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SNB publishes ethical code after currency trades

By Haig Simonian in Zurich



The Swiss National Bank has been forced to publish its central bankers' ethical code after the wife of its chairman bought \$500,000 of "almost ridiculously cheap" US dollars while the bank discussed braking the Swiss franc's rapid appreciation.

The decision to reveal the previously confidential policies regarding financial transactions by its top executives was prompted by a political storm over the currency transactions conducted by Kashya Hildebrand, a former

foreign exchange trader who is married to SNB chairman Philipp Hildebrand.

Mr and Mrs Hildebrand have now also published all their financial transactions for the past year and the central bank chairman will address a news conference on Thursday to explain his wife's actions.

The Swiss government and the SNB's supervisory body have stood behind Mr Hildebrand, a former hedge fund partner who became one of the central bank's three governors in 2003 and was promoted to chairman in 2010.

"The Federal Council has ... expressed its full confidence in Mr Hildebrand," the government said.

Mr Hildebrand's decision to back a massive currency intervention to staunch the soaring franc last year was initially highly controversial because of huge paper losses at the SNB, although the strategy has been vindicated since.

Details of Mrs Hildebrand's transactions show that she sold SFr400,000 in August to buy \$504,000 dollars, arguing the US currency was "almost ridiculously cheap" at the time.

Less than a month later, on September 6, the SNB – which had already been spending massively to brake the rising franc – ratcheted up its intervention by declaring it would not allow the franc to rise any further.

The SNB's ceiling was enforced against the euro but also weakened the Swiss currency against the dollar. When Mrs Hildebrand sold an almost identical amount of dollars the following month, she realised a profit of about SFr60,000.

Separate investigations – initiated by Mr Hildebrand – by the Swiss government and the central bank revealed no wrongdoing.

The details of the Hildebrand's financial affairs were initially leaked by an employee at their bank to Christoph Blocher, the maverick ultranationalist politician. The employee has since been sacked.

The transactions stemmed from the Hildebrands' wish to diversify their currency exposure after raising a large amount of capital from the sale of a ski chalet. Mrs Hildebrand is a US citizen of Pakistani origin, who now runs an art gallery and dealership in Zurich with a significant international clientele.

Since joining the SNB, Mr Hildebrand has earned praise from politicians for his determination to boost banks' capital, reduce risk and bring top bankers' pay more into line with shareholders' interests.

But his firm approach to regulation has won him many enemies in Switzerland's still powerful banking community. The affair has come at an awkward time for Mr Hildebrand, an important figure in international efforts to co-ordinate central bank policy. Late last year, he was appointed deputy head of the Financial Stability Board.

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