

Volume III

After the Gold Standard, 1931-1999

1936 October 28

Declaration of the Swiss Government, through the Federal Finance and Customs Department, and the National Bank of Switzerland regarding the purchase and sale of gold.

The Swiss Government, represented by the head of the Federal Finance and Customs Department, and

the National Bank of Switzerland, represented by its Direktorium,

hereby declare and confirm to the Government of the United States of America:

1) In conformity with the federal law of 7th April 1921/20th December 1929 regarding the National Bank of Switzerland, the National Bank of Switzerland is required to maintain the gold cover of its notes in circulation at a level of at least 40%. The Bank had also to redeem its notes either in gold or in gold currency of a country having a free gold market, the rate of conversion into such gold currencies being calculated on the basis of the rate of exchange at the time of the operation.

In accordance with its 'Business Conditions' the Bank had the further obligation of purchasing gold from banks of issue at the price Fr.3,429.44 per kg. of fine gold and of selling it at the price of Fr.3,444.44 per kg. of fine gold.

2) By the terms of the Decree of the Federal Council of 27th September 1936 the Bank is released from the obligation to redeem its notes in gold or gold foreign exchange; on the other hand it is still obliged to maintain the legal cover of the notes. It is also required to maintain the gold parity of the franc at a value between 190 and 215 milligrams of fine gold. By special instructions from the Federal Council the Bank is directed to keep the franc at a level corresponding to a devaluation of approximately 30% in relation to the parity fixed by the federal monetary law of 3rd June 1931.

3) In dealing with the United States of America the Bank undertakes, in virtue of the Decree of the Federal Council of 27th September 1936 and until further notice, to sell gold at Fr.4,973.92 per kg. of fine gold taken in Berne and to buy gold at Fr.4,869.80 per fine kg. of fine gold delivered in Berne.

The Bank makes this declaration in reliance upon the declaration of the reciprocity contained in the Statement dated 12th October 1936 of Mr Morgenthau, Secretary of the Treasury, whereby the United States of America undertake to buy and sell gold on the basis of 35 dollars per ounce of fine gold.

In the said Statement the United States of America reserved the right to cancel their declaration at any time on giving twenty-four hours' notice; the National Bank of Switzerland has a similar right.

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4) The Bank effects its gold operations either for its own account or for account of a special equalisation fund intended to keep the exchange between the new limits by means of purchases and sales of gold and foreign exchange. The Bank has the sole right of disposition in respect to this fund.

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In witness whereof the present declaration has been signed for despatch to the Secretary of the Treasury in Washington.

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Source: Bank of England Archives, OV48/10, 1539/1, no. 84.