National Bank reserves the right to designate these foreign currencies.

Repayment-shall be effected :

In gold coin and bin gold bullion at its Berne office up to any amount, and at its Zurich office and the branches and agencies under the direct management of the Bank to the extent to which the reserve and their own requirements permit; payment in full shall, however, be made if sufficient time is allowed to obtain the cash from the head office ;

In gold foreign exchange at all the afore-mentioned establishments of the Bank up to any amount.

The note repayment service must be organised so as to meet local requirements.

[...]

Article 22.

The Federal Council may not decree that the notes are legal tender and release the National bank from the obligation to reply its notes in the manner prescribed in Articles 20 and 20bis, unless this is necessary in time of war.

Source**:** *League of Nations. 1930*. Legislation on Gold, (Geneva: League of Nations), p. 348-349. [League's translation]