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# SWISS BANKING SERVICES AND THE SWISS NATIONAL IMAGE

Dr. H. J. Halbheer, Deputy Manager of the Swiss Credit Bank in Zurich, addressed the London Group of the Société Helvétique on Banking with Swiss Banks on 29th May.

## The Services of the Swiss Banks as "Universal Banks".

After his introduction, the speaker first explained what makes the major Swiss banks differ from foreign banks, particularly British and American banks. The major Swiss banking institutions are so-called "Universal Banks" — with a popular expression they could be described as "Department stores of Finance"; by this he meant, that they offer almost every service in the financial field under one roof. Swiss banks are and act as commercial and clearing banks, they play an important role in the securities business and are members of the Stock Exchange acting as brokers, jobbers, investors and investment advisers; they manage small and large portfolios of their clients, they underwrite straight and convertible bond issues for leading domestic and foreign companies as well as public entities such as governments, etc. Not only do the Swiss banks underwrite such issues, they have also an enormous placing power, that is, they are able to absorb large portions of new issues in the portfolios of their domestic and foreign clients.

In addition, the Swiss banks introduce new shares and bonds for quotation at the Swiss stock exchanges. In the last years, the Swiss banks have also started their own mutual funds. Further, Swiss financial institutions act as merchant bankers, or *banques d'affaires*, and they are important foreign exchange traders and deal in gold and silver.

The speaker said that a customer who banks with one of Switzerland's "Department stores of Finance" could get service in practically all fields of finance under one roof. Whereas in other countries a particular transaction can only be handled by a commercial bank, or a mortgage institution, or a broker, or a merchant bank, with the Swiss type of "Universal Bank", one has the great advantage that one deals with the same bank and the same people. One doesn't have the inconvenience of having to change the institution and to prove again at the new address that one merits their confidence. In the same bank one can open a cheque account, get credit to buy a car, or a mortgage to build a house, one can invest one's money in securities, one can entrust the bank with the complete administration of one's estate; the bank will give one advice how to solve tax problems, assist in founding a holding company

with tax privileges in Switzerland or in the creation of a trust under the laws of Liechtenstein with considerable tax advantages. One can buy gold, have money transferred to all corners of the world without any difficulty and permits. The bank will rent or buy a chalet for one or assist one in buying a Swiss watch. — Really a true department store activity.

The Swiss banks have a long tradition in serving foreigners and are particularly trained and equipped for doing business with people from all over the world. In the second half of the 16th century, many rich French Huguenots fled to Geneva and they brought banking to Switzerland. Since then large French estates have been administered by Swiss financial institutions. Also rich Italian protestants came as refugees to Switzerland and brought substantial business for the Swiss Bankers.

Dr. Halbheer said: "That our little country has become a refuge for capital which has been threatened elsewhere is *not an invention of the 20th, but a tradition since the 16th century*. The Swiss bankers — having lived with three different cultures and four national languages within their own small country — developed their intuition into the mentalities of their many different clients from all corners of the world. In order to be able to serve foreigners properly, the Swiss bankers not only had to speak foreign languages with their lips, but also they had to learn to understand the inner language, the mentality and they had to become familiar with foreign situations. I don't know a leading Swiss banker who serves foreign clients who has not travelled extensively abroad and — what is more important — has not lived and worked over a longer period of time in a foreign country. Swiss bankers, including employees who are in contact with foreign clients just have to speak, read and write at least three languages; many know four or five. I think the Swiss banks are the only ones in the world which serve their clients in the principal five Western languages, that is: English, French, Italian, Spanish and German. We do not speak all languages — so far we cannot serve you in Japanese, Suaheli or Urdu. When business commands it, we will have to learn it."

The Speaker then went on to speak of

## Switzerland as an International

### Finance Centre

"When you look at the position of the Swiss banks in today's world and Switzerland's role as an international finance centre, you may ask yourself how it had been possible to assume this position which is out of proportion to

the size of Swiss economy. This position is based on an exceedingly well-integrated financial machinery. A network of over 4,500 offices, or one bank office for 1,300 inhabitants covers the country, which means that Switzerland possesses actually more banks than dentists. This density of the banking system is unique in the world, and total assets of Swiss banks amount to 130 billion Francs or nearly twice the value of national income.

