



TOP NEWS

SNB considers capital controls if euro falls apart

Sun, May 27 05:10 AM EDT



By Emma Thomasson

ZURICH (Reuters) - Switzerland is drawing up plans for emergency measures including capital controls in case the euro collapses although it does not expect to need them and will continue to defend a cap on the franc in the meantime, the head of the central bank said.

"We must be prepared just in case the currency union collapses, although I don't expect that," Swiss National Bank President Thomas Jordan, who predicted the euro zone crisis in his 1994 doctoral thesis, told the *SonntagsZeitung* newspaper.

Jordan said a group set up by the Swiss government to consider possible scenarios in the case of a euro break-up was focusing on instruments to fight the strength of the safe haven franc which has soared during the euro zone crisis.

"One measure would be capital controls, in other words measures which directly influence the flow of capital into Switzerland," he said, but declined to give further details.

Jordan last month dismissed negative rates on foreign deposits as a tool for curbing safe haven flows. The Swiss imposed such deposit taxes as they battled a red-hot currency in the 1970s, but they did little to weaken the franc.

In an attempt to prevent a recession and deflation from the soaring currency, the SNB set a cap of 1.20 per euro on September 6 but the franc is still 30 percent stronger than before the financial crisis, hurting exporters and the tourism industry.

"Even under the most difficult conditions we will also in future enforce the minimum rate with all determination and align our monetary policy with maintaining this minimum rate. I stress, even under very adverse conditions," Jordan said.

Jordan said the central bank had observed a significant upward pressure on the franc as the euro zone crisis had worsened in recent weeks, but he declined to say how much the SNB had spent on currency interventions.

Asked about calls from Swiss industry for the SNB to move the cap to try to weaken the franc further, he said: "For many companies the situation is very difficult. But we can't just arbitrarily manipulate our currency.

"In an even worse crisis situation, that would be fatal and counterproductive ... The current minimum rate is realistic and has helped the Swiss economy."

Jordan stuck to the central bank's forecast for the Swiss economy to grow by about 1 percent this year and said he currently saw neither deflationary or inflationary risks.

Nick Hayek, the chief executive of watchmaker Swatch Group, said on Saturday the franc should be closer to 1.30-1.35 per euro but said the SNB bank had missed an opportunity to shift its cap during a leadership vacuum.

Philipp Hildebrand resigned as SNB chief in January after a currency trading scandal involving his wife and was only replaced on a permanent basis by his deputy Jordan in April.

The franc, which initially traded as weak as 1.25 after the cap was imposed on speculation the SNB might shift the level, has hovered close to the 1.20 mark in recent months as the euro zone crisis has flared again, briefly breaching it in April.

(Editing by Jeremy Laurence)

[Email Article](#)

[Next Article in Top News](#)

[Home](#)

[Search](#) | [Quotes](#) | [Videos](#) | [Currency](#) | [Slideshows](#) | [Top News](#) | [Oddly Enough](#) | [Business](#) | [Entertainment](#) | [Sports](#) | [Deals](#) | [Hot Stocks](#) | [Technology](#) | [Politics](#) | [More Categories](#)

[Go back to desktop site](#)