

The ways of the Swiss private banker

Autor(en): **[s.n.]**

Objektyp: **Article**

Zeitschrift: **The Swiss observer : the journal of the Federation of Swiss Societies in the UK**

Band (Jahr): **- (1970)**

Heft 1595

PDF erstellt am: **29.04.2024**

Persistenter Link: <https://doi.org/10.5169/seals-688828>

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VISITING SWISS NOVELIST VOICES OPTIMISM ON AMERICAN FUTURE

Max Frisch, the Swiss novelist and playwright who is one of Europe's leading authors, believes that the vitality of American politics will surmount the polarisation caused by the Indo-China war.

The 59-year-old author of "The Firebugs" and "Andorra", which deals with middle-class indifference to totalitarianism, has just completed a two-month visit to the United States.

In an interview, he took an apprehensive look at Washington's growing involvement in South-East Asia and right-wing reaction to student dissent. But his conclusions, based on visits to university campuses and Washington, were optimistic.

"A great part of this country clearly has an independent consciousness that defies the notion of a silent majority", Mr. Frisch said in his Swiss-accented German. "The protest against the war and mankind's reliance on technology has transcended the young radicals. It seems to me there are enough healthy forces to contradict the radical fears that repression will gain the upper hand".

One event that deeply impressed the author was the letter from Secretary of the Interior Walter J. Hickel to President Nixon last week warning that present Administration policies were Alienating the great mass of American youth. He also found encouragement in the involvement of university presidents in efforts to moderate the political climate.

Sees Vitality in Dialogue

"What better evidence can you want of the vitality of America's political dialogue?" he asked as he clamped a stubby pipe between his teeth. "Unfortunately, many Europeans have received the impression that the criticism of the war and the new upsurge of humanism is confined to small radical groups".

Sitting bolt upright in an armchair in his suite at the Croydon Hotel, Mr. Frisch rummaged impatiently in the pockets of his tan corduroy suit for another package of matches. After re-lighting his pipe he picked up a glass of gin and tonic and stirred the ice cubes with his index finger.

"Certainly there is a lot of violence in the air", he said after some reflection. "There are the Black Panthers and many young students who feel they are not being heard and there are angry construction workers who don't want to listen. But there is also a growing concern among moderates and even conservatives about the course of the war and the mood of despair of the young, and this is a good augury that the present problems, no matter how difficult, can be resolved in a democratic context".

Mr. Frisch took a sharp issue with Jean Genet, the French playwright, and other European intellectuals, some of

whom have likened the tensions caused by America's racial problems and the war to the conditions that led to the fall of the Weimar Republic in Germany before the rise of National Socialism.

No Parallel Found

"This is obvious nonsense", the author said. "It is true that the move against Cambodia strengthens the suspicion of many Europeans that America has turned into an imperialistic power. The very fact of a very active internal dissent, however, belies the parallel of Germany, where the opposition to authoritarianism was minimal and helpless because too few people sensed the danger".

In Washington, Mr. Frisch had lunch with Henry A. Kissinger, President Nixon's adviser on national security affairs, whom he had met when Mr. Kissinger was a Harvard professor. Mr.

Frisch said he asked the Presidential assistant how an intellectual in government felt when the Administration's policies were being attacked by many of his former colleagues.

His eyes twinkled when he quoted Mr. Kissinger as replying: "It's like being on a trapeze—once you've started you must continue ahead, you cannot back down any more".

Mr. Frisch, a stocky, gregarious man whose plays in German-speaking countries have racked up more performances than any playwright except Goethe, earlier this week flew back to Switzerland, where he will complete a book that will include the impressions collected during his American trip. It will be published here in the form of a diary, together with an earlier autobiographical work, as a Helen and Kurt Wolff Book by Harcourt, Brace & World. (New York Times)

THE WAYS OF THE SWISS PRIVATE BANKER

from the "Zurich" magazine

Although Switzerland's private banks represent a statistically insignificant part of the country's credit structure, they actually occupy a position of great importance in the world of international finance. The tremendous wealth which they control and administer is not indicated by any handy statistics. To gain some insight into this branch of the banking sphere, "Switzerland Today" interviewed Hans J. Bär, a personable partner in the prominent banking house of Julius Bär & Company, Zurich.