"However, only the three largest and most important Swiss banks can be considered commercial banks of real significance on the international banking scene. They are the Swiss Bank Corporation (Société de Banque Suisse), the Union Bank of Switzerland (Union de Banques Suisses) and the Crédit Suisse (Swiss Credit Bank), the one I am associated with. They make up for about 40% of the total banking business in Switzerland and about  $\frac{2}{3}$  of all foreign business. Admittedly these three banks, which each show aggregate assets between four to five billion Dollars, appear small compared with the largest British and American institutions. It should be noted that these totals do not reflect the security business which plays a very substantial part in their financial influence. In 1968 the volume of the Zurich Stock Exchange amounted to nearly 10 billion Dollars; in the same year the net purchases of the Swiss banks at the New York Stock Exchange amounted to 31% of the total of the over four billion Dollars foreign purchases.

"The Swiss banks hold in their portfolios securities which for 1968 were estimated to over 70 billion Dollars. In the international free gold market the three leading Swiss banks play now a dominant role.

"A financial centre can be defined as a cross-road where financial and monetary currents meet. It takes on an international character when it attracts both domestic and foreign funds which are channelled into national investment as well as into international objectives. The Swiss financial system meets these qualifications. Indeed Switzerland is the oldest exporter of capital in Europe north of the Alps. As a historian has written, all the powers of the 18th century — from the imperial majesties of Vienna and the Kings of France and Britain to the smallest of Germany's principalities, as well as the towns of France and Germany — were in debt to the Cantons of Switzerland. Even then, Swiss bankers were attracting funds from foreign countries and investing them in others. They were already equipped in providing a turntable function for capital and activity that is still important today. Contrary to current opinion, therefore, Switzerland's role as a financial centre is not a recent development but has its roots in the distance of the past.

"A decisive factor for Switzerland's standing as an international finance centre is CONFIDENCE, written in capital letters. Confidence results in part from Switzerland's foreign policy which, combining neutrality with solidarity, has been successful in avoiding international conflicts.

But confidence depends on more than political and geographical factors. It also involves psychological and moral influences. The willingness to work and the sense of thrift that are basic attributes of Swiss people had greatly contributed to inspiring confidence. They have also served to promote the Nation's financial strength for over the years the Swiss habit to save has been very marked; the rate of savings in relation to national product, is one of the highest in the free world. And this abundance of savings, generally far in excess of domestic needs has encouraged a substantial export of capital and made possible the accumulation of sizeable international reserves. At the same time it has enabled Switzerland to maintain a full gold coverage for its currency, and to keep the Swiss Franc fully convertible even in the most critical periods, a factor that has promoted confidence and without which Switzerland could not have attained its present role as a financial centre. As we have witnessed in our time the creation of an international finance centre cannot be done quickly or haphazardly.

"Furthermore the Swiss attachment to the principles of individual liberty and tolerance, have contributed to confidence — and to Switzerland's financial development. The same holds true for the fundamental respect for law and order. These classic virtues of a civilized society maintained and continue to maintain the Swiss financial structure. Actually, the qualities that make a banker and inspire confidence in him are not "modernism" or originality or extravagance, but integrity, honesty, preciseness and absolute discretion. In fact Switzerland is one of the very few countries where banking secrecy has been incorporated in the law — this happened in 1934 — and where its violation is subject to punishment."

The speaker next concentrated on

### Banking Secrecy

which he said had, naturally, not been introduced for the first time by the Bank Act of 1934. Long before, it had been recognised in practice and in law as an integral feature of Switzerland's traditionally liberal legal system. He called it a logical consequence of the basic Swiss concept of the individual's rights in a liberal Constitutional State and of the protection of the private sphere from Government interference. "The Swiss have always had a very

keen sense for their private sphere. They don't like publicity and hide their personal sphere from the eyes of the public as much as they can. We strongly believe in the French saying: *'Pour vivre heureux il faut vivre caché'*."

"Quite contrary to the Americans, a Swiss will not tell other people anything about his financial standing or how much he is worth. Another example of the respect of the private sphere is in the field of newspapers reporting on crimes and accidents. When, let's say a girl is attacked and raped in a park of a big city like New York or London, newspapers will print name and address of the poor girl and by doing this causing her additional moral damage. The Swiss papers will only disclose the identity of the persons involved, if it is in the true public interest and, as we all know in such cases, it is mostly not, but a mere tribute to sensationalism. — This attitude of the Swiss towards publicity explains why in some foreign countries — where we find a slightly different mentality, the Swiss type of banking secrecy it not always understood.

"There is further an important humanitarian aspect to be considered: For centuries Switzerland has offered political asylum to foreigners. In the 17th century it was granted to the French Huguenots and other protestant refugees from Italy and other countries, — in the 18th century to refugees from the French revolution, and again in the troubles of the 19th and 20th centuries the victims of persecution from numerous countries found refuge in Switzerland for themselves and their property.

