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**SNB Chief: Negative deposit rates won't curb franc**

* SNB head: History shows deposit tax doesn't weaken franc
* Hildebrand reiterates SNB commitment to cap Swiss franc
* Says euro zone debt crisis main risk to global economy

*(Adds quotes, details, background)*
By Tom Miles and Stephanie Nebehay

GENEVA, Sept 29 (Reuters) - Negative interest rates on bank deposits will not help weaken the strong Swiss franc as capital inflows have gone mainly into derivatives, the Chairman of the Swiss National Bank said on Thursday.
Moreover, Chairman Philipp Hildebrand said historical precedent showed a punitive tax to discourage safe-haven flows into the Swiss franc would not work.
After the Swiss franc appreciated by double digits against the euro in June, July and early August, speculation grew rampant that the SNB would take measures to try to tame the currency, which by then had become "absurdly overvalued."
Among the options touted were intervention or a punitive interest rate on offshore deposits.
"The vast majority of flows have been into the derivatives market, specifically in forward positions in foreign exchange, and had nothing to do with flows into bank deposits," Hildebrand said at an event in Geneva. "Therefore negative interest rates ... are not an accurate measure relative to the problem we have."
To weaken the franc, the SNB slashed rates to zero and boosted money supply in the interbank market. Then on Sept. 6 it implemented a cap on the franc at 1.20 per euro <EURCHF=>, saying it would use unlimited currency intervention if needed.
SNB Board Member Jean-Pierre Danthine said in a newspaper interview on Aug. 10 that the SNB was not excluding any measures to counter the franc but admitted that some were more practicable than others. For more see [ID:IDnL6E7JA1VK].
In the 1970s, when the franc was also rising against major currencies as a result of the oil crises, negative interest rates on deposits were tried in Switzerland and failed, which Hildebrand acknowledged.
"Our wide experience in the 1970s, including having negative interest rates on bank deposits, was not particularly effective," he told reporters after his talk.

FRANC CAP TO BE DEFENDED
As for the cap on the franc, Hildebrand reiterated the SNB's commitment to defend it and use unlimited currency intervention should it be needed.
"The risks of not acting would have been clearly higher and unacceptable for the Swiss economy," he said of the decision to impose the ceiling on the "Swissie"
Hildebrand declined to answer a question about how much the bank was spending, saying he would not comment on "the how, the when or the how much" of the operation to defend the 1.20 floor.
Data on the SNB's September foreign exchange holdings, which will yield clues as to the scope of its activities, will be published early next month.
Hildebrand also warned that the debt crisis in the euro zone was the main risk for the world economy and for Switzerland, which is not in the European Union, and called on European leaders to take action.
"It's necessary (for Europe) to prevent the debt crisis from infiltrating, like a cancer, into the heart of Europe," he said.
Hildebrand said the SNB had taken the radical step of capping the franc to support the whole Swiss economy, and not just its exporters, who have been bruised by the strong currency and forced to cut profit margins.
Yet despite the ceiling on the franc, economic momentum is set to slow.
"The SNB foresees GDP growth of around zero percent for the third and fourth quarter of this year. So there won't be further growth in Switzerland in the second part of the year," he said
The SNB forecasts growth of around 1.5 to 2.0 percent for 2011. [ID:nL5E7KF0T6]
Forward indicators such as the KOF economic barometer have pointed to a slowdown in economic momentum, exports are beginning to suffer due to the unfavourable exchange rate, and the UBS consumption index for August posted its biggest monthly fall in nine years. [ID:nL5E7KR07R]

(Writing by Catherine Bosley in Zurich; Editing by James Dalgleish)

**Tax evasion no reason to go to Switzerland**

GENEVA, Sept 29 (Reuters) - Tax evasion is no longer a valid reason for people to put their money in Switzerland, Philipp Hildebrand, the Chairman of the Swiss National Bank, said on Thursday.
In changing times, Switzerland's financial sector must concentrate on asset management to retain its pre-eminence as a destination for foreign funds, he told an audience which included many prominent private bankers.
Strict secrecy has helped Switzerland build up a $2 trillion offshore financial sector. But the country has faced an international campaign in recent years against tax evasion as governments with big budget deficits seek to boost revenue.
To regularise money stashed in secret Alpine accounts, Switzerland has struck deals with Germany and Britain. It is also looking to settle disputes with other countries including the United States. [ID:nnL5E7KL23S]

(Reporting by Tom Miles and Stephanie Nebehay)

**Prepared to buy unlimited FX if needed**

GENEVA, Sept 29 (Reuters) - The Swiss National Bank is prepared -- if necessary -- to buy unlimited amounts of foreign exchange to maintain a cap of 1.20 francs per euro, its chairman reiterated on Thursday.
On Sept. 6 the SNB implemented a cap of 1.20 francs per euro to shield the economy from a recession and deflation.
"The risks of not acting would have been clearly higher and unacceptable for the Swiss economy," Chairman Philipp Hildebrand said.

(Reporting by Tom Miles and Stephanie Nebehay)

**Euro zone debt crisis worsening a risk**

GENEVA, Sept 29 (Reuters) - A big risk for the global economy is a worsening of the euro zone debt crisis in coming months, the Chairman of the Swiss National Bank said on Thursday.
"We're surrounded by countries of the euro zone, which presents the main difficulty," Chairman Philipp Hildebrand also said at an event in Geneva.
Investors fretting about sovereign debts in the euro zone pushed the safe-haven Swiss franc up some 20 percent against the euro within a couple of months earlier this year.
The SNB then announced on Sept. 6 that it was implementing a cap on the franc of 1.20 per euro, saying it would use unlimited currency interventions if needed.

(Reporting by Tom Miles and Stephanie Nebehay)