AFBS News: Sovereign Money SEP 2017

What It Is About

The initiative restricts the right to create money (coins, banknotes, scriptural) to the SNB by distribution to the Confederation, Cantons or citizens directly. The money is held by financial firms for client payment transactions. Loans issued by commercial banks have to be fully covered by assets on savings accounts. The client holdings are off-balance sheet and compensated on the bank's balance sheet by a loan from the SNB, "which makes the bank become debtor of the SNB rather than its clients".

Pros and Cons

The **committee** pretends that the initiative increases stability of the monetary system. It promises to make all assets become "real money" and thus fully safe, since issued by the SNB. Such money would be immune from bank failure; taxpayers and the real economy would no longer have to carry the burden of saving failing banks; the SNB can pay the benefit of creating money to the Confederation, the Cantons and the citizens; the rules of the game would be the same for all banks since they all need to obtain money from a third party and can no longer create it themselves; financial market bubbles would be more difficult to emerge because "money created ad hoc" is no longer be available. committee: DE FR IT EN and DE FR

The **Federal Council** rejects the initiative and presents the TBTF regime as efficienty means to assure financial market stability; the proposed creation of money is not covered by collateral which weakens trust and restricts the SNB's monetary autonomy; the change of system is not tested and could cause unexpected insecurity: DE FR IT and DE FR IT

The **SBA** is opposed because the present system works well and any change would cause unpredictable threats The proposal weakens the financial system and does not offer better means to assure financial stability; it would restrict availability of credits and loans; it weakens returns on savings accounts; the SNB monetary policy would be exposed to political interests; the State would have to play a role in the loans business: DE FR IT

The **SNB** opposes the initiative as it cannot prevent financial bubbles from emerging and as it would hamper independence of the monetary policy from politics. Thomas Jordan speech: DE FR IT

Economiesuisse argues that the proposed money creation is not secured by collateral; that payment transactions would become more expensive; resort to other currencies and creation of CHF abroad would be imposible; the promise of benefit distribution by the SNB restricts its autonomy; price stability could no longer be assured and a currency crisis might ensue: DE FR IT EN and DE FR

KPMG report on money issuance commissioned by the Prime Minister of Iceland: link

Timeline

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- 12.2015: the initiative can succesfully be submitted
- 11.2016: Federal Council submits dispatch to Parliament; it recommends rejection without counter proposal
- 8.2017: The preparatory commission of the States Council recommends rejection (11 to 0, 2 abstentions)
- 2017: expected debate in the States Council; debate by the National Council pending
- 3.2018: possible date for the popular vote

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