SOVEREIGN MONEY INITIATIVE

THE BACKGROUND TO THE NATIONAL REFERENDUM ON SOVEREIGN MONEY IN SWITZERLAND

Monetäre Modernisierung (MoMo) is the NGO that has organised the Swiss people's initiative which will result in a binding national referendum on the implementation of a sovereign money system. It has no affiliations with political parties or other institutions and it is entirely funded by donations from its members and the general public. We, members of MoMo, have come together as we see that the money and finance system is prone to financial crises - crises which can cause real hardship to people through no fault of their own. We believe in reforming this system to ensure that the financial system serves the real economy and that money is not the master of our society, but its servant.

CONTENTS

This report was written by Dr. Emma Dawnay, board member of MoMo.
11.1.2017

Contact: Emma.Dawnay@Vollgeld-Initiative.ch
Web: www.Vollgeld-Initiative.ch/en
(further information and sign-up for newsletters)

Vollgeld-Initiative
Verein Monetäre Modernisierung (MoMo)
Postfach 3160, CH-5430 Wettingen
Tel.: +41 (0)44 586 69 94
info@vollgeld-initiative.ch
www.vollgeld-initiative.ch
For international bank transfers:
IBAN: CH61 0900 0000 6035 4546 4
BIC POFICHBEXXX

SUMMARY

The aim of the Swiss Sovereign Money Initiative is to reform the banking and money system to work the way that most people would like, which happens to also be the way that most people believe it already works:

- The Swiss National Bank would be the sole organisation authorised to create money – not only cash and coins, but also the electronic money in our bank accounts.
- The banks would provide all the services as they do now including bank accounts, payment transactions and loans. They just won't be able to create money anymore.

The main advantage of this reform would be a fairer and more stable banking system:

- The harmful build-up of over-indebtedness in the economy would no longer be a necessary byproduct of the system, therefore making banking crises less likely.
- Money would no longer 'disappear' in a major banking crises (where several large banks go bankrupt).
- Taxpayers would no longer have to bailout banks in the event of a crisis.
- The advantages from money creation would go to the public, rather than to the banks. The government would then decide whether to use additional revenues to lower taxes, pay off the national debt, fund additional infrastructure or services, or pay a dividend directly to all citizens.
- The changes to the banking system will not change the way that banks' customers will interact with banks or the services they offer .

There will be a binding national referendum on the implementation of this Sovereign Money Initiative in Switzerland in the next year or so.

What is sovereign money?

Sovereign money is full-value legal tender which is created and brought into circulation by public institutions, typically a central bank, rather than private banks. Currently coins and banknotes are the only forms of sovereign money available to the public. The money in people's bank accounts is neither sovereign money nor legal tender.

What is electronic money?

It's the numbers in bank accounts, also known as „book money". Currently the money in people's bank accounts is not created by the Swiss National Bank, but by private banks when they make loans. This „virtual" money on our bank accounts isn't legal tender, it's just a promise made by the banks to pay us cash and settle payments on our behalf, when requested. Legally it belongs to the bank, not to the holder of the bank account.

What is a Swiss initiative?

Its Switzerland's system of direct democracy: if 100,000 people sign an official petition for a change to Switzerland's written constitution, there has to be a binding national referendum on the proposed change.

FOREWORD
BY HANSRUEDI WEBER

During the financial crisis in 2007/08, the German translation of the book „Creating New Money“ by Joseph Huber and James Robertson came out. After reading it I realised two things: firstly, that the real cause of the recurring financial crises is that banks can create money in unlimited quantities (and most people have either an incorrect understanding of how money is created or no idea at all); and secondly, Switzerland, with its own currency and system of direct democracy, is the ideal place to bring about a Sovereign Money Reform.

The details of such a reform had to be worked out, both technically and politically. That is why I sought contact with the professors Joseph Huber, Hans Christoph Binswanger, Philippe Mastronardi and Peter Ulrich. Together they worked out the details of the constitutional change presented later in this document. Then in 2011, we founded Monetäre Modernisierung (MoMo), an NGO with the purpose of bringing about a Sovereign Money Reform in Switzerland. After an initial period of producing literature and hosting events but otherwise slow progress, we were lucky to be joined by Thomas Mayer to take over management of the political campaign. Since then the formal process for launching a Swiss people’s initiative was started in 2014, which has resulted - thanks to the commitment of many volunteers - in over 110,000 signatures being collected and officially handed in on 1st December 2015. This means that **a binding referendum will be held on a sovereign money reform in Switzerland** in the next year or so. This has been a huge achievement: all Swiss voters will have the opportunity to learn about the shortcomings of the current money system, and to vote for sovereign money reform.

I hope this brochure will clarify how our current money system works, and encourage many readers to support sovereign money reform in general and our Swiss Sovereign Money Initiative in particular.

