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Managing the Global Credit Crunch

In This Issue

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Managing the Global Credit Crisis, the Swiss Way

The credit crunch that began in America's sub-prime mortgage market has erupted into a full-scale global financial crisis. Major banks and other financial institutions around the world have reported losses of approximately U.S. $435 billion as of July 17, 2008. The Swiss banks have been among the worst hit due to their exposure to the US subprime home loan market. UBS, the largest Swiss bank had to write down more than $37 billion in assets since the onset of the crisis in 2006. Credit Suisse, the second largest Swiss bank has ended up writing down 10 billion Swiss francs. It is estimated that between the two banks, a whopping sum of $68 billion in company capital is required to prevent a repeat of the subprime crisis. After making necessary adjustments and provisions, both banks come out of the red, first the Credit Suisse followed by UBS, showing signs of weathering the worstever financial storm in history.

The crisis began with the bursting of the US housing bubble and high default rates on "subprime" and other adjustable rate mortgages (ARM) made to higher-risk borrowers with lower income or lesser credit history than "prime" borrowers. The term 'subprime' refers to borrowers, whose credit ratings are poor. Housing finance companies have heavily lent them money charging high interest rates. A housing boom in the US led to the flourishing of huge mortgage bonds and security markets in the US and Europe.

Then defaults and foreclosures followed. Foreclosure is the legal proceeding in which a mortgagee, or other lienholder, usually a lender, obtains a court ordered termination of a mortgagor's equitable right of redemption. During 2007, nearly 1.3 million U.S. housing properties were subject to foreclosure activity, up 79 percent from 2006. Loan incentives and a long-term trend of rising housing prices encouraged borrowers to assume mortgages, believing they would be able to refinance at more favorable terms later. However, once housing prices started to drop moderately in 20062007 in many parts of the U.S., refinancing became more difficult. Defaults and foreclosure activity increased dramatically as ARM interest rates reset higher. Their numbers are mounting by the day. It is these foreclosures, which accelerated in the US in late 2006, have triggered a global financial crisis through 2007 and 2008. As the US economy faces recession for various reasons credit markets across the world are passing through a state of distress. Besides the banks, re-insurers have also suffered losses. The Swiss Re, which operates several financial products, has been forced to depend on investment sustenance from Warren Buffett's Berkshire Hathaway.

Credit Crisis & Swiss Economic Policy

Federal Councillor Doris Leuthard in an address to the International Center for International Monetary and Banking Studies (ICMB), Geneva, talks about the impact of global financial sector crisis on the Swiss economic policies. The public lecture delivered on 27 May 2008, delves deep into the issues of international financial ramifications affecting the Swiss economy. Following is the full text of Leuthard's speech.

Banks and central banks, both at the heart of this institution's interest, have been seriously tested recently. This Center was timely with its last publication, the Geneva Report on the World Economy Nr. 9: It bears the title "International Financial Stability" and it concludes by setting out practical proposals to enhance financial stability. It is certainly necessary to reflect on what needs to be done to prevent financial stability disturbances in the future. However, what the financial sector has witnessed lately does not only concern the sector alone. And if the crisis' implications for the sector itself and its regulation

need to be studied, there may also be broader conclusions to be drawn for the economy as a whole.

Indeed, we need to remind us once more - especially since one of the financial institutions with the largest write downs on complex securities is Swiss - that banks have a special role in the economy. If banks are facing difficulties, even if their ultimate cause is geographically and economically far away, the local economy may also be negatively affected. Given the efficiency and strength of the Swiss financial sector, this highlights the importance of creating beneficial conditions for broad based growth across all sectors of the economy. Relying on a few choice "growth" sectors will prove risky in due time.

Fortunately, we have so far not seen any negative effects on the domestic supply of credit in Switzerland. However, generally, as the Minister of Economic Affairs, I am interested in the good functioning of the banks in the Swiss economy, including in the prevention of banking crises and its impact on the economy as a whole. Here - and especially here - the innovative journalist Emile de Girardin's bon mot on government is true: "gouverner c'est prévoir". In Switzerland the banking sector is especially important and is a strong contributor to GDP in its own right.

Banks are an important part of Swiss economic activities. And we are proud to have them here. However, in the recent credit crisis, the large internationally active Swiss banks have suffered just as their equivalents elsewhere. After an exceptional boom in credit growth and leverage in the financial system, turmoil started in advanced financial markets in summer 2007. Lower and lower risk premia and abundant liquidity made it difficult for financial institutions and individuals to find acceptable yield. This fostered the development of complex securities that appeared to limit risk through pooling and tranching of different assets.

As we know, the US subprime mortgage market offered the underlying assets of many of these complex securities. And as conditions of this market worsened, delinquencies in the US subprime market increased and prices of indices of subprime-related assets fell sharply. This led to a general reassessment of risk and ultimately to a loss of confidence among financial institutions. Trade of complex securities broke down. As banks did not trust one another anymore, I am sure that central banks, in coordinated actions, played an important role in keeping markets liquid, thereby averting much worse consequences.

However, there were times, where the breakdown of trust was very worrying. The large Swiss banks, as many banks elsewhere in advanced economy countries, had to bear losses. Bank customers started to worry whether their money was safe even in Swiss banks. It did not help that one of them had to announce a series of write downs as the crisis evolved and valuations of assets had to be repeatedly revised downward. It appears now that, after in part very serious write downs, the Swiss banks most affected have been able to implement important corrective measures and have made progress in adjusting their asset portfolio.

While the problems in the financial sector are certainly not all dealt with yet, now is a time to start drawing the consequences - narrow and wide - for financial supervisors, central banks, and governments.

Calls for a re-regulation of the sector come from many quarters, are loud in part, and go in very different directions. But sometimes looking ahead mainly means not losing the head: Shock, fear, and anger have never been good advisors.

For the financial sector itself the Financial Stability Forum has issued an important report in April this year. It recommends among other things:

- increasing capital requirements for certain complex structured credit products.
- strengthening oversight over risk management and banks' stress testing.
- sound reporting of off-balance sheet exposures.
- better risk disclosure.
- Standards for off-balance sheet vehicles and valuation of assets.
- Changes in the role and use of credit ratings and
- Robust arrangements for dealing with stress in the financial system.

We will have to carefully assess which of these recommendations need to be implemented in Switzerland and how.

What is important here, however, is that the consequences for the financial sector are drawn in international coordination. The Financial Stability Forum's activities are therefore welcome and timely. We are dealing with a crisis, in which the depth of globalization of the financial sector has played a crucial role. Measures, including their implementation, will have to reflect that fact.

But I also feel the proposed measures will not be enough alone. I believe that current models of performance pay have led to a concentration of management on the short term. This short-termism, in turn, has fostered a gambler mentality. Indeed, the alignment of manager interests with those of shareholders through performance pay has been questioned already before by academia. As early as 2003, in an article in the Handbook of the Economics of Finance, Marco Becht, Patrick Bolton and Ailsa Röell note that the evidence in the US shows that manager pay increases when performance is good, but does not decrease in line when it worsens.

This may also be a problem in sectors other than the financial sector. I sense that high salaries combined with spectacular failings in the recent past may have weakened the trust in the free market system. Generally, I believe, that we will have to find back to a work ethic where good performance is delivered with a decent, but not outrageous salary. It seem to me that this should be possible: modern happiness research discovered surprisingly little correlation between wealth and happiness. Indeed, humans rapidly adapt to higher income levels, a phenomenon called "hedonic adaptation". If managers are not rendered much happier by and adapt too quickly to bonus payments, large incentive payments are not sustainable and hence wasteful.

What is certain, is that the trust in the Swiss banking sector as a sector of excellence has been impaired. I am conscious - and I am sure many of those present today are even painfully so - that not all of the banking sector deserves this loss. Nevertheless, as painful as it is, trust will need to be reestablished for the whole of the sector.

An element could be to work on compensation systems. I am aware that it is not easy to develop the right compensation model. It pays, however, to address the question. Both the corporate sector and academia will have a role in this important task.

Beyond these conclusions that mainly concern the financial sector, I believe the crisis in the sector should also teach us a broader lesson: the Swiss Economy should not rely on those sectors alone that are already strong.

In this crisis we have seen that part of the banking business has saved institutions and perhaps much more than that in Switzerland. At the outset I mentioned the important contribution of the financial sector to GDP. There is no doubt that Swiss banking is an asset for our economy. But while we are all proud of the strong, internationally competitive Swiss banking sector, we need to ask the question whether it is wise to have so many eggs in one basket.

What does this mean for Swiss economic policy? I believe that the case for strengthening other sectors of the economy that have hitherto been weak compared with others has never been as strong as today. It is simply good governance not just to rely on those that are already strong but to ensure conditions that enable others to gain in strength as well. This highlights the importance of the Federal Council's growth policy: The domestic economy needs to be further strengthened and opened up to foster competitiveness. We need to give the chance to the domestic economy to contribute to a more balanced Swiss economy.

As a response to the economic stagnation in Switzerland of the nineteen-nineties, the Federal Council already launched a package of 17 measures to increase trend growth in 2004. The idea was to bundle growth relevant measures across the different ministries into a consistent package. In Spring this year the Federal Council launched the continuation of its growth policy for the years 2008 to 2011. What is new now is that we are not thinking in packages anymore. Tending to the conditions of broad based growth across all branches of government is now recognized as a permanent task.

The program for the next years contains measures on three levels: foreign economic policy, the federal level, and the cantonal level. On these three levels we are pushing measures in three lines of action:

First, we want to bring down the high price level in the Swiss economy. This will not only benefit consumers, but also businesses in Switzerland, since the input for their production will become less expensive.

• The Federal Law on Technical Barriers to Trade is an important measure in this line of action. The current revision aims at strengthening the harmonization of products' requirements to EU requirements. This will facilitate imports out of the EU into Switzerland, fostering competition in the small Swiss market. An essential element of this package is the autonomous introduction of the "Cassis de Dijon" principle. According to this principle, any product that has been lawfully placed on the market of one of the EU member countries shall be deemed acceptable for the Swiss market. However, the Federal Council will retain the possibility to make exceptions to this principle, if this proves necessary to protect an overwhelming public interest. Last October, the Federal Council decided to limit exceptions to 18 cases after having assessed more than 100. In most cases, Swiss specific product requirements have

been found unnecessary, although they have imposed administrative burdens and costs on both consumers and businesses during previous years.

• Another important project is to negotiate a free trade agreement for agricultural and food products with the European Union. It is quite obvious that the process of further opening agricultural markets will continue in the near future. The current WTO negotiations clearly point into this direction. In view of this perspective it is important to quickly provide new opportunities for Swiss farmers to export their innovative and high-quality products in a structured way. And opportunities there are: With the recent reciprocal opening of the cheese market between Switzerland and the EU we have seen an increase of Swiss cheese exports by 14 percent within three years!

Second we want to improve conditions for businesses in Switzerland.

• Eminently important in this respect is a successful conclusion of the Doha round of WTO negotiations. We earn every second Swiss Franc abroad. Our economy depends on open markets for goods and services and on rules which are enforceable. Presently, the negotiations are moving. I expect an improvement of market access for goods and services. I also expect, that we will have to cut tariffs in the agricultural sectors. This will not be easy for Swiss agriculture. But we should not deceive ourselves: for Switzerland the WTO is crucial. It is no option to stand aside. We know that and the world knows that.