"Humanism, liberalism, political stability, sound currency, together with the absence of wars, and the fact that Switzerland has never laid hands on either foreign or domestic property have encouraged people and capital to seek protection in Switzerland.

"The latest and most impressive examples are the many, who — since the 1930s — have fled from the persecution of totalitarian regimes. Just before and during the second world war, banking secrecy helped to remove capital from the grasp of dictators. It is noteworthy that it was the intensive espionage for Jewish money in 1934 which induced Switzerland, for the sake of the victims of persecution, to define more precisely the terms of the banking secrecy. It was then that its violation became subject to penalties.

"Besides these legal and humanitarian aspects, banking secrecy has an important economic background. Discretion is at the very roots of banking. The world credit derives from the Latin *credere*. To fulfil their functions properly, credit institutions must enjoy the confidence of their clients which in turn presupposes that the banks must be in a position to respect their clients' needs for secrecy. Professional secrecy represents for the banks an indispensable foundation for their activities. No

banks anywhere in the world will, in fact, provide information about the financial affairs of their clients without legal obligation. This applies to foreign as well as to Swiss banking institutions. Because of Switzerland's position as a country of political asylum, the need for discretion has become particularly pronounced."

Dr. Halbheer then turned to the often criticised

### Numbered Accounts

which he described as a typical result of the need for discretion. These accounts had not been introduced by the banks as a publicity stunt, nor were they used to this end. They had, on the contrary, been created solely upon the suggestion of and in defence to, the wishes of clients who were looking for way to reinforce banking secrecy against the risk of indiscretion on the part of the bank's staff.

"When in 1933 the Nazis came to power, the Jews in Germany had to declare all their financial holdings in foreign countries. Many had money in Swiss banks and many did not declare it to the Nazis trusting Swiss banking secrecy. However, the Swiss banks got news from their Jewish clients in Germany that in some cases the Gestapo had found out about their relationship with a Swiss bank. The following had happened: When the Gestapo was, for one reason or another, suspicious that a Jew might have money in a Swiss bank one of their agents would make a payment of a very small sum to a Swiss bank to be credited to the account of a particular Jewish name were after. When the bank accepted the money the Gestapo knew that there was an account. I don't have to tell you what the consequences were for the Jewish account holder. This is the explanation for the introduction of numbered or pseudonym accounts. Only a few people in the bank know the identity of the account holder hidden behind a certain number. It is an additional guarantee for secrecy but really only needed under special circumstances.

"The practice to have numbered accounts which, incidentally, also exists in other countries, including the United States — has on occasions caused more emotional than objective criticism abroad. The opinion prevails that all kinds of crooks and swindlers can, by means of these accounts, anonymously deposit their loot in Swiss banks. This is a grotesque, not to say absurd allegation.

"In fact, Swiss banks accept deposits only from persons whose name and credentials are known to them. They do not accept anonymous funds; the numbered accounts thus are not anonymous *vis-à-vis* the bank. It simply has the effect that the identity of the account owner is known to a very small circle of bank officials. In all legal aspects the numbered account



is not different from the ordinary account and — as will be shown — when for legal reasons the banking secrecy ceases it does so for a numbered account in exactly the same manner as for an ordinary account.

"It is the practice of responsible banks to refuse clients whose personal or business background appears dubious; similarly, banks do not hesitate to break off business relations with those who no longer meet the required standards. This applies just as much to the owners of name accounts as to those of numbered accounts. It has to be admitted that in Switzerland as elsewhere, there are a few banks which do not always live up to the highest standard. They are, however, marginal cases only and will occur in any country irrespective of whether or not banking secrecy is secured by law. What remains unquestionable, however, is that the ethical standards of reputable Swiss bankers can in every respect stand up to international comparison.

"What has hurt our image in recent past were irresponsible practices of some smaller Swiss banks controlled by foreigners. They abused our very liberal banking law for business practices which are against the ethics of Swiss banking. This is the reason why Parliament is right now putting the final touch on a Federal Decree regarding foreign-controlled banks in Switzerland. These banks will be forced to live up to the standard of domestic Swiss banks."

*(To be continued.)*

## SWISS ROLLING STOCK INDUSTRY

### A New Achievement

In Switzerland, there are a great many small narrow-gauge railways on steep inclines, where cutting down deadweight becomes of vital importance in any attempt to modernise them. For the small line from Aigle to Champéry, for example, the Vevey Engineering Works have built ultra-light carriages, of an entirely new conception, in which the weight has been reduced as far as possible, both in the bodywork and in the bogies, with modern means based on aeronautical techniques. These coaches weigh only 7,450 kg. gross weight and can carry a load of 9,000 kg., i.e. 130 passengers, 52 of them seated. The reduction in weight, however, has not been achieved at the expense of strength or endurance, by reducing the thickness of the aluminium sheets for example. The second point of interest about the new coaches is their bogie with primary pneumatic suspension, auto-variable depending on the load. In fact, for a carriage whose weight empty is lower than half its weight when fully loaded, it was necessary to adapt a constant height suspension. In this particular instance, the suspension is equipped with adjustable air cushions, the pneumatic bellows being fitted directly on the axle-boxes.