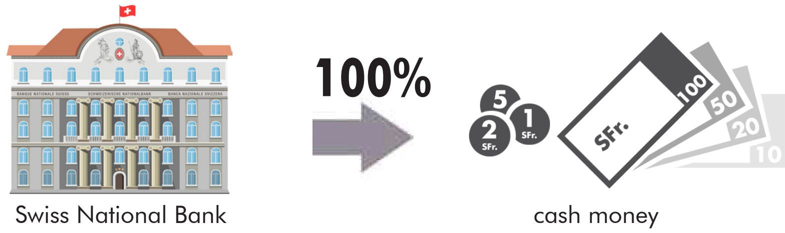
H. Weber

Hansruedi Weber,
President of Monetäre Modernisierung (MoMo)

THE SWISS SOVEREIGN MONEY INITIATIVE IN ONE DIAGRAM

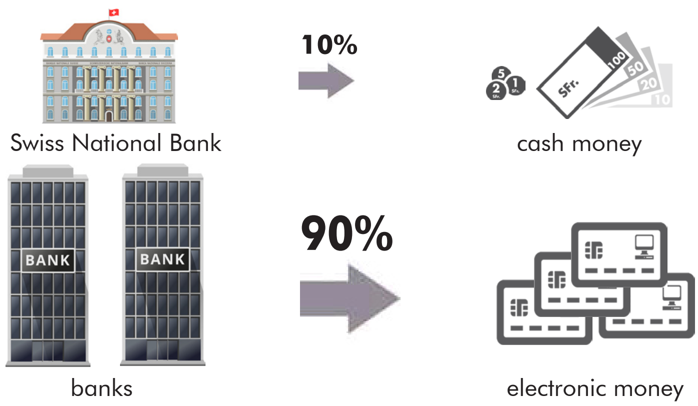
YEARS AGO:

The Swiss National Bank created bank-notes and the Swiss Federal Council minted coins. This was done in the amounts that best suited the interest of Switzerland as a whole. Swiss citizens benefited from the profit of these activites.



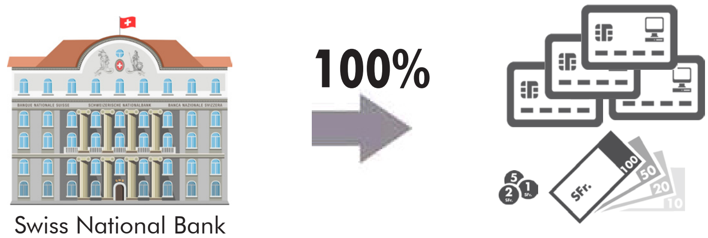
THIS IS HOW IT WORKS TODAY:

Electronic money is now used alongside bank-notes and coins. Electronic money makes up 90% of the money supply in Switzerland. This electronic money is created by banks in their own interest. Swiss banks have profited greatly from this.



AIM OF THE SWISS SOVEREIGN MONEY INITIATIVE:

The Swiss National Bank should also create the electronic money. Once more money will be created in the interest of Switzerland as a whole.



SWISS DIRECT DEMOCRACY

Switzerland has a direct democracy, which means that anyone can start a people's initiative on a proposed change to the constitution, and, if they can collect the requisite number of valid signatures, there will be a binding national referendum on the proposed change.

The process for bringing a Swiss people's initiative to referendum:
1) The people bringing the initiative must formally submit the text of the proposed change of the constitution to the official government offices in Berne. They must agree on the text for the translations into other official Swiss languages with the officials, and a launch date for collecting signatures.
2) After the launch date people can start to collect signatures. This must be done using officially approved forms which must have the proposed change to the text of the constitution in one of the official Swiss languages.
3) The signatures collected must be validated by each local government office (people signing must be eligible to vote in Switzerland and may only sign once).
4) Within 18 months of the launch date over 100,000 validated signatures must be handed in to the government office in Berne.
5) Within a few weeks the official office confirms whether over 100,000 validated signatures have been received.
6) The initiative is then forwarded to the Swiss Federal Council. They have up to a maximum of one year to discuss the initiative and make their recommendations (to accept or reject the initiative) with their reasoning.
7) The initiative is forwarded to both houses of parliament. They have up to two and a half years to consider the initiative, and then they must make a recommendation (to accept or reject the initiative) with their reasoning.
8) The national referendum will normally take place between 5 and 10 months after parliament has made their recommendations. A booklet is sent to each eligible voter together with the ballot slips about a month before the vote. This booklet contains the proposed new text for the constitution (as written on the forms for collecting the signatures), an explanation of the initiative written by the people bringing the initiative, and the recommendations (with reasoning) from the Federal Council and both houses of parliament.
Note however: the Federal Council or parliament may make an alternative proposal, in which case the process is even longer!

As of January 2017, the Swiss Sovereign Money Initiative is at step (7) above, where it is waiting to be discussed in Parliament. The Federal Council has not suggested an alternative proposal, and has recommended that voters vote for the status quo, not for the proposed changes. The referendum will probably take place in late 2017 or 2018 if no alternative is proposed by parliament.

Criteria necessary for a people's initiative to win at referendum
In the simple case (without an alternative proposal):
- the majority of the votes cast must support the proposed change
AND
- when the results are calculated for each canton, the majority of cantons must be in favour of the initiative.

In the case of an alternative proposal, people are allowed to vote for both the alternative and the original, as well as voting for one and against the other. If only the alternative version satisfies the criteria above, this will be enacted, likewise for the original proposal. There is a further question on the ballot paper to choose between the alternative and original proposals should both happen to satisfy the criteria.

What happens after a proposed change to the constitution is adopted?
The constitutional text is amended; however, the law must also be amended – this is a slow process that is likely to take more than a year. It is during this process that many of the legal and practical details of the changes are worked out.

THE SOVEREIGN MONEY INITIATIVE TEXT

This is a translation of the constitutional text as proposed in the Swiss Sovereign Money Initiative.[1] Explanatory notes are given in the appendix.