• We will also continue our policy of concluding free trade agreements both as part of EFTA and bilaterally. Including the longstanding Free Trade Agreement of 1972 between Switzerland and our most important trade partner the EU and the EFTA Convention, the Swiss economy is benefiting from 19 free trade agreements concluded with partners around the world. Examples are Canada, the Republic of Korea, Mexico and a number of eastern European and Mediterranean countries. More such agreements are currently under negotiation, including with Japan, India, Columbia and the Gulf Cooperation Council.

• We will reform the value added tax. Procedures will be simplified and rendered more customer-friendly. Businesses will be offered more legal security. Moreover, we are aiming for a single tax rate, thereby reducing distortions in the economy.

• At the same time, we will continue our program of simplifying procedures and regulations for businesses in general. Simplifying the life of Swiss entrepreneurs in a hundred small steps will also have a positive impact and is a permanent task of government.

The third line of action is tending to the most precious of capitals, human capital.

• The most pressing issue here is the continuation of the agreement on free movement of persons with the European Union and its extension to Bulgaria and Romania. The ability to access critical talents also abroad enables businesses to seize opportunities they could not tackle otherwise and create additional complementary jobs. In the years 2006 and 2007 150'000 new jobs were created in Switzerland with the support of the beneficial economic environment. This would not have been possible without the free movement of persons with the EU. Therefore, the continuation of the current agreement and its extension need to be ensured.

As is well known, the refusal of the former would result in the automatic cancellation of the bilateral agreements I. It is also beyond doubt that the EU will not accept a different treatment of its two new members in the long term. I need not go into detail on what the cancellation of the bilateral agreements would mean for Switzerland.

• Other relevant measures in this line of action are the creation of a coherent higher education landscape, the development of a policy of life long learning, and an adjustment of the pension system to demographic changes.

Winston Churchill once said: a pessimist sees the difficulty in every opportunity while an optimist sees the opportunity in every difficulty. The crisis in the financial sector is an important difficulty, especially when the sector is such an important part of the economy as in Switzerland. Reclaiming the trust in Swiss banking and realizing the projects of the Federal Council's growth policy will no doubt also offer serious difficulties.

Now let us see the opportunities in both:

The difficulties in the usually strong Swiss financial sector are a valuable reminder to us that other sectors of the economy should also be strengthened. And the difficult tasks both of regaining trust in banking and of implementing the Federal Council's growth policy will offer us the prospect of a prosperous and more diversified Swiss economy.

Gouverner c'est prévoir: Let us be optimists in both and seize the opportunities we are offered.

Thank you for your optimist support! ■

UBS & Credit Suisse Need to Set Aside $68 bn to Stall Another Subprime Crisis

Swiss banks UBS and Credit Suisse would have to set aside 70 billion Swiss francs (43.5 billion euros, 68.3 billion dollars) more in company capital as Switzerland's banking watchdog moves to prevent a repeat of the subprime crisis, a Swiss newspaper has reported recently.

The newspaper Sonntag quoted a parliamentarian Hans Kaufmann as saying that the Federal Banking Commission would require additional provisions of "40 billion francs for UBS and 30 billion francs for Credit Suisse".

Banking commission spokesman Alain Bichsel confirmed that a sum had been proposed and that the banks have until the end of summer to put forward their positions.

"We would issue the definitive provision in autumn," he told the newspaper.

Both banks have been hard-hit by the US subprime mortgage crisis, with UBS writing down over $37 billion in assets and Credit Suisse with around 10 billion Swiss francs in write-down since the onset of the crisis.

The Banking Commission and the Swiss Central Bank had earlier said that one of the safeguards that should be put in place would be a higher capital base.

Philipp Hildebrand, who is vice-chairman of the Swiss Central Bank's Governing Board, said recently that a higher capital requirement was needed.

He also suggested the introduction of a so-called leverage ratio which would put a limit on leverage to stop banks from over-leveraging their assets.

Meanwhile, another Swiss newspaper, Sonntagszeitung has said that the commission had already sent its proposal of new regulations to the banks.

Credit Suisse, however, has warned against these new measures.

The bank's spokesman Alex Biscaro told Sonntagszeitung that "measures must be targeted at the actual problems, and from our point of view, the leverage ratio and capital buffers are not the case.”

Buffett Group's Investment Helps
Swiss Re Recovery

A vote of confidence in the form of an investment from Warren Buffett's Berkshire Hathaway was just the thing that Zurich-based Swiss Reinsurance needed to kick start its recovery after its shares took a battering in the last few months of 2007.

Shares in the world's largest reinsurer, Swiss Reinsurance, soared, bucking the recent Europe-wide market slump after it said that Berkshire Hathaway had acquired a 3.0 percent voting stake. Buffet's investment fund will also be taking on 20 percent of Swiss Re's property and casualty business for the next five years, freeing some of the Swiss company's reserves. Swiss Re said it would use the capital to carry out a buyback worth 1.8 billion Swiss francs ($1.6 billion), over the next two years.

Shares in Swiss Reinsurance, which have slumped heavily over the past six months, rallied to close up 3.50 Swiss francs ($3.21), or 4.8 percent, at 77.10 Swiss francs ($70.79), in Zurich. This compared to the Dow Jones Eurostoxx 50, which was down 4.6 percent, as hopes of an interest rates cut by the European Central Bank waned.

The combination of Berkshire Hathaway's confidence and Swiss Re's share buyback implies that its hit from the credit crisis has not been as bad as the market thinks, according to analyst Fabrizio Crocs of Landsbanki Kepler in Zurich, who added that the assistance from Berkshire could be value-enhancing for both companies.

"This sends a very powerful signal that Swiss Re management see the fears around the balance sheet as materially overplayed, and Berkshire clearly concur with them," remarked Citigroup analyst James Quin in a note to investors.

He added that it also implied that Buffet was far more optimistic about long-term pricing trends within the reinsurance industry than investors.

Swiss Re has taken a heavy hit in the subprime crisis in the U.S. after reporting losses of 1.2 billion Swiss francs on two related credit default swaps in November 2007, which at the time reinforced investors worst fears about the sector, as well as hitting confidence in the Swiss company's management style.

The reinsurer was forced to write down the credit default swaps, a form of investment taken out by an investor to guarantee the credit worthiness of its investment - on an unnamed client, which had invested heavily in mortgage-backed securities and collateralized debt obligations.

Despite investor concerns over the impact that investment write downs will have on the insurance sector, Berkshire Hathaway's enthusiasm has not waned. In December it announced plans to build its own bond insurance division, despite the concerns that were already being expressed about now-struggling firms Ambac Financial Group and MBIA.

But it is outside the crowded United States insurance market where most of the growth lies, a fact that seems not to have gone unnoticed by the savvy investor who picked up the reinsurance business of Dutch financial services firm ING in December.

Swiss Reinsurance became the world's largest reinsurer in 2006 after acquiring the reinsurance business of General Electric. Berkshire Hathaway's General Re subsidiary is one of the largest players in the U.S. reinsurance market, and also has operations across Europe and Asia. ■

Swiss Insurers Survive Subprime Crisis

Swiss insurers have survived the subprime credit crisis in good shape and the market's image has improved as a result, Erich Walser, chairman of the Swiss Insurance Assn., said during the group's annual meeting.

“Swiss insurers learned their lessons from the troubles in the financial markets at the start of the millennium and have since successively reduced their shareholdings,” avoiding the investment turmoil suffered by banks in the crisis, Walser said during the June 25 meeting in Zurich.

Polling has shown that the reputation of insurers has improved in the eyes of Swiss policyholders, because insurance companies were not hit hard by the crisis, Mr. Walser said. Meanwhile, the image of Swiss banks has suffered because of the financial institutions' problems related to the credit crisis, he added.

Walser mentioned some of the challenges ahead for Swiss insurers, which include the group's opposition to expansion of the Lucerne-based Swiss National Accident Insurance Fund, commonly called Suva. Insurers do not want lawmakers to grant authority that Suva is seeking to expand the insurer's policyholder base. ■

Swiss Re Launches Medical Travel Insurance

Swiss Re's Commercial Insurance has recently announced that it now recognizes medical travel coverage as part of their existing stop loss offering. Employer stop loss is available in all 50 states and the District of Columbia, through Westport Insurance Corp., a member of the Swiss Re Group, which underwrites the company's stop loss products.

“By recognizing medical travel coverage offered by our self-funded stop-loss employer client base, we facilitate the availability of top-quality health care at more affordable levels than is possible in the U.S.,” said Matt Leming, Vice President and Sales Leader within Swiss Re's Commercial Insurance division.

A dramatically growing number of uninsured and under insured U.S. patients are traveling to countries with high-quality hospitals and staffs that offer services at costs often significantly lower than those available in the U.S. Heart by-pass surgeries by highly trained surgeons in India may cost only $10,000 as opposed to $130,000 in the U.S. Similarly, high quality hip replacements, and other major medical procedures can also cost far less in selected countries overseas than in the U.S.

Swiss Re has selected WorldMed Assist as the third-party medical logistics provider to manage its medical travel option.

“WorldMed Assist is honored to have been selected by Swiss Re to provide logistical assistance for clients utilizing their medical travel benefits. This is another opportunity to fulfill our mission of improving lives by helping patients receive high quality medical treatment at international facilities at affordable prices,” said WorldMed Assist CEO Wouter Hoeberechts. “This agreement is new to the US marketplace. Swiss Re will be the first carrier to recognize medical travel coverage on a national basis”.

WorldMed Assist, as Swiss Re's medical logistics provider, will ensure that strict standards for the level of care offered by the medical staff, the hospital, clinic and any recuperative care facilities are followed. Selected medical facilities will have to meet the criteria of the Joint Commission International (JCI) and/or an equivalent accreditation.

Coverage will be coordinated with the employer's primary policy and with the patient's primary physician in the U.S.

“This non-traditional alternative will create a win-win situation for both our self-funded policyholders and their employees. We believe this is one way to address rising healthcare expenditures in the marketplace,” says Leming. “When our program is fully utilized, it will enable our policyholders to cover their employees more completely and at less cost. It will also allow employers to offer another quality network and more choice to their employees”.

Swiss Re is a leading and highly diversified global reinsurer. The company operates through offices in more than 25 countries. Founded in Zurich, Switzerland, in 1863, Swiss Re offers financial services products that enable risk-taking essential to enterprise and progress. The company's traditional reinsurance products and related services for property and casualty, as well as the life and health business are complemented by insurance-based corporate finance solutions and supplementary services for comprehensive risk management. ■

Credit Suisse to Launch Private Banking Operations in Japan

Credit Suisse has announced that it plans to launch Private Banking operations in Japan by end of 2008.

Credit Suisse has also announced its plan to appoint Junya Tani as Head of Private Banking in Japan. Tani will join Credit Suisse, Tokyo Branch on July 22.

The bank's Private Banking business provides comprehensive advice and a broad range of investment products and services tailored to the complex needs of high-net-worth individuals globally. Establishing operations in Japan is an important part of Credit Suisse's expansion of its Private Banking business globally.

Tani will join Credit Suisse from UBS Securities Japan Ltd, where he has been head of wealth management for Japan. Prior to UBS, he worked for Citigroup where his last position was head of product development in the private banking division. Tani received a degree in law from the University of Tokyo and began his career at the Bank of Tokyo in 1981.

