

# SNB reference interest rate

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## **Current situation**

On January 1, 2008, the Federal Assembly approved an amendment to the ordinance on the rental and letting of residential and commercial property. Under the terms of this amendment, rent adjustments will no longer be based on changes in the variable interest rate for cantonal bank first mortgages. In future, one standard reference interest rate published by the SNB will instead apply to the whole of Switzerland.

## **Calculation of the reference interest rate**

The interest rate is calculated on the basis of the volume-weighted average Swiss franc mortgage rate offered by banks in Switzerland, and is rounded to the nearest quarter of a percentage point.

## **Adjustments to reference interest rate**

The reference interest rate is adjusted as soon as the sum of the volume-weighted average rates offered by banks in Switzerland fluctuates by 0.25% in relation to the original average interest rate or the rate which most recently triggered a change in the reference rate.

Adjustments shall be on a quarterly basis, from September 9, 2008 onwards.

## **Market effect**

Due to the fact that political factors has no longer an impact to the variable interest rate, it will be assumed that variable mortgage rates will be adjusted to reflect changes in the market environment more rapidly in future.

## **Implications for customers**

The only change affecting home owners is that adjustments to the variable mortgage rate may be more closely correlated to the market interest rate and will no longer be subject to political factors exerting a delaying effect on the market.

## **Implications for landlords**

Rent adjustments will now be based on the SNB's reference interest rate. The basis for percentage adjustments remains unchanged:

In the event of a 0.25% rise in the SNB reference interest rate, the landlord is entitled to increase the rent by 3%.

In the event of a 0.25% fall in the SNB reference interest rate, the tenant is entitled to a 3% decrease in the rent.

## **Link**

The reference interest rate is published at [www.snb.ch](http://www.snb.ch) and [www.bwo.admin.ch](http://www.bwo.admin.ch).

If you have any questions or queries, please do not hesitate to contact your relationship manager.