Federal Popular Initiative
"For crisis-safe money: Money creation by the National Bank only! (Sovereign Money Initiative)"

The popular initiative reads:
The Federal Constitution[2] shall be amended as follows

Art. 99 Monetary policy and the regulation of financial services

1 The Confederation guarantees that the economy is supplied with money and financial services. It may deviate from the principle of economic freedom.

2 Only the Confederation may create legal tender in the form of coins, banknotes and book money.

3 The creation and use of other means of payment are permitted provided this is compatible with the statutory mandate of the Swiss National Bank.

4 The law shall regulate the financial market in the overall interests of the country. In particular it shall regulate:

a. the fiduciary duties of financial service providers;
b. the oversight of the terms and conditions of the financial service;
c. the authorisation and supervision of financial products;
d. capital requirements;
e. the limiting of proprietary trading.

5 Financial service providers shall hold transaction accounts for customers off their balance sheets. If the financial service provider goes bankrupt, these accounts do not fall into the bankruptcy estate.

Art. 99a Swiss National Bank

1 The Swiss National Bank, as an independent central bank, shall pursue a monetary policy that serves the overall interests of the country; it manages the money supply and ensures both the functioning of the payment transaction system and the supply of credit to the economy by financial services providers.

2 It may set a minimum holding period for investments.

3 Under its legal mandate, it shall bring newly created money into circulation free from corresponding debt, via the federal government or the cantons, or by allocating it directly to citizens. It may grant banks term loans.

4 The Swiss National Bank shall create sufficient currency reserves from its revenues; part of these reserves shall be held in gold.

5 A minimum of two thirds of the net profits made by the Swiss National Bank shall be allocated to the Cantons.

6 In the discharge of its duties, the Swiss National Bank is only bound by the law.

Art. 197 para. 12[3]
Transitional provisions to Art. 99 (monetary policy and the regulation of financial services) and 99a (Swiss National Bank)

1 The implementing regulations shall stipulate that on the date when the new rules come into force, all book money in transaction accounts shall become legal tender. The corresponding liabilities of financial service providers shall become liabilities to the Swiss National Bank. This ensures that the liabilities will be settled from this book money conversion within a reasonable transition period. Existing credit agreements remain unaffected.

2 In particular, in the transition phase, the Swiss National Bank shall ensure that there is neither a shortage nor a flood of money. During this time they may grant easier access to loans to financial institutions.

3 If the appropriate federal legislation is not

---

[1] This translation has been provided by the Swiss Federal Chancellery for informational purposes only and has no legal force.

[2] The Swiss Constitution: SR 101, https://www.admin.ch/opc/en/classified-compilation/19995395/index.html

[3] The actual number of this transitional provision shall be determined by the Federal Chancellery following the popular vote.

adopted within two years of Articles 99 and 99a coming into force, the Federal Council shall issue the necessary implementing regulations by ordinance within a year.

Existing constitutional text

The Initiative text (above) will replace the existing constitutional text (below) for article 99. There are no existing articles 99a or 197.

Art. 99 Monetary policy

1 The Confederation is responsible for money and currency; the Confederation has the exclusive right to issue coins and banknotes.

2 The Swiss National Bank, as an independent central bank, shall pursue a monetary policy that serves the overall interests of the country; it shall be administered with the cooperation and under the supervision of the Confederation.

3 The Swiss National Bank shall create sufficient currency reserves from its revenues; part of these reserves shall be held in gold.

4 A minimum of two thirds of the net profits made by the Swiss National Bank shall be allocated to the Cantons.

TECHNICAL DETAILS OF THE SWISS SOVEREIGN MONEY INITIATIVE [4]

In this section:

- Key Texts: Detailed texts on a sovereign money reform are referenced, and it is recommended that the reader requiring in-depth information studies them.

- What is the effect of sovereign money reform on and off the balance sheet of a typical bank? A very simplified balance sheet for a typical bank is presented and described.

- How does a bank acquire the funds to make a loan?

- What is the difference between sovereign money and 100% money?

Key Texts

The Icelandic Prime Minister's Office has commissioned a report on sovereign money:

- Money Issuance, Alternative Money Systems KPMG 2016 (42 pages)

In addition to explaining how both the current and sovereign money systems work, it summarises related political developments worldwide and references the main related academic works. Detailed technical information about a sovereign money system and the transition to such a system can be found in texts by Positive Money, a sister organisation to MoMo that is active in the UK. These are:

- Creating a Sovereign Monetary System by Positive Money (56 pages)
- Modernising Money: Why Our Monetary System is Broken, and How it Can Be Fixed by Andrew Jackson & Ben Dyson (336 pages)

They can be downloaded or ordered from the Positive Money website www.positivemoney.org.uk.