INTERVIEWER: What is the main difference between a private bank and other kinds?

HANS BAER: A basic criterion for distinguishing a private banker in Switzerland is that his firm is not incorporated and, as a rule, doesn't publish any statements of condition. But it's important to realise that such a balance sheet, if it were published, wouldn't have nearly the same significance for the bank's creditors as in the case of a corporate bank. This is because the private banker, as an unlimited partner, is liable to his creditors not only to the extent of his bank's capital, surplus and reserves, but also to the full extent of his personal fortune. It is this, rather than size or sphere of activity, that mainly distinguishes the private bank.

INTERVIEWER: How did private bankers get started in this field?

HANS BAER: Most of the large, corporate banks were founded during the second half of last century. The history of private banking goes back a good deal further. Most private banks did not start out as such; their banking activities were generally an outgrowth

of commercial activities, such as merchandising and forwarding. Since these houses did business with much of Europe, they were in a good position to judge the credit risks involved in discounting drafts drawn on foreign parties, often in a foreign currency. This gave them a sound basis on which to extend credit to local merchants. And incidentally, this sort of development is typical of private banks everywhere, not just in Switzerland.

INTERVIEWER: How about the survival rate of private banks?

HANS BAER: Back in 1903, a handbook on the Swiss economy listed a total of 266 private banking firms. Now there are only 50 registered with the Banking Commission, of which the 28 most important form the Private Bankers Association. It's quite natural for private banks more often than not to go out of business with the death of the owner, or perhaps due to the later division of the estate. But even if a firm is fortunate enough to survive several generations, it will probably not continue under the old name. Primarily for the protection of creditors, Swiss law requires unincorporated businesses to carry the name of one of the unlimited partners — or rather, *not* to carry a name which is not that of a principal.

INTERVIEWER: Which are the leading Swiss private banks today?

HANS BAER: In Geneva the best-known houses are Ferrier, Lullin & Co. (founded 1795), Hentsch & Co. (1796), Lombard, Odier & Co. (1798) and Pictet & Co. (1805). They are all survivors of a great many such banks which once existed in Geneva but which fell victim to the French Revo-

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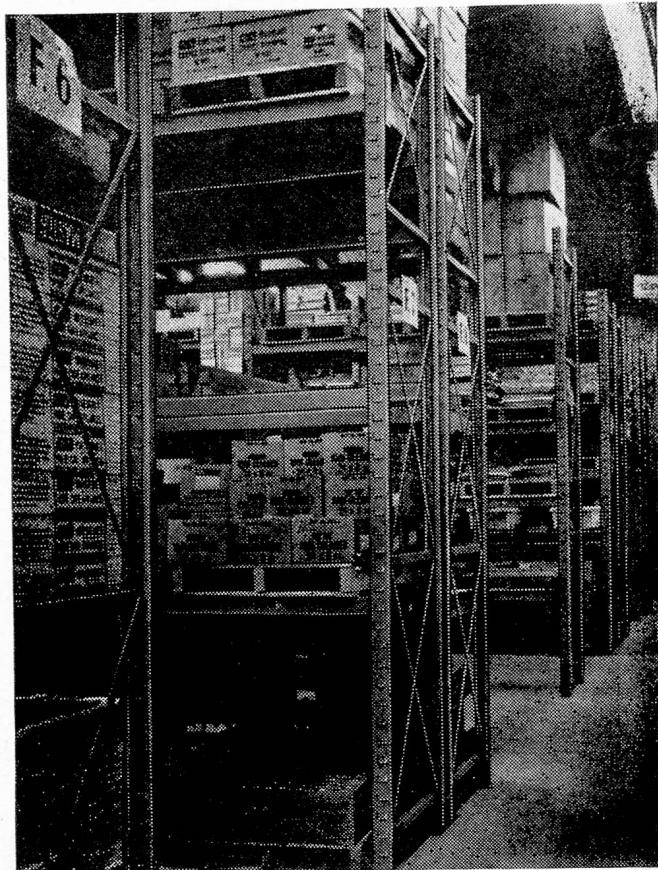
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lution. Naturally enough, the business of these firms is oriented mainly towards France. They administer some of the vast French fortunes. As a result, the Geneva private banks possess an unusual capacity for placement of new securities issues. In 1931 the seven leading private Geneva banks became affiliated in the "Groupement des Banquiers Privés Genevois", mainly for purposes of underwriting. Today the Groupement is a member of most of the important new-issue syndicates.