Credit Suisse has nearly 40 years of successful Investment Banking and Asset Management operations in Japan. The launch of the Private Banking operations in Japan complements the bank's existing Investment Banking and Asset Management operations. As the world's second largest economy Japan has an enormous amount of accumulated wealth and is a critically important market in Credit Suisse's strategy of enhancing its onshore Private Banking footprint globally.

Marcel Kreis, Head of Private Banking Asia Pacific said, "We will be focusing on leveraging Credit Suisse's integrated banking platform with our well-established Investment Banking and Asset Management divisions to offer a comprehensive range of services and deliver the benefits of the entire bank to our clients in Japan." ■

Swiss Financial Market Services Firm Starts Operations

An integrated infrastructure company Swiss Financial Market Services AG, which emanated from the merger of the SWX Group, SIS Group and Telekurs Group, has successfully started its activities aiming to strengthen the international competitiveness of the Swiss financial centre. Within the framework of this process, the expectations of the company's shareholders were clarified, and the strategic foundation defined. SFMS operates primarily in the service of the Swiss financial centre and its participants, providing internationally competitive infrastructure that covers the entire value chain of securities trading and payment transactions. In doing so, the company aims to lend meaningful support to the realisation of the vision formulated in the financial centre's Master Plan, that is to achieve a position among the world's top three financial centres.

UBS has reported financial results for the first quarter of the year 2008, - the loss in the amount of CHF 11,535 mln, down from a net profit of CHF 3,031 mln that was in the first quarter of 2007. The net new money in the two wealth management businesses was CHF 5.6 mln, the Business Banking Switzerland branch had net outflows in the amount of CHF 1.9 billion. Global Asset Management branch had net outflows in the amount of CHF 16.5 billion. UBS expects financial industry conditions to remain difficult, with a continuing unfavorable global economic climate, deleveraging by institutional and private investors, slower wealth creation, lower trading and capital market activities. This will require UBS to manage with maximum efficiency costs, resources and capacity. For this period, UBS reports a Group net loss attributable to shareholders in the amount of CHF 11,535 mln. However, taking into account more difficult market conditions, and with the exception of the additional losses experienced on UBS's positions affected by the US mortgage and credit market turbulence, revenue performance in most of the bank's businesses was satisfactory. ■

British-Swiss Roundtable on Global Credit Crisis

Restoring Confidence, Key Task for Banking Sector

Over 40 senior representatives of the British and Swiss financial services industries met at Mansion House in London recently for the third Financial Round Table hosted in 2008 by the Lord Mayor of the City of London. Senior representatives of the central banks of both countries as well as their respective financial supervisory authorities also attended the meeting which this year focused on two subjects: the financial crisis and sovereign wealth funds.

Keynote speakers on the credit crisis at this year's Round Table included Sir John Gieve, Deputy Governor of the Bank of England, Professor Thomas Jordan, Member of the Governing Board of the Swiss National Bank, Dr. Eugen Haltiner, Chairman of the Swiss Federal Banking Commission and Verena Ross, Director of the Financial Services Authority's Strategy and Risk Division. The debate was chaired by Sir Nigel Wicks.

The first round of discussions examined the credit crisis and the challenges it presents for the supervisory authorities. Participants agreed on the importance of restoring market transparency and liquidity and of regulatory bodies reacting in a measured way.

Angela Knight, Chief Executive of the British Bankers' Association, said:

"The past year has been a prime example of how events in one country can rapidly impact on all of the main financial centres across the globe. Regulation needs to be workable, practical and enforceable, but overall it needs to be proportional, sensible and appropriate. New rules in the major jurisdictions have come into effect this year and it is important that regulators continue to work closely with the industry in refining and developing rules that allow global financial services to remain innovative and competitive as well as promoting transparency and trust."

Pierre Mirabaud, Chairman of the Swiss Bankers Association, said:

"The analysis and debate of recent world financial events will inevitably go on for decades to come, whether in the media or elsewhere. Inevitably there will be different opinions, but we now need to focus our efforts on bringing confidence back to the markets. Everybody has their part to play whether they are a financial institution, a central bank or a regulator. Politics and protectionism should give way to the development of sound commercial practices that promote both competition and prosperity."

Key points:

Bringing confidence back to the markets is a key task for all stakeholders.

Market liquidity and credit intermediation will start returning to normal levels once confidence in the creditworthiness and strength of banks and other financial institutions is rebuilt. Restoring confidence has to be a collective endeavour, with every stakeholder (i.e. financial institutions, central banks, policy makers, supervisors, credit rating agencies, even investors) playing a part in their respective field of expertise.

With regard to sovereign wealth funds, participants agreed on the need for a liberal approach.

Key points:

The British Bankers' Association and the Swiss Bankers Association support a free market approach to potential investment by foreign sovereign wealth funds (SWFs) and see no need for specific legislative action. SWFs have become important investors and tend to operate globally and with a long time horizon. Provided that they are commercially rather than politically motivated, flows of capital surpluses from emerging and developing countries promote competition and prosperity in both SWF home and host countries.

An open investment environment is compatible with policies that address regulatory/prudential, competition and national security concerns. National banking law and competition law should assuage any concerns in the area of potential abuses of market position. The BBA and SBA both support international efforts aiming to increase the transparency of SWFs if they contribute to the free flow of cross-border investment, to open and stable financial systems, and to combating the risk of protectionism.

The City of London - Swiss Financial Round Tables are organised jointly by the Swiss Bankers Association and the British Bankers Association. The first Round Table was held in London in June 2006, and the Swiss Bankers Association hosted the second in Zurich in July 2007. ■

SBA Banking Survey '08 Positive Despite Global Financial Strife

Swiss Repose Trust in Reliability, Confidentiality

Switzerland's banking sector continues to enjoy a very good reputation despite the recent turbulence in global financial markets, according to the annual survey conducted by the Swiss Bankers Association for the year 2008. The survey results were released in Basel recently.

A large majority (72 percent) of the Swiss participants in the SBA's survey still have no doubts about the solidity and reliability of their main bank (2007:71 percent). Equally gratifying was the finding that more than half of the respondents had a positive attitude towards Swiss banks in general. In particular, an above-average 61 percent of the 18-to-29 age group had a positive attitude. Bank-client confidentiality was supported by 81 percent, with 79 percent regarding it as worth protecting in the face of international pressure.

There was a slight improvement in the assessment of the international competitiveness of Switzerland's financial institutions, with 59 percent regarding the country's banks as being at an advantage over their foreign rivals.

The banking sector continues to be well regarded by the Swiss people; its standing remains at the same level as in 2006. In this year's survey, 57 percent of respondents had a positive or very positive opinion (2007: 59 percent). Younger participants (18 to 29) were remarkably positive, while 50-to-59-year-olds were among the most critical. It is to be noted that the more positive attitude among 18-to-29-year-olds was evident in the responses to almost all the questions and has been relatively constant in recent years' surveys (2003 to 2008). As in previous years, the strengths of the financial centre lay in its trustworthiness (68 percent) and reliability, as well as in its solidity (72 percent) and in the professional competence of its staff (69 percent). This year for the first time the figures stabilised at a high level against the previous year. Personal satisfaction among Swiss people with their main bank remained constant. The issue of the international competitiveness of Switzerland's banks and of the Swiss financial centre was included for the first time a year ago, and continuing with this section of the survey allows comparisons to be made. The respondents had an even better assessment of the situation in 2008. When asked how Switzerland's banks and financial centre fare against competitors from the UK, Singapore, Luxembourg and the US, 59 percent saw domestic institutions as being at an advantage (2007: 54 percent). A majority of over 60 percent continued to hold the opinion that the situation would not change significantly in the next five years.

The 2008 survey once again provides solid confirmation of the strong support which bank-client confidentiality enjoys among the Swiss people. It clearly shows the importance attached to the protection of bank clients' financial data. An overwhelming majority of 91 percent regards protection against unauthorised third-party access as correct. When asked specifically about bank-client confidentiality, 81 percent of participants were in support of retaining it (2007: 79 percent). Indeed, 79 percent of participants believed that there should be no question of yielding to possible pressure from abroad by waiving bank-client confidentiality. And 74 percent also regarded it as probable that bank-client confidentiality would still be in place in its current form in five years' time (2007: 72 percent).

For several years now, the Swiss Bankers Association has commissioned representative surveys of citizens living in Switzerland asking them about their attitudes toward the banking sector and about the general importance of banks for the Swiss economy.

The survey covers a sample of 1,012 citizens living in Switzerland aged between 18 and 74. The sampling error is no greater than +/-3.1 percent. The survey was conducted in January 2008 by the independent research company M.I.S Trend, Lausanne. ■

Credit Suisse Launches Equity Research in Saudi Arabia

Credit Suisse announced that it has initiated research coverage of 13 stocks in Saudi Arabia, effective May 1, providing investors with the first comprehensive analysis of stocks in this country, representing about 65% of its equity market. Now the London and Dubai based Middle East Equity Research team will continue to expand its coverage of Middle Eastern stocks.

Credit Suisse has also announced the launch of its "Access MENA" trading platform, - an innovative access product which will allow international investors to purchase economic exposure to stocks in the Middle East. ■

Revised Due Diligence Agreement Effective from July '08

Swiss Maintain Leadership in Fight against Money Laundering

The Board of Directors of the Swiss Bankers Association (SBA) approved the seventh edition of the SBA's Due Diligence Agreement (CDB 08) at its latest meeting held in Basel on 10 April 2008.

The CDB 08 implements the revised recommendations of the Financial Action Task Force (FATF) and its nine special recommendations on combating the financing of terrorism. It also takes a systematic risk-based approach, giving banks greater freedom in their decision-making. The due diligence requirements in respect of the identification of contracting partners and beneficial owners are also expanded on. For example, in the case of legal entities and partnerships, the person opening the account must be identified as well as the company.

It is also again stressed that the CDB sanction system applies only to breaches of the CDB and is treated as separate from the Money Laundering Act and the Money Laundering Ordinance of the Swiss Federal Banking Commission (SFBC). The CDB 08 will enter into force in July 2008 once it has been recognised by the SFBC as a minimum standard under regulatory law. It ensures that Swiss banks will maintain their international leadership in the fight against money laundering.

Background to the CDB

The Due Diligence Agreement (CDB) of the Swiss Bankers Association lays down the obligations on banks with regard to client identification and establishment of the identity of beneficial owners of assets. It also prohibits active assistance in the flight of capital and tax evasion. The CDB is revised every five years. The statutory bank auditors are commissioned on behalf of the banks and the Swiss Federal Banking Commission (SFBC) to verify compliance with this Agreement. Special investigators and an independent Supervisory Board assess breaches of the Agreement, and offences are punishable with fines of up to CHF 10 million. Fines imposed by the Supervisory Board for breaches of this Agreement go to the International Committee of the Red Cross after costs have been covered. ■

UBS Cuts 5,500 Jobs to Reduce Losses

UBS announced the intention to cut 5,500 jobs, which represent 7% of staff of Switzerland's largest bank. Reduction of the staff became the result of reporting a net loss of $10.97 billion for the first quarter of the year 2008. The changes are to be made by the mid of next year through redeployment, redundancy or natural wastage. UBS will cut 2,600 jobs in its investment banking branch, blamed for the majority of failures that have resulted in the record write downs of $37.4 billion since last year summer period. The other 2,900 jobs of that amount will go in other parts of the business. Also, on Tuesday UBS said that it has reduced its exposure to subprime-related assets by 60% since the third quarter of 2007. The bank sent a letter to its Swiss customers, acknowledging their "concern and disappointment" and informing them that the bank remains strong thanks to its solid capital base. ■

IMF Calls for Greater Domestic Financial Stability to Reduce Risks

The International Monetary Fund (IMF) has made an assessment of the Swiss economy and issued a statement recently in Berne. It has said that while the Swiss economy has done fairly well taking advantage of the recent global upswing, the risks to its financial services industry can dent the gains achieved. Following are the salient features of the IMF assessment.