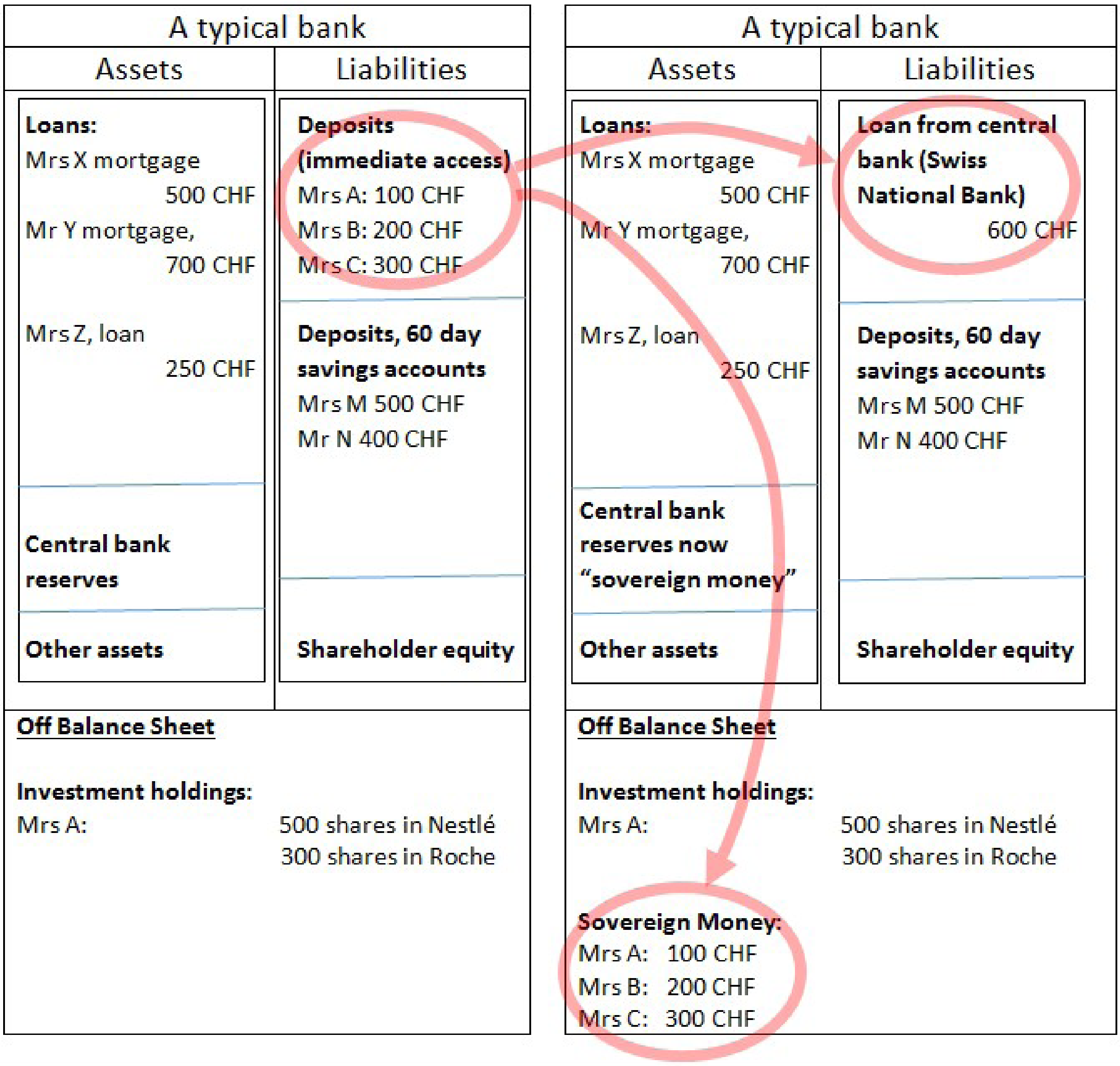
What is the effect of sovereign money reform on and off the balance sheet of a typical bank?

The balance sheets (1a) and (1b) below show how a very simplified typical bank's balance sheet would change under a sovereign money reform. The immediate change is that the deposits from Mrs A, Mrs B and Mrs C which total 600 CHF disappear from the bank's liabilities, and instead an entry of a loan from the Swiss National Bank for 600 CHF appears as a liability.

Should the bank go bankrupt, Mrs A's investments in Nestlé and Roche will be safe (as they were before the reform), and the sovereign money belonging to Mrs A, Mrs B and Mrs C will now be completely safe. However, the deposits Mrs M and Mr N have in their 60 day savings accounts will be "at risk" (as were all bank deposits before the reform, including

[4] The referendum that the Swiss people can vote on only relates to the proposed change to the constitution – not on the actual details of the implementation of this change. The text and references here describe how the proposed changes to the constitution are likely to be implemented, but legislators will only be bound by the constitutional text.

1a) Just before a sovereign money reform *1b) Just after a sovereign money reform*



the deposits from Mrs A, Mrs B and Mrs C), and Mrs M and Mr N will only be compensated in the case of bankruptcy if there's a government backed insurance scheme to cover them.

A further change under sovereign money reform relates to the distinction between central bank reserves and bank money under the current system. Before the sovereign money reform (i.e. under the current system) there are two types of money in circulation: central bank reserves which circulate between banks and the central bank, and bank money which circulates between people and banks. After sovereign money reform, there will only be one type of money, "sovereign money", in circulation.

Immediately after the transition, the bank's balance sheet is exactly the same size as before. When a customer subsequently repays a loan, the bank has two choices. It may keep the money so it is ready to make a new loan to another customer, or it may choose to repay this amount of its liability to the Swiss National Bank. In this second case the bank's balance sheet will contract. This is shown in (2a) and (2b) below. Using the same balance sheet as before, Mrs Z now repays her loan of 250 CHF. In the first instance (2a) the total amount in loans falls (by 250 CHF) and the central bank reserves (now sovereign money) increases by 250 CHF, and there is no overall change to the size of the balance sheet. If the bank chooses to pay down its loan from the central bank by this amount, its total balance sheet will reduce by 250 CHF as shown in (2b). Compared to (1b): on the assets side of the balance sheet the amount in loans has reduced by 250 CHF; and on the liabilities side the loan from the Swiss National Bank has reduced by 250 CHF.

