

Banking in Switzerland is No Secret

Alfredo Gysi is the CEO of BSI AG, one of the leading private banks in Switzerland, founded in 1873 in Lugano and now belonging to Assicurazioni Generali, the 4th European insurance group. Mr. Gysi, who is Swiss, was born in 1948, is married and the father of 3 children. He received his degree and doctorate in applied mathematics from the State University of Milan and joined BSI in 1975. He was appointed to the Executive Board in 1991 and named CEO of BSI AG in 1994. He is also Chairman of the Association of Foreign Banks in Switzerland, Member of the Executive Board of the Swiss Bankers Association and Chairman of the Board of Boss-Lab, the IT full-service provider for financial institutions.

Alfredo Gysi gives an insight into the whys and hows of foreign banking and asset management, the impact of the slow economy and the banking secrecy laws.

Swiss News: When and why was the Association of Foreign Banks formed?

Alfredo Gysi: As per Swiss law, a foreign bank is one that has a majority of foreign shareholders. Foreign banks have a long history in Switzerland and represent a very important part of the banking sector. More than 40% of banks in Switzerland are foreign banks coming from all across Europe, the Middle East, Far East and the U.S.

Thirty years ago, the Association of Foreign Banks was founded with the objective of, first—representing the interests of these banks through the membership in the Swiss Bankers Association and the contact with the Swiss authorities; and second— to guarantee the flow of information among the members on issues concerning the development of the regulatory and business environment.

Today, there are 150 members within the association. Each member is a bank, an affiliate or a branch of a foreign bank or a Swiss bank with foreign shareholders.

SN: How did Switzerland become the hub of banking?

AG: Swiss banking has always been very internationally oriented. Clients came to Switzerland from all around the world because of the stability and the reliability of the political system, and looking for the competence and security that the Swiss Banks offered. Customers constantly asking for an international investment of their assets gave rise to first class competencies in international asset management. The care of the customer relation and the protection of the individual sphere of the customer have consolidated the attractiveness of the Swiss banking system.

SN: The global economic downturn has spared no one. How has it impacted foreign banks?

AG: Every bank active in asset management has been strongly affected by the economic downturn. Each institute follows different strategies and is impacted differently by the negative market development. The conservative Swiss approach, based on strong risk diversification, has mitigated the damages, but it has not permitted the banks to completely avoid the consequences of the negative market trend. This reflected on banks' profits too. Last year, the results of foreign banks showed that the commissions from asset management were down 10%. This was mainly due to the reduction of the asset values and of the transaction volumes. This year the tendency is still negative. Most of the institutes are actually rethinking their investment strategy in the light of the current developments.

SN: Have international banks, too, seen a large number of layoffs and restructuring as in the case of Swiss banks?

AG: The number of employees in the Swiss banking industry over the last 10 years has been quite stable. Though there has been a reduction in personnel at Swiss banks due to mergers and restructuring, there has also been an increase in the number of employees at foreign banks. We have, according to 2001 figures 19'400 people working for foreign banks and in the last 4 years the number increased by 5'000 people. We have seen several cases of Swiss banks acquired by foreign groups seeking a development of their international private banking activity.

SN: Are the laws governing Swiss and foreign banks the same?

AG: Yes, the laws for all banks, Swiss or non-Swiss, are the same.

SN: Could you then comment on the banking secrecy laws that apply to foreign banks as well?

AG: The banking secrecy is not a secret of the bank; it is a protection of the individual sphere of the customer. It's a very important value rooted in the Swiss culture and tradition. In order to guarantee this protection, Switzerland has the highest interest in having a clean financial marketplace that cannot be abused for criminal purposes. Switzerland has developed and established over the years anti money-laundering laws that put it ahead of all countries in the world. The laws aim to avoid money of criminal origin entering into the Swiss system. Still, if such money does enter in spite of the measures taken, the Swiss banking system can detect it and act in a very quick and efficient way. The effectiveness of the system has been demonstrated in the fight against terrorism following Sept. 11th and has been internationally acknowledged. In sum, the Swiss financial place is the worst possible choice for somebody pursuing criminal purposes.

SN: From what you say, the banking secrecy law is rather strict in terms of first checking out the personal and financial

information of a person who is opening an account. Only when all the details and documents are clean and in order, is the account holder's private sphere protected. Why then are the EU and the US so strongly seeking transparency?

AG: The financial industries of other countries have competitive interests: this means that they would like to attract part of the business that today is in Switzerland, by weakening the attractiveness of our financial place. As mentioned before, the defense of the personal sphere and the protection of its data are part of the competitive advantage.

SN: What about debts such as, in case of Martin Ebner, the Swiss financier. Why did the banks, in the first place, let such a huge amount of debt be accumulated? And then, why did they provide him with a lifeline of Sfr3billion and extend his pay-back deadline! Is there no monitoring system?

AG: Obviously there is a monitoring system. However, in the case you are mentioning, some banks misjudged the client risk, underestimating the possibility of such a quick deterioration of the financial markets. It was a wrong commercial decision but not a problem of monitoring.

SN: Could you elaborate on why billions of Swiss francs were sent back to Italy from Swiss banks and the impact it has had on the banks?

AG: The Italian government issued an amnesty which allowed the Italian customers to repatriate assets that they had abroad, and that had not been declared to tax authorities, by paying a one-time fine of 2.5%. Alternatively, they could leave the assets abroad, declare them in Italy and pay the same fine. This allowed the Italian government to bring to the surface 59 billion euro, of which 56% came from Switzerland, i.e. approximately 33 billion euro. This has obviously caused an outflow of money from Swiss banks; however,

part of it was recovered by Swiss branches and affiliates active in Italy.

SN: What is the most challenging part for the Association?

AG: To cooperate in the defense of the competitive advantages of the financial marketplace, because that's the reason for foreign banks to be in Switzerland. It's a matter of helping to identify answers to legitimate requests from the international community which safeguard the principles on which the Swiss system is built, in particular the protection of the individual sphere. It's a matter of defending values that the world always demonstrates to appreciate in difficult moments. We just have to watch the strengthening of the Swiss Franc every time that we are facing an international crisis.

SN: You are also the CEO of BSI. Could you give a brief insight on the bank, its origin and function?

AG: BSI is the oldest bank in the Italian part of Switzerland, established in Lugano in 1873 in order to finance the train connection through the Gotthard tunnel. Since 1999, it belongs to the Italian Generali Group, one of the largest European insurance groups.

Today it offers to private customers a wide and comprehensive range of wealth management services and to institutional clients a highly professional asset management process. Our offering is characterized by the care we bring to each individual customer relation and is supported by the most advanced technologies and by a large network of affiliates and branches in Switzerland and abroad. We have actually Sfr43.5billion worth of assets under management, placing us among the largest banks in Switzerland specifically dedicated to private customers.

The combination of a bank with a long history and tradition in Swiss private banking like BSI, with the network and the customer base (over 20 millions) of the Generali Group, offers a unique opportunity to address successfully the expansion of BSI into European markets.

Italy is on the way with our presences in Milan and Turin; other countries may follow.

SN: Would you, as the head of BSI, advise expats to invest here? Why?

AG: Yes, because they will have access to the most advanced offering in international wealth management and they will experience a service aimed at a longstanding relationship with the customer. If you add to that the Swiss values of safety, truthfulness, credibility and discretion, I think you have a very attractive offer.

SN: What is your ideal customer profile?

AG: The ideal customer is an individual looking for a bank that puts the same care in managing his assets as he has put into earning them!