The Swiss economy performed impressively during the recent global upswing. Although Switzerland's international preeminence has eroded in some respects, performance in the recent cycle has been strong. Indeed, Switzerland rode the global expansion with much success, and growth exceeded the euro area average in the past four years. High-value added manufacturing gained in strength. Switzerland's position as a major global financial center was reinforced. And a broader emphasis on services delivery has opened up new growth possibilities. Building on long-standing strengths advanced infrastructure, a skilled and flexible workforce, openness to the flow across its borders of trade, capital, and people, low tax rates, and a small government these developments augur well for the future.

But the risks to its financial service industry threaten to dent the gains achieved. The very strengths of the Swiss economy, its openness and its dynamic financial sector, also expose it to adverse developments overseas. As such, the Swiss economy experiences sharper swings than most advanced nations. In turn, the risk-management strategies of Swiss banks can generate negative spillovers for the global financial system and the world economy.

Swiss public policy, therefore, has international consequences.

The policy priority is to pay due attention to securing greater domestic financial stability. The task is challenging and the lessons from the ongoing financial tensions can only slowly be incorporated into regulatory and supervisory practice. Nevertheless, the proactive approach of the Swiss authorities to increase buffers in the financial system is welcome. Monetary and fiscal policies must play supportive roles within their well-defined frameworks. In this regard, the tendency of monetary policy to be accommodative and impart a modest stimulus while the fiscal stance remains conservative appears to strike the right balance for now. As events unfold, these choices may need to be revisited.

The Near-Term Outlook

A significant slowdown in growth is projected. The current global environment is characterized by a high degree of uncertainty and, hence, projections are subject to more than the usual imprecision. The momentum from buoyant growth in much of Europe during 2007 is still evident. Industrial capacity utilization and order books suggest continued strength, and sentiment indicators are moderating only gradually. Yet, financial markets are signaling a more serious growth deceleration. From 3.1 percent in 2007, we expect GDP will grow by just under 1½ percent in 2008 and stay in the same range in 2009. While outcomes could be better, even lower growth is a real possibility as global financial imbalances unwind.

The slowdown stems from several sources, which will likely emerge sequentially. Exports of goods and services will slow at first, as U.S. and European imports decelerate. While the stronger Swiss Franc has not reached levels that would significantly hurt exports, continued appreciation could have a material effect, especially in combination with a further slowdown in world growth. GDP growth may initially be held up by consumption growth, given the recent strength in employment. However, slowing exports, the inflationary effects of the oil price increase and, in particular, the global financial tensions can all be expected to dent consumer confidence, leading to weaker consumption expenditures in the later part of 2008 and early 2009. This projected weakness in consumption explains our somewhat lower GDP growth estimate than that of the authorities.

The current account surplus, to a large degree, reflects structural and cyclical factors. The surplus, which we project will decline from 17 percent of GDP in 2007 to 15½ percent in 2008, is generated by substantial service exports and net investment income. After adjusting for structural and cyclical factors (and the asymmetrical accounting treatment of retained earnings between direct and portfolio investments), the size of the current account is about 4 percentage points greater than the norm based on Switzerland's economic fundamentals. The reduction of the double taxation of dividend income could lead Swiss firms to reduce their retained earnings and hence reduce the excess over the norm.

Maintaining Financial Stability

The Swiss authorities have responded vigorously to limit the knock-on effects of the current financial tensions. They have injected liquidity into the banking system, often in coordination with other major central banks, maintained an enhanced oversight of the major banks and insurance companies, and worked actively with other regulators to share information, coordinate supervisory activities, and draw lessons for the future.

Further policy actions must reflect the realities of an intensely competitive global banking environment. Global banks operated in a manner that proved to have adverse systemic implications. They engaged worldwide in activities with low margins but also with apparently low risk. Partly because of the limited regulatory capital requirements for these perceived low risk activities, returns to shareholders were high. But this strategy also generated high leverage (nominal assets in relation to capital). Within this general approach, some took on more risk than others. As such, when their assets were revealed to be much riskier than earlier thought, and had to be written down, the banks concerned were faced with the prospect of inadequate capitalization and loss of confidence, and had to move rapidly to raise fresh capital in increasingly difficult markets. Looking ahead, therefore, the Swiss authorities, along with their counterparts elsewhere, are rightly focused on increasing the buffers in the financial system.

More realistic risk measurement is crucial. It is widely agreed that the current financial distress would have been mitigated had the Basel II framework been fully implemented. Compared with Basel I, the new framework captures off-balance-sheet assets better and takes a more sophisticated approach to measuring risks. In addition to implementing Basel II, the Swiss authorities are also revisiting their risk-based capital framework, drawing on the recently revealed outcomes and correlations across asset classes. These assessments will, in turn, lead to typically higher capital requirements.

However, given the limits of any risk-based framework, consideration of additional capital is merited to cushion against unanticipated risks. Using a leverage ratio for large banks to supplement existing capital requirements is under discussion. Such an approach would add a transparent capital buffer. It also has its limitations, not least the possibility that banks will have an increased incentive to "hide" their assets by moving them off-balance-sheet. However, implemented with appropriate flexibility and safeguards, a leverage ratio approach could serve as a useful complement to the existing regime, while helping to strengthen the supervisory response to future increased risk-taking by the banks.

While additional capital will also mitigate liquidity risks, further development of liquidity risk management in response to recent events is a priority. In line with the recommendations in the Financial Sector Assessment Program (FSAP) update in May 2007, the authorities are developing a stress testing framework to improve global liquidity risk management by the major banks and are more actively reviewing banks' contingency plans and liquidity management policies. They are also collaborating with other regulators internationally to enhance global practices. In contrast to this proactive approach for capital and liquidity requirements, the authorities are pursuing the options for enhanced disclosure norms within the context of international discussions and developments.

The ambitious insurance regulation agenda needs continued prioritization and attention to overall resources. Market events have had a less severe impact on insurance companies than on the banks. Risk management in the sector has been improving, spurred by continuing implementation of the innovative Swiss Solvency Test (SST). The recent application of the SST to reinsurance companies is welcome, as is the commitment to thorough reviews of companies' SST results. In line with the FSAP recommendations, the regulator is enhancing qualitative requirements such as internal controls and there are plans to develop onsite supervision further and to strengthen international supervisory cooperation on the major groups. This extensive work program requires careful management within the resource envelop.

Regulatory refinements, however, will be insufficient without efforts to boost supervisory capabilities and resources. The Swiss Banking Commission faces the special challenge of keeping pace with two large, sophisticated, global banks. Similar challenges arise in regulating insurance and reinsurance groups with global reach. The current regulators-and their successors in the integrated FINMA that takes over on January 1, 2009- need the requisite independence and resources to meet their responsibilities. In this regard, the law constituting FINMA helpfully provides flexibility in budgeting, staff compensation, and strategic planning. It would be appropriate to use this flexibility to retain supervisors skilled in modern financial practices and to attract still more as Switzerland's advanced regulatory approach develops further in response to current market events.

Since FINMA will remain at a resource disadvantage relative to the groups it deals with, it deserves to be bolstered in various ways. Early decisions to complete the appointment of the board and senior management of FINMA would reinforce the vision for FINMA as a force in domestic and international initiatives to improve financial regulation. In addition, the traditional approach of close supervision may need to be supplemented by rules that specify transparent benchmark performance measures and supervisory responses. In this context, also of value would be a further shift to onsite activities by supervisors, with appropriate reliance on external auditors to monitor regulatory compliance. So too would be efforts to build on existing cross-border supervisory arrangements for global groups, to secure even more active support of host supervisors in maintaining the stability of global operations.

Monetary Policy

The current conjuncture also poses special challenges for monetary policy. Fueled by oil and food prices, inflation reached 2.4 percent in February. For 2008, the average inflation rate is projected at 2.0 percent, falling to 1.4 percent in 2009, as also assessed by the Swiss National Bank (SNB) in the context of its March policy decision. Despite the projected decline in the inflation rate to below 2 percent, the risk is that the current high rates may persist. The greater inflation risk has unfortunately coincided with worsening growth prospects. At successive policy decision points, this polarization has increased, heightening the trade-offs involved. Moreover, the consideration of safeguarding against a particularly adverse outcome has added to the complexity of decision making.

In this complex and uncertain environment, the SNB has steered a carefully calibrated policy course. In September, the Governing Board of the SNB raised the target range for the 3-month Libor by 25 basis points to 2.25-3.25 percent, guided in part by the inflationary concerns. The ongoing market turmoil had pushed the Libor rate to above the mid-point of the existing range, where it is typically steered. In response to this market-driven tightening of monetary conditions, the SNB lowered the 1-week repo rate to bring the 3-month Libor to 2.75 percent, the mid-point of the range, in effect creating a useful accommodation. Since then, the target range has remained unchanged as slower expected growth and the insurance motive have balanced the inflation risks. However, maintaining the 3-month Libor at or close to 2.75 percent and in practice, preventing it from rising has sometimes implied an easing stance achieved through lowering the shorter-term repo rates.

While the monetary policy stance has, thus, been appropriate, the operational framework by which this has been achieved deserves, in due course, further consideration. The September decision when the target range for the 3-month Libor and the operational 1-week repo rate were moved in opposite directions occurred at an unusual moment in financial history, when short-term credit spreads increased sharply within a few weeks. The likelihood is that the target range and the 1-week repo rate will only rarely move in opposing directions. And,

indeed, the SNB has maintained its target range steady since September, providing monetary accommodation when necessary by adjusting the 1-week repo rate. This has imparted some flexibility to the conduct of monetary policy in this stressful period. However, the implication is that the monetary policy stance of the SNB cannot always be inferred from its announced target range in the same way as that for other central banks. These issues deserve further analysis.

Public Finances

The state of public finances continued to improve in 2007. A substantial general government surplus of over 2 percent of GDP reflected, in large part, buoyancy in revenues associated with the strong growth but also moderation of expenditures beyond that required by the discipline of the "debt brake," which helps achieve budget balance over the medium-term. Surpluses were recorded at all levels of government, and their debt-to-GDP ratios continued to decline.

The authorities remain committed to a conservative fiscal approach. The Confederation budget shows a swing to a deficit in 2008. However, a part of that deficit represents extraordinary expenditures; and because these largely reflect accounting changes and one-time transfers, they do not add to a significant expenditure stimulus. With cantonal and communal surpluses expected to hold, the general government fiscal balance is projected to remain relatively unchanged in structural terms, implying limited fiscal stimulus. From a policy perspective, the authorities rightly do not see the need for a stimulus at this time. Besides the inherent timing lags, past experience indicates that loosening the fiscal stance has had, at best, little expansionary effect as additional expenditures have added more to imports than to domestic production.