This change will mean that 250 CHF is removed from circulation. To keep the amount of money in circulation stable, the Swiss National Bank will need to re-introduce this money into the economy. It can do this in one of several ways:

- by buying assets such as securities or foreign exchange reserves (as it can now)
- by lending money directly to banks
- by handing debt-free money directly to the government to be spent back into circulation or to reduce taxes or to be given directly to citizens.

Its also worth noting that if the Swiss National Bank decides it needs to increase the amount of money in circulation (for example, to meet its inflation target), it can use any of the methods mentioned above.

How does a bank acquire the funds to make a loan?

Under a sovereign money system, a bank cannot make a loan to a customer unless it already has the money available for this purpose. If it has the money available it would follow exactly the reverse of the process described above (2a). If it doesn't have the money available, it can obtain it in one of several ways:

- It can borrow money from the Swiss National Bank (reversing the story in (2b) above).
- It can borrow money from other banks.
- Wait for a customer to repay a loan. In the example above, when Mrs Z repays her loan, the bank can lend this money to another customer.
- It can incentivize customers to place their money in savings (investment) accounts.

2a) A few months after a sovereign money reform: Mrs Z pays back her loan

A typical bank	
Assets	**Liabilities**
Loans: Mrs X mortgage 500 CHF Mr Y mortgage, 700 CHF Mrs Z loan now zero	**Loan from central bank (Swiss National Bank)** 600 CHF
Central bank reserves now "sovereign money" Increases by 250 CHF	**Deposits, 60 day savings accounts** Mrs M 500 CHF Mr N 400 CHF
Other assets	**Shareholder equity**
Off Balance Sheet **Investment holdings:** Mrs A: 500 shares in Nestlé, 300 shares in Roche **Sovereign Money:** Mrs A: 100 CHF Mrs B: 200 CHF Mrs C: 300 CHF	

2b) Just after this the bank decides to repay some of its loan to the central bank

A typical bank	
Assets	**Liabilities**
Loans: Mrs X mortgage 500 CHF Mr Y mortgage, 700 CHF Mrs Z loan now zero	**Loan from central bank (Swiss National Bank)** reduces to 350 CHF
Central bank reserves now "sovereign money" reduces by 250 CHF	**Deposits, 60 day savings accounts** Mrs M 500 CHF Mr N 400 CHF
Other assets	**Shareholder equity**
Off Balance Sheet **Investment holdings:** Mrs A: 500 shares in Nestlé, 300 shares in Roche **Sovereign Money:** Mrs A: 100 CHF Mrs B: 200 CHF Mrs C: 300 CHF	

Following the example above, Mrs C might put 200 CHF of her 300 CHF into a 60 day savings account. The bank can incentivize her to do this by offering her an attractive interest rate on its 60 day account (demand/transaction accounts pay no interest).

- It can issue shares or bonds of various kinds on the open market.

It would be the duty of the Swiss National Bank to ensure the supply of credit to the economy by financial services providers.

What is the difference between sovereign money and 100% money?

There are many similarities between the 100% reserve system and the sovereign money system, and they feature most of the same advantages. The main difference is that before offering a loan to a customer in the sovereign money system, a bank must first actually have the money to lend. In the 100% reserve system the bank could make a loan, and then afterwards look to borrow the funds necessary to meet the 100% reserve requirement. This means the central bank would not have direct control over the money supply, as it would in a sovereign money system.

More technically, the 100% reserve system would operate under a "split-circuit system" – like we have now – with central bank reserves flowing between the banks through the central bank, and "normal" bank-money flowing between depositors, through the banks. Money a customer has in a bank account in the 100% system would still be a "promise to pay" from the bank (with all the accounting done the same way as it is now). If a bank were to fail, depositors' money would still be at risk – which means bank-runs would still be a possibility.

To summarize, under the 100% reserve system the central bank wouldn't have complete control over the money supply, while it would under a sovereign money system. Further, under a 100% reserve system the possibility of a bank-run or the government having to rescue a bank is not completely eliminated, whereas it would be under a sovereign money system.

BIBLIOGRAPHY

Key texts:

- Money Issuance, Alternative Money Systems KPMG 2016 (42 pages)
- Creating a Sovereign Monetary System, Positive Money (56 pages) London: Positive Money
- Modernising Money: Why Our Monetary System is Broken, and How it Can Be Fixed, Andrew Jackson & Ben Dyson (336 pages) 2012 London: Positive Money

On banking and balance sheets in general:

- Where does money come from? A guide to the UK monetary and banking systems, Josh Ryan Collins, Tony Greenham, Richard Werner and Andrew Jackson 2012 London: New Economics Foundation
- Banking 101 6 part video course from Positive Money http://positivemoney.org/how-money-works/banking-101-video-course/
- Banks are not intermediaries of loanable funds- and why this matters Michael Kumhof and Zoltan Jacab 2015 Bank of England working paper, No 529

In depth on Sovereign Money:

- Sovereign Money, Joseph Huber 2017 London: Palgrave.
- Technical articles at https://www.sovereignmoney.eu/ and www.positivemoney.org

