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Swiss eye capital controls if Greece goes

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The Swiss National Bank is considering imposing capital controls on foreign deposits if Greece leaves the euro, as the franc comes under heavy demand from investors seeking a haven in Europe.

Speaking to Swiss media, Thomas Jordan, head of the Swiss central bank, said the Swiss government and the SNB were looking at ways of dealing with an expected flood of foreign money into the country in the event of a Greek exit from the eurozone.

The Swiss franc has come under increasing pressure since the Greek elections at the start of the month. Currency traders have reported unusually high levels of franc buying in response to the problems in the eurozone, which has seen the euro slide to its lowest level in nearly two years.

"We're preparing ourselves for turbulent times," Mr Jordan said in an interview with SonntagsZeitung, a Swiss newspaper.

"The situation has become worse in the past few weeks and the outlook has become much more uncertain."

Mr Jordan confirmed that the country had seen increasing pressure on the Swiss franc as concerns over the eurozone have grown.

"We're seeing a clear upward pressure on the franc," he told the newspaper.

"Investors are looking for a safe haven. For many, that includes the franc."

The central bank intervened in the currency markets in September to try to weaken the franc, after overwhelming demand from foreign investors seeking a haven for their cash in Europe.

The central bank has said it will intervene again if the franc strengthens above a certain level against the euro, currently set at SFr1.20. The franc has traded within a fraction of that so-called ceiling for the past two months, indicating high levels of pressure on the Swiss currency.

It has been hard to determine whether the SNB has had to intervene in the markets to hold the ceiling. Currency analysts believe that the threat of intervention was enough at the start of the year to deter investors from testing the SNB.

The SNB has declined to comment on whether it is buying euros to keep the ceiling intact. Figures on the central bank's reserves will be published next week and are expected to indicate whether any currency intervention has taken place.

But a taskforce comprised of the government and central bank has been looking at instruments that would combat the strength of the franc, Mr Jordan said.

"We have to be prepared for the worst case scenario, that the joint currency collapses," he said, though he added that he did not expect that to happen.

One of those measures, he said, would be controls on foreign capital entering Switzerland.

While he acknowledged that the franc had come under pressure, Mr Jordan saidthe Swiss currency was still overvalued and repeated that the bank remained determined to hold the ceiling "at all costs".

Addressing internal calls from Swiss exporters to weaken the franc by raising the ceiling against the euro, Mr Jordansaid: "We cannot manipulate our currency at will. In an even worse crisis, that would be fatal and counterproductive."