Long-term fiscal sustainability requires continued structural reforms. The Long-Term Sustainability report due to be published marks an important step in recognizing the tasks ahead and raising awareness of needed actions. In particular, the projected rise of health care expenditures and other long-term pressures require new actions. This may include: (i) an increase in the VAT rate to finance disability insurance; (ii) an orderly reform of social benefits; and (iii) containment of health care expenditures. The savings to be achieved through the Task Evaluation Program (Aufgabenüberprüfung) are necessary to prevent aging-related expenditures from crowding out other social expenditures. A useful tool for planning and communication would be an inter-temporal government balance sheet.

The proposal to enhance the debt-brake rule is welcome. The rule has provided valuable fiscal discipline thus far. However, there is the risk that the rule could be undermined through so-called "extraordinary" expenditures, which are not subject to that rule. While the need to allow for one-time large extraordinary expenditures clearly exists, the current proposal to place boundaries on such expenditures and to amortize them in a predictable manner and in a reasonable time frame deserves to be actively pursued.

Switzerland's high standard of living and recent dynamism are, in no small measure, due to consistent and forward-looking policies. Rapidly moving events have placed on policymakers a heavy burden, with the immediate task of maintaining financial stability. Vigilant navigation through these challenging times should permit a return to economic buoyancy. We thank the authorities for their hospitality, and to all interlocutors for the candid and fruitful discussions. We wish them the very best in achieving their goals.

Production index

Periodicity flexibility: Switzerland is taking a flexibility option for the periodicity of the data and will continue to disseminate the production index on a quarterly basis.

The Swiss economy has an extremely large number of small and medium size enterprises (99.8% of all Swiss enterprises employ less than 500 employees) operating in a great variety of activities. Because of this structure, the compilation of monthly indices would be very difficult and time-consuming. Moreover, the indices would not provide representative data or evident results about the business cycle. For these reasons Switzerland is taking a flexibility option for the periodicity and timeliness of the data and will continue to disseminate the production index on a quarterly basis with a timeliness of one quarter.

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ETH Zurich Doubles Research Capability, Creates 3 Professorships

ETH Zurich is planning the creation of three new professorships in electrical energy technology. This amounts to a doubling of the research and science capacities in these areas. These professorships are partly financed by private means which are donated to the ETH Zurich Foundation.

The energy strategy presented recently by ETH Zurich aims, in the long run, at a drastic reduction of CO2- emissions. This strategy rests on the three pillars of energy efficiency, electrification, and renewable energies. There also exists a shortage of engineers in the particular fields of electrical engineering, and mechanical and process engineering. ETH Zurich takes account of this fact and is creating three new professorships thematically focusing on the introduction of renewable energies, high-performance electronics, as well as systems dynamics and control.

They are to round off the three existing professorships which have electric power supply as the focus of their studies. "From these measures we expect a decisive strengthening of important scientific competences which our graduates can then make use of in economy and society", says Ralph Eichler, President of ETH Zurich. The new professorships will be appointed according to usual procedures.

Support by Swiss enterprises

The companies ABB, Alstom, as well as Swisselectric (organization of Swiss electricity grid companies, such as Atel, BKW, CKW, EGL, EOS and NOK) have welcomed the efforts of ETH Zurich and will donate a total of 12.5 million francs as a kind of start-up financing to the ETH Zurich Foundation. The financing model plans for ETH Zurich to bear two thirds of the costs while the third part is contributed by private means.

Ulrich Bremi, President of the ETH Zurich Foundation points out that "the commitment of well-known Swiss enterprises teaches us that partnerships between industry and universities can achieve much if both partners act in concert. We hope that further enterprises will follow this example".

About ETH Zurich: ETH Zurich, the Swiss Federal Institute of Technology Zurich, forms a community of 18,000 people from 80 nations who study, do research or are employed there. About 360 professors in 16 departments teach mainly in the technical, mathematical and natural sciences areas, as well as in the social and political sciences, and carry out research that is highly valued worldwide.

ETH Zurich has the important task of maintaining and developing its top standing in the international competition among top universities. They fulfil this forward-looking task in service to the Swiss nation as a nationally-grounded but internationally-oriented institution of higher learning. Twenty-one Nobel prize winners are connected with ETH Zurich. ETH Zurich was also part of the IPCC, which was awarded the Nobel Prize for Peace in 2007.

ETH Zurich was founded in 1855 as the "Eidgenössisches Polytechnikum" (Federal Polytechnic Institute). At that time, as the "child" of the new federal government, it was the only national university in Switzerland. Today, ETH Zurich, EPF Lausanne and four research institutions have been linked together to form the national ETH domain. ■

Present Perfect, Future No More Tense

Long-Term Student Counseling Earns Laurels for KIC

KIC's Head Ganesh Kohli says that highly personalized counseling has been the hallmark of his institution's comprehensive guidance programme for students seeking higher education abroad. He says KIC has been a trend setter in student counseling during its 12 years of existence. Excerpts from an interview to Indo-Swiss Business.

What has been KIC's overall contribution to student counseling in the 12 years of its existence?

For us at KIC, our role as a counselor for the student is similar to that of a doctor for a patient. Just as a patient relies on his doctor to cure him, our students rely on us to help them make the best decisions for their future. We fully understand our responsibility and provide a highly personalized counseling program.

When we started in 1996, there was little awareness about counseling. Students often ended up with a career out of accident. The grades / marks determined the field of study rather than the student's interest.

KIC has changed this to a great extent. We provide a comprehensive counseling program that involves aptitude evaluation, course selection, university selection, application preparation, application for scholarships and application for the visa. Our mission is to help a student find the right fit program for his background and interest.

What are the courses most sought after?

Engineering, Sciences, Business, Architecture / Design and Hospitality are the areas that attract a majority of Indian students.

How demanding and challenging is student counseling now as compared to the past?

The challenge has grown bigger with a dramatic increase in the number of options available for the student. Today, you have universities from all across the world hard-selling their education to the Indian student. A counselor's role today is more important than ever in ensuring that the student finds the right fit institution for his background.

Traditionally you have been sending students to Switzerland to get training in the hospitality industry.

We have been advising students on Swiss and American education over these last 12 years.

India's rise as an economic power in the last decade has further boosted the incomes of its middle class. Is this trend getting reflected in the number of students seeking higher education abroad?

Absolutely International education today is affordable for many more Indian families. This has resulted in an increased outward mobility of students from India. The United States, Australia, UK and Canada attract the largest numbers of India students.

What changes the Indian education system needs in terms of quality and orientation to prepare students for higher education abroad in a better way?

A more hands-on (practical) curriculum would help students going abroad.

How do you look at the Indian education scenario in five to 10 years from now in terms of demands and challenges?

To bridge the demand supply gap, there is likely to be a proliferation of private colleges / universities in India over the next few years. In fact, many International institutions are looking for partners to set up campuses in India.

With this growth, both in the number of students and institutions, it will become a challenge for the government to ensure that reasonable quality is maintained and that students are not taken for a ride.

What difficulties you still face in sending students abroad, both locally and overseas?

The quantum of misinformation available to the students is a worrying factor.

There has been a mushrooming of counseling institutions. How harmful is this development to students' future?

It is a big concern when a businessman gets into the business of counseling. It is different when a teacher or a counselor gets into the business of counseling. However, I think the students are also becoming smarter and know how to find the best advice. A student can safeguard himself by being meticulous in choosing his counselor.

What is your advice to students seeking counseling, especially in terms of placements after completion of studies?

Be Thorough in your research ask international institutions for information on alumni, faculty, campus placements, etc. Also, a student could go on the company website and look for names of institutions where the company recruits. ■

Eating Habits Set Body Clock Timings

Swiss researchers have found new evidence to support their findings that eating habits influence the internal body clock in humans.

A Geneva University study, published in the American medical journal Cell, found that a metabolic enzyme known as SIRT1 stimulated the timing element in genes, helping to regulate the body's functions.

According to the Frontiers in Genetics research, the brain contains a central "clock" in that is in charge of body functioning. This clock then uses miniscule timers inside gene cells in organs to control the body's daily workings.

The team argues that the brain clock is affected by light and day cycles, while cellular clocks are coordinated by metabolism.

By swopping the night and day cycles in cells and in live mice over a two-week period, the team showed that the brain's clock became inverted and that through feeding rhythms other organ clocks were adjusted.

The team were building on their previous research into how metabolism the cell's chemical processes - plays a major influence on bodily functions by working to coordinate all cellular clocks.

"We discovered ten years ago that virtually every cell in our body has a clock," Ueli Schibler, head of the research team, said. "Liver clocks, skin clocks. These countless clocks have to be synchronised. We discovered that it's feeding cycles that synchronise them."

Schibler said that cellular clocks anticipated and coordinated processes in the body, for example by generating a stock of glucose in the day and destroying it at night.

"Most of our physiology is actually cyclical, it goes up and down. You realise when you have jet lag that the rhythm is disturbed. Not only does your brain have a rhythm problem but also all your other organs."

The team's research in 2000 experimented with feeding cycles in rats and mice and showed that SIRT1 acted as a sensor, determining if cells were metabolising or not. It would then modify an important protein in cell clocks.

"We said let's see if metabolism is influencing the clocks and we did these feeding rhythms and found the feeding rhythms were the most dominant synchroniser, or timing cue, for these cell clocks.

"But we still didn't know the mediator, or in other words what connects them chemically, and that is what this paper is about.

"If you want to have really strong synchronisation or oscillation in every tissue you need to synchronise these individual cellular clocks every day. This is mostly done by metabolism."

Schibler said the team would continue to study how the metabolic enzyme worked.

He added that the research could pave the way for the further development of inhibitor and activator drugs that could be used to control SIRT1 and thereby, adapt body clocks during times of change such as jet lag.

"Perhaps it would be possible to synchronise the liver clocks after jet lag by taking a pill containing a repressor of SIRT1," Schibler said.

"Now we can try to inject [the SIRT1 inhibitor] Sirtinol into mice and see whether it switches their phases. As this evidence was not known before, no one has tried to change phases in the organs but I think people will do that now." ■

University of St.Gallen

A Swiss Business School Par Excellence

The University of St.Gallen (HSG), Switzerland, was founded as a "Business Academy" in 1898 in the heyday of the St.Gallen embroidery industry and offered its first lectures in 1899. The HSG continues to pursue the goal of providing its more than 5,000 students with a practice-oriented education, guided by an integrative view of business, economics, law and social sciences. With success: the University of St.Gallen has constantly been ranked among the top business schools in Europe. Accreditations by EQUIS and AACSB International underline its commitment to a holistic curriculum that meets the highest academic standards. Executive education has been further strengthened with the formation of the Executive School of Technology, Management and Law (ES-HSG) in 2005 providing a wide range of executive education programs.

Academic Structure

The University of St.Gallen (HSG) has developed a unique academic structure to satisfy the demands of society and the economy to promote graduates with intellectual flexibility and intercultural qualifications. The HSG aims to develop students both in professional and personal terms by providing them with an education based on a humanistic approach.

The HSG's course structure consists of three pillars and three levels. The three levels stand for the Assessment Level, the Bachelor's Level and the Master's Level. Undergraduate studies are composed of the Assessment and Bachelor's Levels. On this level, five majors taught in the German language are on offer. Four out of the 10 Master's Programs are entirely taught in the English language.