On 100% reserve banking (noting the paragraph above highlighting the differences between this and sovereign money):

- The Chicago Plan revisited, Jaromir Benes and Michael Kumhof 2012 IMF working paper WP/12/202
- The Heads and Tails of Money Creation and its System Design Failures – Toward the Alternative System Design, Kaoru Yamaguchi and Yokei Yamaguchi 2016 JFRC Working Paper No. 01-2016

Press coverage of the Swiss Sovereign Money Initiative:

- Articles at www.vollgeld-initiative.ch/english

Note in particular:

- Interview with Dr. Emma Dawnay on the Swiss referendum on monetary reform from the COBDEN CENTRE, 01/02/2016 http://www.cobdencentre.org/2016/02/interview-with-dr-emma-dawnay-on-the-swiss-referendum-on-monetary-reform/
- A licence to print e-money for private banks- Swiss to vote on whether electronic issuance should be prerogative of state, Martin Sandbu, Financial Times 04/12/2015

APPENDIX: THE INITIATIVE TEXT WITH EXPLANATORY NOTES

Official Initiative Text: This is a translation of the official constitutional text as proposed in the Swiss Sovereign Money Initiative.
Explanatory notes are unofficial.

Art. 99 Monetary policy and the regulation of financial services

1 The Confederation guarantees that the economy is supplied with money and financial services. It may deviate from the principle of economic freedom.

- This gives the federal government the right to pass laws that are necessary to prevent harmful excesses of in the financial sector. To date, the federal government was able to decide the „policing regulations", but otherwise had little impact on financial markets. However, the functioning of the money system has to be guaranteed whatever happens. This money system is the basis of economic life, and as such is just as important as the road and rail networks. In the past some banks have relied on the principle of „economic freedom" and took huge risks, in the knowledge that – in case of emergency - they would be saved by the taxpayer. Such behaviour can be prevented by law in the future.
- To „guarantee" means not to nationalise, but to have overall responsibility for ensuring that the service is provided by the financial sector in a way that serves the general interests of society. Along with the responsibility of supplying the economy with money and financial services, the federal government is given the authority to make any interventions in the financial markets that are necessary to perform this responsibility. This is why it cannot be bound by the private right to economic liberty. This means that a free market may be ruled out. However, the federal government should only intervene in the financial markets if the finance sector is not able or not willing to act in the public interest. The specific terms of public service will be up to the legislature.

2 Only the Confederation may create legal tender in the form of coins, banknotes and book money.

- This sentence formulates the key point of the Swiss Sovereign Money reform. In 1891 when the Swiss electorate entrusted the sole right to issue coins and paper money to the Federal Government, book money hardly mattered. However, today this electronic book money makes up 90 percent of the money supply. Therefore, the monopoly given to the state must now be extended to cover this electronic book money. Just as in 1891 when the banks were forbidden to print paper money, they would be forbidden to produce book money now.
- Banks may only lend out book money that has been made available to them, whether from savers, companies, insurance companies, other banks or the SNB. Thus, the banks are treated equally with all other businesses and individuals: money can only be given out as a loan if the organisation or individual has this money first. Banks can no longer increase the money supply in the economy over and above the amount that the SNB has set. This will end the recent proliferation of money creation, and the money supply will be controlled again.
- Book money will have similar properties to coins or paper money, thus becoming „sovereign money". Money in a bank account will belong exclusively to the bank account holder, and is no longer just a claim against a bank. These accounts will be held outside the banks' balance sheets and even if a bank goes bankrupt, this sovereign money will not be affected – like coins in a wallet. The situation is different with savings or investment accounts, which - just like today - remain exposed to a certain risk. Due to this risk there is a statutory deposit protection of CHF 100,000, and interest is paid.
- Like with cash, no interest will be paid on holding Sovereign Money. Anyone who wants to earn a return on their money must put their money in an investment account, or purchase securities, or lend the money to a bank or other company. The result is a clear difference between credit and money. Investments have a corresponding risk whereas sovereign money is a fully safe, pure form of money.

3 The creation and use of other means of payment are permitted provided this is compatible with the statutory mandate of the Swiss National Bank.

Other private currencies will still be able to be used, and will even have a constitutional legitimacy. These include, for example, the Swiss WIR, commercial bills, discount vouchers, exchange rings, LETS, Barter systems, bonus miles, internet money/Bitcoins, etc. What these forms of cash have in common is that they have been agreed under private law and only (for now) are used by a limited group of users.

4 The law shall regulate the financial market in the overall interests of the country. In particular it shall regulate:

a the fiduciary duties of financial service providers;

b. the oversight of the terms and conditions of the financial service;

c. the authorisation and supervision of financial products;

d. capital requirements;

e. the limiting of proprietary trading.

Here are examples of what the legislature can and should regulate according to the authorisation in para. 1. These principles legitimise any financial market regulations.

5 Financial service providers shall hold transaction accounts for customers off their balance sheets. If the financial service provider goes bankrupt, these accounts do not fall into the bankruptcy estate.

The previous current accounts (making up M1) will become fiduciary accounts which banks hold off their balance sheets. Correspondingly, the total sum of the previous current accounts at each bank will become a deposit account held by the Swiss National Bank. This is necessary as the Swiss National Bank is the sole organisation that controls the amount of money in circulation. The privacy of the banks' clients will remain intact (the Swiss National Bank will not receive information concerning how much individual clients have in their accounts). The previous book-money accounts (current accounts) will become sovereign money accounts belonging to the account holder, and these will not fall into the bankruptcy estate (i.e. disappear) should a bank become bankrupt.

