



Cash to remain king for Swiss; central bank rules out note ban

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When it comes to cash and its future, Swiss authorities seem to have a totally opposite view to that of their Indian counterparts — for them cash is “more reliable” and enjoys a low opportunity cost. Among other benefits over cashless payments, cash provides “more effective budget control” and can be used without any technical know-how, while it also offers a comprehensive protection with regard to financial privacy, a top official of Swiss National bank (SNB) has said.

Amid a debate on future of cash globally and the ambitious demonetisation move carried out by India, SNB's deputy head Fritz Zurbruegg said there remains a continuing robust demand for cash among general public and banknotes are like the country's 'calling cards' in case of Switzerland. It has been speculated for some time that Switzerland may have to do away with cash, especially high value banknotes, to get rid of its tag of being an alleged 'safe haven' for black money stashed by foreigners including from India.

A number of policy measures have been put in place by Swiss authorities in the recent years to address concerns of its banks providing high secrecy walls around their global clients. New rules make it much easier for several foreign jurisdictions, including India, to get details from Switzerland about people suspected to be involved in tax evasion and other financial crimes. Addressing the World Banknote Summit in Basel last night, Zurbruegg said they have no plans to do away with cash.

“The last few months and years have witnessed a growing debate on the future of cash. Its critics say that cash should be abolished, or that cashless alternatives will in any case gradually render it obsolete. However, to paraphrase Mark Twain: Reports of the death of cash have been greatly exaggerated,” the Swiss central bank’s deputy head said. He said there remains a continuing robust demand for cash on the part of the general public.

“In many countries, the value of cash in circulation relative to GDP has increased over the last few years — a development that can be attributed to occasional periods of heightened uncertainty about the stability of banks in the wake of the financial crisis. Another factor is the low level of interest rates on transaction accounts, and hence the low opportunity cost of holding cash,” he added. Zurbruegg said surveys and anecdotal evidence suggest that cash is still widely and readily used for payments.

“This might seem surprising at first glance, given the numerous alternatives to cash, but there are a number of reasons. For instance, people like to use cash for personal reasons, because it allows more effective budget control or because it does not require technical know-how.

“People’s tastes can change, yet cash has properties that cashless methods do not have to the same extent. It is more reliable, because it does not depend on the use of a technical infrastructure. It also offers comprehensive protection as regards financial privacy.

“Only the availability of cash guarantees that the data owner really has control over the decision on how much financial information to share, and with whom,” he said. Zurbruegg further said the SNB is mandated by law to ensure the supply and distribution of cash as well as to facilitate and secure the smooth functioning of cashless payment systems.

“These tasks have equal status. By fulfilling both tasks, the SNB lays the groundwork for the public to choose its preferred method of payment for each individual transaction. “Yet this freedom of choice between payment methods exists only if the public has confidence in both cashless payments and cash. Prerequisites for public confidence in cash are, first, a monetary policy which is geared towards stability and ensures that banknotes and coins retain their value over the long term.

“Second, banknotes need to be of the highest quality and have the best possible protection against counterfeiting. Switzerland’s new banknote series is a case in point.” He said the banknotes in Switzerland meet high standards of safety, design and technology.

“After all, banknotes are also a symbol for the quality and stability of our currency, as well as one of Switzerland’s calling cards,” he added.

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