Besides these three academic levels, courses consist of three didactic, subject-related pillars of Contact Studies, Independent Studies and Contextual Studies. Contact Studies consist of lectures and seminars in small groups. Students have to attend program-specific compulsory courses, core electives and independent electives. Independent Studies are multimedia supported and interactive, and they reinforce students' personal responsibility. In terms of subject matter, they complement Contact Studies. Contextual Studies consist of courses in cultural awareness, leadership skills and critical thinking.

Research

The crystallization points of the globally recognized HSG research are the 30 institutes and research centres, which are an integral part of the University. The directors of the institutes double as HSG professors. Bringing theory and practice together, the institutes provide an important input for teaching at the University and play a significant role in furthering the careers of young academics. The 80 tenured professors, 60 assistant professors and senior lecturers, and more than 300 lecturers and 300 assistants, plus distinguished visiting professors cultivate the scientific discourse with the students.

Campus

The University of St.Gallen (HSG) offers the latest facilities and services to support individual and collaborative learning, including web-based communication platforms and wireless LAN. The library contains around 400,000 bound volumes, some 1,500 journals and a growing selection of e-journals. To keep body and mind in balance a full spectrum of sports activities awaits the students, from aerobics to yoga. The University's attractive location between Lake Constance and the Alps makes St.Gallen an ideal setting for all kinds of leisure activities.

Internationality

The University of St.Gallen is bilingual: German and English

• Bachelor's Level: numerous courses are taught in the English Language

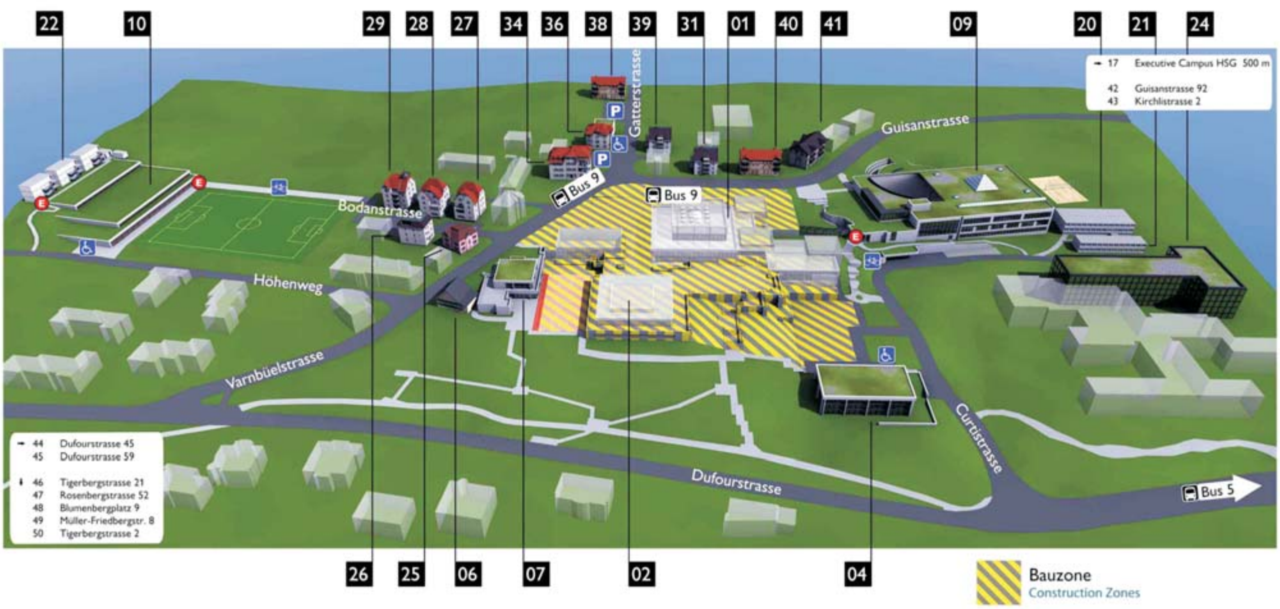
• Master's Level: four programs are taught in English: The Master's Programs in Banking and Finance, Strategy and International Management, International Affairs and Governance, Quantitative Economics and Finance

• Doctoral Level: several programs are taught in English

• Executive education: English-language MBA, GEMBA, and EMBA

The University of St. Gallen (HSG) is committed to promoting international students and faculty, as well as the international orientation of its teaching:

• 34 percent of students come from 80 different nations



01 Hauptgebäude
Main Building

02 Aula

04 Dufourstrasse 48

06 Kirchhoferhaus

07 Mensa
University Restaurant

09 Bibliotheksgebäude
Library Building

10 Sporthalle / Lehrprovisorium
Provisional teaching facilities / Sports Hall

20 Provisorium 1 – Büro
Provisional 1 – Offices

21 Provisorium 2 – Büro
Provisional 2 – Offices

22 Provisorium 3 – Lehre
Provisional 3 – Teaching Facilities

24 Zentrales Institutsgebäude
Central Institute Building

25 Bodanstrasse 1

26 Bodanstrasse 3

27 Bodanstrasse 4

28 Bodanstrasse 6 – HSG Alumni / HSG Shop
HSG Alumni / HSG Shop

29 Bodanstrasse 8

31 Guisanstrasse 3 – CSC-HSG
Career Services Center

34 Varnbüelstrasse 19 – Skriptekommission
Script Commission

36 Gatterstrasse 3 – Sprachenzentrum
Language Center

38 Gatterstrasse 9 – Kinderhort
Creche

39 Guisanstrasse 1a

40 Guisanstrasse 9 – Studentenschaft
Student Union

41 Guisanstrasse 11

Ihr Standort
You are here

Eingänge
Entrance

Invaliden Parkplätze
Disabled Parking

Fahrradständer
Bike Rack

Parkplätze
Car Park

• 48 percent of faculty come from abroad

• Selected visiting professors from various countries

The HSG is a member of the following networks:

• Community of European Management Schools and International Companies (CEMS)

• Partnership in International Management (PIM)

• Association of Professional Schools of International Affairs (APSIA)

Partner universities:

• Possibility of exchange semesters at 130 partner universities worldwide
• 400 guest students per year
Double-degree programs with reputed partner universities:
• Science Po, Paris; Fletcher School, Tufts University, Boston; Nanyang Technological University, Singapore; Bocconi, Milan; ESADE, Barcelona; HEC, Paris; RSM Erasmus, Rotterdam; CEMS network

The HSG supports international networking, for instance with:

• Hub in Singapore
• Asia Research Centre
• Center for Sino-Swiss Competence
• Centro Latinoamericano-Suizo de la Universidad de San Gallen

Appreciation of HSG degrees on the labour market

• HSG degrees are at a premium on the labour market. On average, graduates are able to choose from among 2.4 jobs.
• Search for employment: more than 80 percent of graduates already have a job at the time of graduation.
• The average salary of the first fixed job is CHF 94,200 for holders of a Bachelor's degree and CHF 96,000 for holders of a Master's degree.
• The quota of HSG alumni in Swiss top management is outstanding. The HSG has the greatest placing power in Switzerland in Business Administration and is the runner-up with regard to Law.

HSG Alumni

HSG Alumni is the official organization of former students of the University of St.Gallen. With more than 18,000 members and 80 Alumni clubs on four continents, it is one of Europe's leading associations of this type. Since 1930, the club has been reinforcing the alumni's lifelong bonds with the University, as well as the networks among its members, by means of numerous events and information platforms.

Executive education

The HSG has always conceived of executive education as one of its central functions besides degree courses and research. Executive education is characterized by practical relevance and sound theoretical foundations. This integrated approach helps businesspeople with their leadership skills in their workplace by helping them adopt holistic solutions to both their jobs and lives.

Institutes:

The HSG institutes offer executive education courses in their respective fields. The wide range of certificate programs and seminars satisfies requirements in Economics, Business Administration, Law, as well as Cultural and Political Science.

ES-HSG:

The Executive School of Management, Technology and Law (ES-HSG) offers an English-language full-time MBA and various part-time Executive MBAs.

Above and beyond this, it offers a wide range of executive education courses from among all the disciplines taught at the University of St. Gallen, as well as individually designed in-house programs.

India Center at the University of St. Gallen

The India Center is a new initiative of the Research Institute for International Management. It builds on the rising status of India as an important global player and seeks to emerge as a leading dialogue and research platform for international companies, business and political leaders and development organisations with an interest in the sustainable internationalisation of India.

If you would like to know more about the India Center, please contact Prasad Oswal (prasad.oswal@unisg.ch). ■

Kamal Nath Calls for Higher Indo-Swiss SME Interaction

India's Minister of Commerce and Industry Kamal Nath has called for increased levels of engagement between small and medium enterprises (SMEs) which will provide a solid foundation for enhancing bilateral economic flows.

During the recent bilateral meeting with Ms. Doris Leuthard, Swiss Federal Councillor and Head of the Department of the Economic Affairs, in New Delhi recently, Kamal Nath said that the business delegations coming from Switzerland should emphasise on presence of SMEs and specific events for match making between SMEs could be planned by industry associations.

The meeting was attended by Ajay Shankar, Secretary (DIPP); G.K. Pillai, Commerce Secretary; senior officials and business delegations from both sides.

During the discussions, Kamal Nath informed Ms. Leuthard that Switzerland is an important trading partner for India outside the European Union (EU), and added that Swiss companies have made investments in India in diverse areas such as engineering goods, textiles machinery, medical equipment, financial services etc.

He highlighted India's emergence as a strong player in the market for export of services and increasingly it was also becoming a large importer of services. The Minister said that "Switzerland is also a major player in the world market for trade in services. We must exploit these complementarities by facilitating establishment of businesses and movement of professionals".

Talking about Intellectual Property Rights (IPRs), Kamal Nath said that the MOU signed in this regard on 7 August 2007 was a positive step on both sides to enhance cooperation. "India respects IPRs and would like to be seen as a country that generates intellectual property. We have undertaken an extensive programme to develop capacities in this sector and to increase the awareness levels about intellectual property", he added.

The bilateral trade with Switzerland during 2006-07 stood at US $ 9579 million. The main exports to Switzerland are: gems & jewellery, drugs & pharmaceuticals, RMG cotton, machinery and instruments etc. The main imports from Switzerland are: gold, machinery (except electric & electronic), medicinal & pharmaceutical products, precious/semi-precious stones etc. ■

Bar's 1st Half Net Falls 2 pc

Swiss private bank Julius Bär has seen its net profit fall two percent in the first six months of the year to SFr510.1 million ($502 million). Assets under management reached SFr364 billion, down 10 percent during the first half of the year.

Net new money funds entrusted by savers was SFr10 billion, but this was outweighed by negative market performance equivalent to SFr32 billion and negative currency impact of SFr19 billion.

"The weak equity and debt markets as well as the strong Swiss franc have reduced our asset base, with an impact on our profits, said group CEO Johannes A. de Gier in a statement recently.

The bank said it did not experience any losses related to the credit and liquidity crisis, unlike bigger Swiss rivals UBS and Credit Suisse.

