

Internal Memo from Jomas Thordan, President of the National Bank

written by Edward Maas | December 1, 2014

The below memo could have been written by Thomas Jordan, president of the SNB.

Internal Memo National Bank

From: Jomas Thordan, President

To: The Board of Directors

Date: December 1, 2014

I have been quite concerned about the outcome of the Gold Initiative referendum. That is why I have been in the media virtually every day for the last few weeks. I know that the National Bank should not conduct a campaign during a referendum of this kind but since it was a matter of national importance I had no other choice.

As you know, until 1999 we had over 40% gold backing in our balance sheet. At the time it was thought that this amount of gold was critical for the stability of the National Bank and our national currency. But fortunately we managed to change the constitution which allowed us to sell more than half of the nation's gold at the bottom of the market. We have been ~~bloody~~ lucky fortunate that the Bank's reputation was intact after this decision which cost our nation 30 Billion. It was clearly ~~incompetent~~ unlucky to sell the gold at the lows but market timing has never been our strong point.

I am extremely pleased that 77% of the voters agreed with my ~~propaganda~~ statements that gold plays no role in modern banking. Gold is a relic of the past. We can't print gold and that is a major disadvantage when we want to ~~manipulate~~ manage our currency and financial markets. Our principles for managing the National Bank are now laid down by the Federal Reserve and ultimately Goldman Sachs. Here at the Bank we fully subscribe to the statement of the wise Mayer Amshel Rotschild: "*Give me control of a nation's money and I care not who make its laws.*"

So fortunately we don't have to buy any more gold and we should probably consider selling the 1,000 tons we may still own since it serves no purpose and has no yield. That would also give us ammunition to buy more euros.

The one concern that I would like to share with the board is our currency position. As you are well aware, we have printed over 400 billion and bought mainly assets in euros but also in other currencies in order to hold the peg above 1.20. We are all aware that printed pieces of paper are not really worth anything but since we are a national bank, we can just tell the people that it is real money. Fortunately they are ~~foolish~~ wise enough to believe

us.

The reason I have been so nervous about the referendum is that the Bank is now sitting on the biggest speculative currency position of any major central bank in the world. Our balance sheet of 522 Billion is over 80% of GDP which is an extremely dangerous position for our country. It is virtually impossible to get out of this massive position without a loss of 10s of Billions or even as much as 100 Billion. Obviously the people would ultimately pay for this loss.

The 1.20 peg is artificial and throughout history no currency peg has ever held in the longer term. Over time currency rates always reflect economic and monetary differences between countries. Since our economy, for a while at least, is likely to continue to be stronger than the weak eurozone, our home currency will naturally outperform the euro. We are of course extremely grateful that the voters listened to our ~~propaganda~~ information during the campaign and rejected the Gold Initiative. But sadly the Bank's problems are not over.

This peg was critical to save the ~~bankers~~ banks that had lent massive amounts of our national currency to mainly Eastern European banks. So now we are totally linked with the eurozone and at some point we should perhaps discuss to make this permanent. There are of course disadvantages to be tied to a very weak currency. Everything we buy in the shops is now more expensive. Also, we could be dragged down by euroland and end up with the same economic disaster they are in. But fortunately the people don't understand these major drawbacks.

But the biggest problem with taking the euro as our currency is that the Bank would lose its ability to be ~~irresponsible~~ independent. The ECB would take over and we would lose all our power to print money.

Therefore I recommend to the Board that we stay as we are. But that still gives us the headache of our 470 billion speculative currency position. This is a timebomb and we know we will never be able to extract from it without very major losses. Hopefully the current board will have retired from the National Bank before this happens so a new board can be blamed for it.

Finally I would like to thank the Board for their support of my actions. The Bank now retains total "*control of the Nation's money*" which is comforting.

Jomas Thordan

President

P.S. The above is a fictional account of events and any connection to a real situation is purely coincidental.