Art. 99a Swiss National Bank

1 The Swiss National Bank, as an independent central bank, shall pursue a monetary policy that serves the overall interests of the country; it manages the money supply and ensures both the functioning of the payment transaction system and the supply of credit to the economy by financial services providers.

- The first clause corresponds to the former Article 99 paragraph 2. The „overall interests of the country" includes all the objectives defined in the Federal Constitution, such as the sustainability principle in Article 73.
- The Swiss National Bank has the means to achieve these goals: it can "manage the money supply" as well as "ensure" the functioning of the payment transacting system and supply of credit. Adding the clause "by financial service providers" means that private organisations should carry out these roles (operating the payment transactions systems and supplying credit to the economy), not the Swiss National Bank.
- Article 5 of the National Bank Act (https://www.admin.ch/opc/en/classified-compilation/20021117/index.html) gives further objectives for the monetary policy of the Swiss National Bank: "It shall ensure price stability. In so doing, it shall take due account of economic developments". The Swiss National Bank has taken "price stability" measures to include the prevention of financial bubbles in real estate and other assets according to its statements over the last few years. In the future additional or more specific objectives of monetary policy can also be set in the National Bank Act – it makes more sense to do this at the legislative level rather than on the constitutional level.

2 It may set a minimum holding period for investments.

This rule creates a clear separation between money and savings, i.e. between the medium for transactions and debt. This prevents circumvention of the sovereign money reform: without it the banks could use money from savings accounts with immediate access for payments. Therefore minimum limits must be set for loans offered by financial institutions to clearly distinguish them from cash. If savings were available within seconds there is a danger that the money supply would continue to expand through bank loans. By changing the minimum holding period the SNB can prevent such circumvention and finely control the money supply.

3 Under its legal mandate, it shall bring newly created money into circulation free from corresponding debt, via the federal government or the cantons, or by allocating it directly to citizens. It may grant banks term loans.

- This paragraph formulates the consequences of the sovereign money reform on the creation of new money. At the same time it regulates a fortunate side-effect of the sovereign money reform: money should no longer come into circulation through the creation of interest-bearing debt, but it should be made available as positive and debt-free value to society. This applies both to the conversion of the existing current-account money to sovereign money (which is regulated in the transitional provisions) and for any future increases in the money supply.
- If an economic growth of one percent is expected and desired, the SNB increases the money supply, for example, by one percent, or about five billion

CHF. It creates this new money and transfers it to the federal government and the cantons to use it in their current budgets. The split between the national government, the cantons and the citizens will either be determined by the legislature in the revision of the National Bank Act or delegated to the Parliament. In the annual budget plans, the Parliament or the voters will decide how these revenues are used: for debt repayment; for additional public works projects; or for tax cuts. Newly created money can alternatively be distributed directly as a citizen's income to the population. Per year and per capita this would be expected to be in the order of a few hundred francs.

- This means that in the future, all newly created money should come into circulation in the same way as coins do currently. Today, the federal government does not lend out new coins at interest, but it sells them to the SNB, which brings them into circulation via banks. In 2011 the seigniorage profit from this activity brought 54 million CHF into the Swiss federal budget, and in 2012 87 million CHF. If paper money and electronic money was created in a similar way, there would be very high seigniorage profits.
- The SNB shall have the sole responsibility for stipulating the amount of money which should be created by considering their monetary policy coming from their constitutional responsibilities. The example already mentioned of five billion CHF corresponds to about three per cent of the budgets of the federal and cantonal governments. This emphasises that state funding from profits from money creation as forbidden today by Article 11 para. 2 of the National Bank Act will not be possible and is not intended.
- As is currently the case, the SNB can offer interest-bearing loans to the banks. These loans will remain the central instrument for fine-tuning monetary policy. Using this instrument, the SNB could also reduce the volume of money if necessary.
- During a reasonable transition period (for example, 15 years) the loans made from the Swiss National Bank to the banks on the switchover day will be paid back. To avoid the money supply falling, the Swiss National Bank will have to give out new sovereign money up to the amount of present book money. This will create one-off public revenue of about CHF 300 billion. This increase of "national wealth" is created without raising taxes, inflicting austerity or causing inflation. This will enable, for example: a reduction in the national debt; tax cuts; additional public infrastructure; or contributions to social programmes. This equates to a staggering amount of several thousand Swiss Francs per person.

4 The Swiss National Bank shall create sufficient currency reserves from its revenues; part of these reserves shall be held in gold.

5 A minimum of two thirds of the net profits made by the Swiss National Bank shall be allocated to the Cantons.

These paragraphs correspond to the old Art. 99 para. 3 and para. 4 (full text below). The profit that the Swiss National Bank makes has nothing to do with creating new sovereign money, rather, it relates to interest on loans to banks or income from foreign exchange transactions. Net income arises only from the ordinary activities of the Swiss National Bank and not from the creation of money in accordance with the new Article 99a paragraph 3.