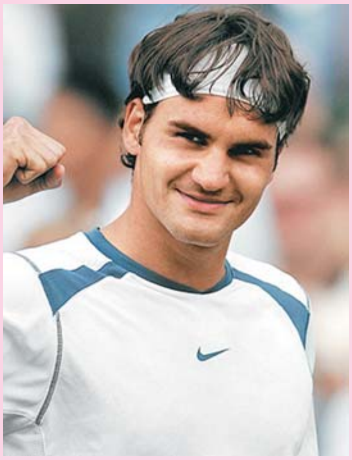
Bär also announced changes in its management structure, with de Gier leaving the group CEO position. De Gier, who will continue as chairman of the group's GAM global asset manager unit, will not be replaced. ■

Federer Loses Suit & Match, Thanks to the Bachchans

First, a silly question, a cliché; what's common between the World Tennis Number One Tennis Star Roger Federer and the Bollywood's best known couple, Abhi-Ash Bachhan? No, it's not sports; but it could be a 'suit' that has gone against Federer, a Swiss national, and cost him his crown.

You know how it is in a billion-dollar-driven competitive sports such as tennis. The Swiss tennis sensation suffered a shock defeat at the hands of unknown Frenchman Gilles Simon in the second round of the Toronto Masters Series recently. It could be due to a bad mood.

Yes, Federer had gone through a gut-wrenching Wimbledon hangover, when lost to Rafael Nadal, but what the hell's going on with Roger?



The story goes that Federer was in Toronto for the Rogers Cup, arriving at Hilton Toronto on July 18, expecting to be given his favourite suite, unofficially known as the 'Federer Suite'. He has always been given the suite. But to his surprise, he discovered that his suite had been allotted to Bollywood stars Abhishek Bachchan and his wife Aishwarya Rai who were also in Toronto for a show called The Unforgettable.

Abhishek and Aishwarya had checked into Hilton Toronto two days earlier than Federer, and were given the Federer's suite, under pressure from the local organizers of the Unforgettable show.

When Federer arrived at Hilton Toronto on July 18, he was disappointed to find his suite occupied and tried to argue with the hotel authorities about getting it, but his efforts went in vain. The hotel authorities politely refused to give him his favourite suite. Aishwarya and Abhishek stayed in Hilton Toronto till July 19. Federer had to stay in another suite until then.

Federer, a finalist of the Toronto Masters Series last year, could lose his top ranking, which he has held since 2004.

Federer had moved from his birthplace of Basel to the "tax paradise" of Wollerau in canton Schwyz, central Switzerland.

Federer's new permanent residence, which he shares with his partner Mirka Vavrinec, looks out over Lake Zurich and has more room for his trophies, which he had been forced to keep at his parents' house. ■

Sharp Slowdown in Swiss Economic Growth, But Outlook Stays Positive

Switzerland's economic growth in the first quarter of 2008 slowed down sharply, with effects felt strongest in the financial sector.

Gross domestic product (GDP) grew by mere 0.3 percent on the quarter, compared with a 0.9 per cent increase at the end of 2007, the State Secretariat for Economic Affairs (Seco) said recently. However, despite the GDP dip, the economic outlook remains positive, according to the Swiss Economic Institute KOF.

Growth data showed that domestic sectors such as retail and telecommunications recorded strong business while financial services output dropped sharply. The financial sector's contribution to GDP fell by 2.1 per cent at the start of 2008 compared with the fourth quarter in 2007.

Private consumption, which represents about 60 percent of GDP, showed signs of stable growth at 0.4 percent and increases were seen in housing, energy, food, beverages and tobacco and communications.

"It basically confirms what most observers of the Swiss business cycle have felt recently," Michael Graff, KOF economist said. "GDP is still growing. There is a slowdown, no one would deny that, but we are still in a very comfortable situation."

He added that despite rumours of crisis and collapses, private consumption remained strong.

Bernard Lambert, economist at the Pictet & Cie bank, predicted that the slowdown would continue into the next quarter. He commented that the data also showed the different economic sectors were "moving in a variety of directions".

Seco says growth in the first quarter was mainly driven by household expenditure and investment in fixed assets and software. Total investment increased by 1.2 percent, with growth in medical devices, precision instruments and vehicles increasing above average.

Exports of goods rose by 1.0 percent while that of services remained almost stagnant at 0.2 percent. Imports of goods and services dropped by 0.26 percent and 6.1 percent respectively.

"Services exports are probably the item which might be most affected by the international financial crisis, and it is still positive. As the Swiss financial sector contributes quite a lot to Swiss service exports, that's good news," Graff said.

"The general picture is basically as we expected, with exports slowing down from the very high levels they had in recent years and GDP slowing down from the very high level it showed in recent years."

Graff said that would happen even without the international financial crisis and the slowdown as GDP had been growing above potential for some time.

"But there is no sign of a recession, nothing really to be worried about," he added.

KOF predicts GDP potential growth of around 2.0 percent for 2008, and the Swiss National Bank expects growth between 1.5 and 2.0 percent this year. ■

Swiss Farmers Voice Concern over WTO Talks in Geneva

Swiss farmers have warned that the current round of negotiations at the World Trade Organization (WTO) will spell the end to many family-run small holdings.

A declaration by farmers' representatives from various countries was published in Geneva as negotiations continued on achieving a global trade agreement.

The Swiss Farmers Association said moves towards further liberalisation were failing to solve the global food crisis and were worsening environmental problems.

The declaration said only major exporting countries, including the United States, Brazil and Australia, stood to benefit from the proposals to reduce customs tariffs.

The farmers' representatives called on the WTO to respect the right of every country to produce food for its own population.

The week-long talks are seen as the last chance to save the seven-year-old Doha round of trade talks before November's US presidential elections. ■

Switzerland Posts Record Trade Surplus in First Half of 2008

Switzerland has produced a record trade surplus of SFr9.7 billion ($9.55 billion) in the first half of the year 2008.

Exports increased 7.5 percent to SFr105 billion, while imports rose 4.7 percent to SFr95 billion between January and June 2008, according to figures released by the Federal Customs Office. The surplus is a 44.8 percent gain on the results of the first half of 2007.

The price of exported goods has increased by 9.2 percent so far this year, with eight of out 10 sectors of industry experiencing growth.

Textiles and clothing exports fell by 2.3 percent and 2.9 percent respectively. Foodstuffs, drinks and tobacco had the biggest growth at 17.6 percent, ahead of the watch industry exports which grew by 14.9 percent. Precision instruments, chemicals and electronics all rose by around seven percent.

Exports continued rising when compared with the same period of 2007 while imports shrunk by more than half when compared to last year.

Surge in arms exports

Swiss arms exports grew by 63 percent during the first six months of 2008, with Pakistan the biggest customer, according to the Federal Customs Office.

Exports totalled SFr348 million ($342 million) and are set for a 20-year high. The figures took into account the delivery in April of an air defence system to Pakistan. The controversial order was first approved by the cabinet in 2006 but temporarily suspended due to tensions in the country.

Denmark spent SFr44 million on Swiss arms, making it the second-largest buyer, followed by Germany at SFr36 million, Belgium at SFr35 million and Britain at SFr25 million.

Last month the government approved the export of weapons to Saudi Arabia, Egypt and South Korea.

A pacifist group, Switzerland Without an Army, has collected enough signatures to force a nationwide vote for an arms export ban. No date for the ballot has been set so far. ■

ABB 2nd Qtr Net Up 34pc at $975 mln

The Swiss-Swedish engineering group ABB has seen its second-quarter net profit jump by 34 percent.

The company's bottom line rose to $975 million (SFr1.01 billion), it said on Thursday, having taken advantage of strong global demand for power generation infrastructure.

The group is benefiting as Europe and the United States replace ageing power systems, while rapid economic growth in emerging economies is forcing countries such as India and China to invest heavily in power infrastructure.

Second-quarter operating profit rose 42 per cent to $1.4 billion on revenue up 27 per cent at $9 billion, while orders rose 31 per cent to $11.3 billion. The earnings before interest and tax margin rose to 16.1 per cent from 14.4 per cent in the year-ago period.

ABB raised its growth outlook for its automation activities to "clearly above 10 percent", having previously forecast around 10 percent. It reiterated its forecast of about 15 to 20 percent growth for its power-related activities.

Investors are now looking for clues as to how cash-rich ABB will spend its war chest after it named GE top manager Joseph Hogan as its new chief executive this month. The company was sitting on $6 billion in cash at the end of the second quarter. ■

Roche's Hat-Trick of Buying Three Firms in Three Days

Swiss pharmaceutical giant Roche has announced plans to buy Arius Research of Canada for C$191 million (SFr195.6 million).

Roche said the move the latest in a series of purchases of North American biotechnology companies would give it access to a new screening platform for antibody therapeutics, FunctionFIRST.

"Arius's promising platform and early pipeline of new antibody candidates represent an excellent fit with our own progressing research in the fields of cancer and immunology," said Lee Babiss, head of global research at Roche on Wednesday (July 23).

On Monday (July 21) Roche announced a $43.7 billion (SFr44.7 billion) offer for the remaining shares of the biotechnology pioneer Genentech. Roche already owns 55.9 per cent of the California-based company, manufacturer of the widely prescribed anticancer drug Avastin and other popular drugs.

"The combined entity will be the seventh-largest US pharmaceuticals company in terms of market share," Roche said in a statement. The total offer is the largest ever made by a Swiss concern for a takeover. Roche has been a partner with Genentech since 1990.

The same day, Roche revealed that its profit for the first half of the year had dropped by two percent to SFr5.732 billion. Turnover fell by four percent to SFr22.004 billion.

A day later (July 22) Roche said it would buy the gene therapy company Mirus Bio for $125 million. The Wisconsin-based company is developing RNAi, or gene silencing, a technology that uses mechanisms within the body to target and "turn off" certain genes associated with cancer and other diseases.

Roche said it would maintain an RNAi research site in the US after the takeover. The move is expected to be completed during the second half of this year, Roche said.

Last year Roche acquired rights for the gene-silencing technology of biotechnology company Alnylam Pharmaceuticals as part of a deal potentially worth $1 billion. ■

Solar-Powered Swiss Research Aircraft 'Sky-Sailor' Sets Record

A solar-powered aircraft developed by the Federal Institute of Technology in Zurich has flown from Zurich to London, setting a world record.

The 2.6-kilogram autonomously controlled Sky-Sailor flew more than 27 hours to complete the 874.4 km journey at an altitude of between 200 and 400 metres.

It was not the first aircraft of its kind to fly more than 24 hours, researchers said, but was the first to do so without using thermal winds or altitude gain before nightfall.

On the craft's 3.2-metre wingspan are 216 silicone solar cells able to deliver up to 90 watts of power during peak sunlight. The power consumption of the aeroplane is 16 watts at level flight.

The goal of the project is to eventually develop an aircraft to fly months-long reconnaissance missions over Mars, said André Noth, the Sky-Sailor's project manager.

The next phase of the project will be to develop a similar aircraft that flies at 13,000 metres - conditions more comparable to Mars. ■

Credit Suisse 2nd Qtr Net Up, But Still Way Down

Switzerland's second-largest bank, Credit Suisse, has reported a second-quarter net profit of SFr1.2 billion ($1.16 billion), 62 percent less than one year ago.

The bank, which reported a SFr2.1 billion loss in the first quarter, its first quarterly loss in five years, said that its investment bank, private bank and asset management business had all posted profits.

Credit Suisse had been expected to post a net profit of SFr526 million in the second quarter, according to a Reuters poll.

The Credit Suisse Group has lost billions in the United States subprime mortgage market and was forced to admit billions more from a trading scandal.