In Basle the oldest private banks are La Roche & Co. (1787), Ehinger & Co. (1810) and A. Sarasin & Co. (1841). For a long time these firms devoted themselves mainly to the foreign exchange business with southern Germany and France. With the development of the Basle Stock Exchange they also built up their securities business. It was in this region that Swiss industry started to concentrate, with the growth of the large chemical concerns. The pioneering private bankers soon found that their own resources were insufficient to meet the vast new credit demands. And so it was that, in 1872, a group of private bankers founded the firm which subsequently became the huge Swiss Bank Corporation.

In Berne the only private bank is the venerable Armand von Ernst & Co. founded in 1826.

The development of the private banks in Zurich is very closely connected with domestic and international commerce. Discounting of drafts and acceptances, as well as foreign exchange arbitrage, dominated the activities of the earlier firms. The oldest one still operating is Rahn & Bodmer (1750), followed by Orelli im Thalhof (1759), Julius Bär & Co. (1890) and J. Vontobel & Co. (1924). The three leading Zurich houses, together with Wegelin & Co. of St. Gallen, formed the "Groupement de Banquiers Privés Zurichois" in 1962 in order to engage in the underwriting of foreign bond issues. And to break out of the confines which Swiss law and taxes have placed on Swiss banks in the underwriting field, one of the Zurich houses established a subsidiary in New York some years back.

INTERVIEWER: Are the private Swiss banks subject to the same rules and regulations governing corporate banks?

HANS BAER: The Swiss Banking Law applies to the private banks as well as to other Swiss credit institutions, with few minor exceptions. In other words, the private banks must have their books audited at regular intervals by independent authorised auditors, and they must also at all times meet the rigid liquidity requirements and the prescribed capital ratios.

INTERVIEWER: What can you tell us about the scope of the private banks' holdings?

HANS BAER: Most private banks do not publicly advertise for deposits and are not legally required to publish balance sheets. As a result, their resources are not included in the official banking statistics. But it's interesting to make a few "guesstimates" about the figures involved. It is probably not far off to state that all the Swiss private banks together now have resources totalling about 2.5 billion francs — or about 25% of the resources of just one of the "Big Three". In other words, nearly 3% of all Swiss bank assets are in the hands of the private banks. The four largest houses — Bär, Hentsch, Lombard and Pictet — are probably in the 200-300 million class. This puts them in the top 3% of all Swiss banks, ranked by size. The leading houses have staffs of about 200 each, and the private banks employ some 2,000 of the 35,000 people working in the Swiss banking industry. But the real importance of the private banks lies in the amount of securities they control and the investment accounts they manage. It is estimated that the larger houses each manage more than two billion francs' worth of marketable securities. This is a really impressive figure, even by international standards — and it's not reflected in any balance sheets. Estimates of the total securities controlled by Swiss banks run to around 150 billion francs, of which about half is held by the big banks. And some 20 billion of the total is thought to be in the hands of the private banks — about as much as is

controlled by one of the "Big Three". This goes to show that the field of investment management is relatively far more important for the private banks than for others. Private bankers traditionally occupy the presidencies of the Swiss Bankers Association, the Stock Exchanges of Zurich, Basle and Geneva, and the Association of Swiss Stock Exchanges.

INTERVIEWER: What's your view of the future of private banking here?

HANS BAER: Well, statistically speaking the private banker in Switzerland has lost considerable ground in recent times. But quite a few of the surviving houses seem especially well equipped to handle the problems which the future may hold. With ample resources in brains, heirs and assets, these bankers can continue to cater to the individual, at a time when the giant corporate firms are growing into increasingly unwieldy monoliths.

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