6 In the discharge of its duties, the Swiss National Bank is only bound by the law.

This ensures the independence of the Swiss National Bank, and that, by law, the Swiss National Bank can't be influenced by the Federal Council, or political or commercial lobbying. The Swiss National Bank will have a status similar to the Federal Court: in the same way that the Federal Council is not allowed to influence the Federal Court, the Federal Council will not be allowed to influence the Swiss National Bank to, say, increase the money supply.
- To give the Swiss National Bank greater democratic legitimacy and to ensure maximum independence it will be necessary to consider whether the legal form of the SNB should be changed. In particular, members of the Swiss National Bank's council and board may need to be selected differently, perhaps by being elected by Parliament.

Art. 197 para. 12
Transitional provisions to Art. 99 (monetary policy and the regulation of financial services) and 99a (Swiss National Bank)

1 The implementing regulations shall stipulate that on the date when the new rules come into force, all book money in transaction accounts shall become legal tender. The corresponding liabilities of financial service providers shall become liabilities to the Swiss National Bank. This ensures that the liabilities will be settled from this book money conversion within a reasonable transition period. Existing credit agreements remain unaffected.

- On the switchover day all current accounts (sight deposits making up M1) become sovereign money and will be transferred off the bank's balance sheet into custody accounts (in the same way many banks hold stocks and shares in custody accounts on behalf of their customers). This is only possible if the banks receive loans from the Swiss National Bank for the same amount. Thus banks have liabilities to the Swiss National Bank resulting from the introduction of sovereign money. All "current-account" money (M1) will become legal tender (or sovereign money) which is guaranteed by the Swiss National Bank. The existing commitments of banks to pay the balance of the current-account holders on request, convert to obligations to the SNB. From the banks' point of view they merely change creditors (from customers to the Swiss National Bank), and they now have the advantage that overnight customer liabilities are converted into longer-term Swiss National Bank liabilities.

- Through this loan from the Swiss National Bank in the order of M1, the Swiss National Bank will become the banks' largest creditor. The Swiss National Bank must make these loans in most cases without collateral, or only with poor collateral, as banks won't be able to provide the usual collateral in the form of securities for such large amounts. Reducing the size of these loans created at the switchover is necessary to reduce the risk of the Swiss National Bank and also to prevent banks becoming hostages to the state. A reduction in these loans is also in keeping with the liberal orientation of Switzerland, which aims to have the lowest possible influence of the state on the economy. Therefore, banks should be as independent as possible from the Swiss National Bank and mainly financed with depositors, insurance companies and other banks.
- A repayment of the Swiss National Bank loans formed at the switchover to sovereign money is also necessary because sovereign money should not have debt associated with it (unlike in the current system where money is "lent" into existence by the banks, the amount of money in the economy being almost the same as the amount of debt in the economy). While customers will already have sovereign money just after the switchover so their money will no longer be owed by the banks, the banks will still owe money to the Swiss National Bank, so the new sovereign money will still have debt associated with it which needs to be removed from the economy. The Swiss National Bank is given a legal mandate to enact the reduction and eradication of the loans created at the switchover over a long enough time period to avoid any transitional problems for the banks or the economy. As loans are repaid to the Swiss National Bank the money supply will sink (as with any loan repayment). To keep the money supply constant and to avoid possible deflationary problems, the Swiss National Bank must give out new debt-free sovereign money, which it can do by giving it to the Federal government, the cantons or directly to the Swiss citizens. This is how billions of Swiss Francs of public revenues can be created. The Swiss National Bank can also offer loans to banks in the form of sovereign money (if they can be sufficiently secured) if this appears necessary to enact its monetary policy. In particular, it will do this to control short and medium term fluctuations in the money supply. It only makes sense to create new debt-free sovereign money up to the amount of the money supply needed for the long term. Considering the money supply before the 2008 financial crisis, a debt-free pay out of about CHF 300 billion within 15 years would be required – a happy side-effect of having a sovereign money reform.
- All existing credit agreements will be unaffected by the transition to sovereign money, i.e. all claims and loans will remain unchanged.

2 In particular, in the transition phase, the Swiss National Bank shall ensure that there is neither a shortage nor a flood of money. During this time they may grant easier access to loans to financial institutions.

This is so the Swiss National Bank has a mandate to control for fluctuations during the transitionary phase. It is possible that, for example, many customers during this phase will take money out of their investment accounts, and hold it instead as sovereign money in their fully-safe custody accounts. This would create a shortage of savings, and therefore a shortage of credit for lending. The Swiss National Bank can compensate for such fluctuations by making loans directly to banks to prevent a possible credit crunch.

3 If the appropriate federal legislation is not adopted within two years of Articles 99 and 99a coming into force, the Federal Council shall issue the necessary implementing regulations by ordinance within a year.

This ensures that sovereign money reform, once accepted by the people in the referendum, will actually be implemented in a reasonable time frame.

Sovereign Money in your bank account will belong to YOU (money in your bank account currently belongs to your bank).

The Swiss already voted FOR sovereign money reform more than 100 years ago. The loophole in the law which allows banks to circumvent this reform must be closed.

Sovereign money means LESS regulation for Banks (as YOUR money would already be safe).

Sovereign money aids fair competition between banks (of all sizes) and other businesses.

Sovereign money will help REAL businesses in the REAL economy, and help prevent speculative bubbles in the financial markets.

Sovereign money could reduce taxes.

Almost all money in circulation is on loan from the banks. They make profits on this by charging interest. No interest would be due in a sovereign money system, and the people would benefit from all profits of money creation.