Compared with other systems, this leads to a considerable decrease in the non-suspended weight and other advantages too. The compressed air needed for the pneumatic suspension is supplied by the braking system; in addition, the valves of the suspension system make it possible to adapt braking according to load. Combining extreme lightness with high suspension comfort, the new railway coaches produced by the Vevey Works are bound to meet with great success and be adopted by other lines.

(O.S.E.C.)

## THE NUCLEAR POWER STATION AT LUCENS TO CLOSE DOWN

During the last meeting of the Communal Council of Lucens, the *Syndic* Guignard made a few sensational revelations on the fate of the nuclear power station of Lucens (Switzerland's first) whose activities had been halted since the accident that occurred to its reactor a few months ago. The *syndic* said that the municipality had been informed by the director of the power station of the situation.

Given the declarations of the latter, it can now be concluded with certainty that the power station of Lucens will no longer produce atomic energy and will need a new designation. A federal commission has been charged with the study of other possible uses for the premises. The possibility of transforming the disused power station in a dumping and processing centre for radioactive waste coming from hospitals and industry has already been suggested.

(A.T.S.)

## SWISS SILOS AND JAPAN

The port of Kaohsiung being at present in the third stage of completion, Buhler Bros. Ltd., Engineering Works at Uzwil, have received an order for the delivery and assembly of the complete mechanical and electrical plant for a 40,000 ton wheat silo and two pneumatic ship-unloading plants with a capacity of 220 tons per hour each. This plant will be the largest and most modern in Formosa.

For the Japanese port of Kobe, the firm Zenkoren has ordered two mechanical ship-unloading cranes from Buhler with a capacity of 500 t/hr each. This type of plant reduces laydays to a minimum and represents the most economic unloading solution from the point of view of power required, maintenance and duration of service.

(O.S.E.C.)

## IGEHO

### Catering Trade Exhibition

The Swiss Restaurant Proprietors' Association has now joined the patronage committee of the IGEHO international trade exhibition, the object of which is to deal with everything connected with the hotel, restaurant and

catering trade and which will take place for the third time in the period from 13th to 19th November 1969. All important organisations such as the Swiss Hotel Proprietors' Association, the Swiss Restaurant Proprietors' Association, the Swiss Catering Association, the Work Group of the unions of temperance restaurants, the Association of Swiss Hospitals and, for the new sector dealing with indoor and outdoor baths and swimming pools, the Swiss Association for Health Techniques, are thus supporting this great trade exhibition. The organisations mentioned represent something like 38,000 hotels and restaurants all of which are interested in this trade exhibition. In addition, as was the case with the special events carried out in the years 1965 and 1967, experts from the whole of Europe and from Overseas are expected to attend.

## OSEC NEWS

### Swiss epoxy resins used on moon flight

The materials used for making the heat shield on Apollo space-craft included in particular the epoxy resins made by the Swiss firm of Ciba. It is difficult to imagine what more exacting conditions these products could be expected to stand up to with regard to quality and safety. On re-entry into the earth's atmosphere, the heat shield on the Apollo spacecraft was subjected to a temperature of about 2300°C. The carbonisation that occurred was greatest on the leading edge, where it reached a depth of 10 to 13 mm.

### Ski-run maintenance: first prize to a Swiss vehicle

An international competition for caterpillar-track vehicles used for the maintenance of ski-runs was recently held in Savoy (France). A Swiss vehicle, the "Ratrac-SW", made in Zurich, won easily in the face of keen Italian, French, German, Austrian, Swedish, American and Canadian competition.

## Creation of Motor-Columbus Consultant Engineers Co. Ltd.

Motor-Columbus Consultant Engineers Co. Ltd. was recently founded by the board of directors of Motor-Columbus Electrical Concerns Co. Ltd. at Baden. This is a new firm, legally quite independent of Motor-Columbus and comprising all the technical departments. The activities of this new firm extend to all types of engineering in the most varied fields of technology, in particular planning, working out of schemes, supervision of work, as well as the running of projects of all kinds and the legal and financial advice relating thereto. The new company has a staff of 400.

*(Swiss Office for the  
Development of Trade.)*