"At a time when many competitors are questioning their business models, our strategic direction is clear and consistent," commented the group's chief financial officer, Renato Fassbind.

He added that the credit crunch was "definitely still here" and that volatility would continue for the time being."Given our strength, this period of change in our industry will provide Credit Suisse with unprecedented opportunities," Fassbind said.

The group, which has emerged less damaged from the turmoil than other big names notably its rival UBS said net new money in its wealth management unit rose to SFr15.5 billion, up from SFr13.3 billion a year ago

UBS, Switzerland's largest bank, is due to report its second-quarter figures on August 12. ■

Swiss Astronomers Discover Three Orbiting 'Super-Earths'

Swiss researchers have announced the discovery of three "super-Earths" orbiting a nearby star, as well as two other solar systems with small planets.

They said their findings, presented at a conference in Nantes, France, recently that Earth-like planets may be very common.

"Does every single star harbour planets and, if yes, how many?" asked Michel Mayor of Geneva Observatory. "We may not yet know the answer but we are making huge progress towards it," he said in a statement.

The trio of planets orbit a star slightly less massive than our Sun, 42 light years away towards the southern Doradus and Pictor constellations. A light year is the distance light can travel in one year, about 9.5 trillion kilometres.

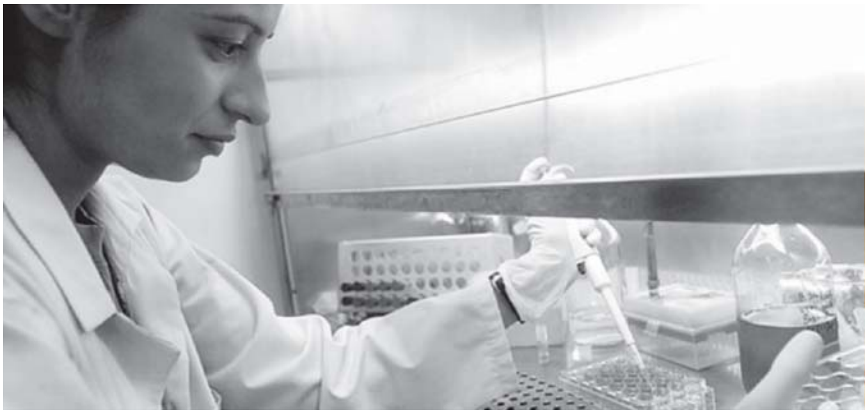
The planets are bigger than Earth up to 9.4 times the mass and orbit their star at extremely rapid speeds. The slowest takes just 20 days compared with Earth's 365.

Mayor and colleagues used the High Accuracy Radial velocity Planet Searcher (Harps), a telescope at La Silla observatory in Chile, for their search.

More than 270 so-called exoplanets have been found. Most are giants, resembling Jupiter or Saturn. Smaller planets closer to the size of Earth are far more difficult to spot.

None can be imaged directly at such distances but can be spotted indirectly using radio waves or, in the case of Harps, spectrographic measurements. As a planet orbits, it makes the star wobble very slightly and this can be measured. ■

Swiss R&D Stays High in Global Rankings



Switzerland remains a leader in science, research and development but Scandinavian countries and Japan often overtake it, a survey has found.

Switzerland spent more than SFr13 billion ($12.9 billion) or 2.9 per cent of its gross domestic product on R&D in 2004, according to a science and technology indicators study published by the Federal Statistics Office recently.

That earned the country a sixth place ranking among members of the Organisation for Economic Cooperation and Development (OECD), where the average is 2.25 per cent.

The number of internationally recognised patents in Switzerland 107 per million inhabitants was in 2005 only beaten in the OECD by Japan, with 119. Nevertheless, Switzerland held just two per cent of the total number of patents in the OECD that year.

When it came to innovation, Switzerland placed second, driven by the dynamism of its enterprises, although the Statistics Office noted that the country's rate of growth was decreasing. Sweden came in first.

Some 30 per cent of the population between the ages of 25 and 64 have completed higher education studies, which is considered a significant reservoir of resources for research and development.

That ratio placed the country above the average of the 27 members of the European Union, ahead of France and Germany. ■

Swissmedic Warns Against Botox 'Anti-Wrinkle' Treatment

The Swiss authorities have issued a warning about the harmful side effects of the "anti-wrinkle" treatment known as Botox.

The supervisory agency, Swissmedic, said there had been an increased problem with the non-controlled use of products using the active substance, botulinum toxin, in cosmetic "off-label use".

This means the use of medicines for purposes outside the scope of what is permitted in the information relating to the medicine.

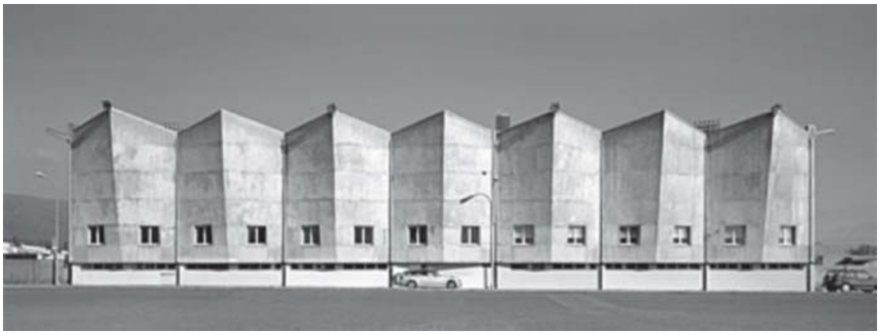
The muscle-paralysing effect of type A botulinum toxin is increasingly used in Switzerland for cosmetic treatment of skin wrinkles.

Its use for this purpose is frequently and falsely claimed by commercial suppliers to be a simple, uncomplicated cosmetic treatment by means of an extremely minor procedure, Swissmedic said recently.

Referring to reports by the United States Food and Drug Administration (FDA), Swissmedic said the product could spread and lead to problems with swallowing and breathing if applied to the throat area.

If large quantities reach the bloodstream, paralysis may occur, it said. In the worst case, there is danger of suffocation. ■

Watchmaking Town Wins Prestige Heritage Prize



The town of Grenchen in northwestern Switzerland, with a history of 150 years of watchmaking, has recently been presented with the prestigious Wakker Heritage Prize.

The award is made annually by the Swiss Heritage Society (SHS) to a town or village in recognition of successful town planning developments.

SHS president Philippe Biéler praised Grenchen in particular for its thoughtful renovation of several of its post-war buildings, and to the way it had enhanced its streets and squares.

In accepting the prize the mayor, Boris Banga, said he regarded it not only as a reward for past efforts, but as an encouragement to continue in the same way.

Grenchen is located at the foot of the Jura mountains. It is a relatively young town, which has developed as a watchmaking centre over the last 150 years. Its image suffered during the recession of the industry in the 1980s.

Lucerne Echoes to Yodelling

More than 350,000 visitors poured into Lucerne recently to enjoy the sound of yodelling and watch traditional customs.

Helped by the sunny weather, the number of participants and spectators set a new record at the federal yodel festival, which is held every three years in a different town.

Finance Minister Hans-Rudolf Merz was among the guests at the official ceremony at the beginning of the third and final day of the Federal Yodelling Festival.

"Politicians could learn from yodellers not to get out of tune even when singing difficult songs," said Merz.

In the afternoon of the day a procession of 50 different groups from all over Switzerland passed through the streets of the town to mark the end of the festival.

Other events at the festival were competitive yodelling, alphorn playing and flag tossing. The organisers were pleased at the high standard of the competitors. More than half the yodellers and one third of the alphorn players were awarded top marks.

For two days after dark a show was put on with music, lights and fireworks over Lake Lucerne. The next festival will be held in Interlaken in 2011. ■

'Lost Goyas' Found in Private Swiss Collection, Fetch Record Price

Three sketches from the Spanish painter Francisco Goya that had been missing for 130 years have been sold for £4 million (SFr8.13 million) in London.

The drawings, deemed to be in "exceptional" condition, were discovered in a private Swiss collection. They had never been framed or seen the light of day.

The works from the man considered the last of the Old Masters were last recorded at a Paris auction in 1877. Tuesday's sale took place at Christie's.

The piece, They Go Down Quarrelling, sold for £2.28 million more than twice the pre-sale estimate and a world record for a Goya work on paper sold at auction.

Repentance sold for £959,650 and The Constable Lampiños Stiched Inside a Dead Horse sold for £769,250. ■

Habsburgs The Swiss Dynasty that Ruled Europe

The Habsburgs were a dynasty that shaped European history as no other has done but they had their modest roots in Switzerland.

The year 2008 has been designated Habsburg memorial year. It is the 900th anniversary of the first documented mention of the family name, and the 700th anniversary of the assassination in Switzerland of the second Habsburg king.

For most Europeans the Habsburgs are the family which for centuries held the throne of the so-called Holy Roman Empire, which later became the Austro-Hungarian Empire and ended only after the First World War. For 200 years they sat on the Spanish throne and ruled large swathes of the Americas as well.

But they have traditionally had a bad press in Switzerland; in the Middle Ages they held large amounts of land in what is now Swiss territory and came into conflict with the independent communities who were struggling to assert their own freedoms.

Over the years more and more communities came together and Switzerland gradually grew as a loose confederation, including city states like Zurich and Bern, who had different interests of their own to defend and assert.

This was the context in which the Swiss repeatedly clashed with the Habsburgs, gradually winning control over what had once been the Habsburg heartland.

The legend of William Tell, who refused to accept the dictates of the Habsburgs' wicked governor Gessler, is a part of Swiss identity. Every year celebrations mark the key 14th century victories over Habsburg armies at Morgarten, Sempach and Näfels in the Swiss heartland.

"The House of Habsburg helped shape Switzerland," said Economics Minister Doris Leuthard at an official ceremony to mark the memorial year. "We grew by resisting the Habsburgs."

But this is only one side of the coin. The organisers of the Habsburg Year hope to set the family's achievements in perspective.

The celebrations are concentrated in the northern canton of Aargau, where the Habsburgs had their first castle and where they still owned a last strip of territory up until 1797.

The small town of Brugg, near the original Habsburg castle, is housing one of several exhibitions. "We want to show a piece of Aargau history which people aren't so familiar with, because the Habsburgs tend to be portrayed as the baddies in Swiss history," Peter Frey, one of the curators of the exhibition, said.

"People here in Aargau learn the same history as everyone else in Switzerland, so they are really interested to see another side."

The forefathers of the Habsburgs probably came from Alsace, but at the beginning of the 11th century one of them, Count Radbot, settled close to what is now Brugg and ruled his lands from there. According to the story Radbot had lost his hawk Habicht in German while hunting. He found it on a hill which seemed perfect for a castle, which he built and named after the bird.

But it was only about 80 years later that the name of the castle was applied to the family: it first occurs in a document of 1108 when count Otto von Havichsberg joined a campaign against the Hungarians.

They were originally minor nobles just like many other families, but by a combination of skill and luck they acquired more and more land and power. In 1273 Rudolf von Habsburg became the first of the family to be elected German king, the supreme ruler of the empire.

By the time he died in 1291 he had managed to secure much of the territory of today's Austria for his family, moving the centre of their power eastwards for ever.

"He was a skilful diplomat, an experienced fighter, a charismatic personality and a pragmatist, in other words all the qualities needed to be a successful politician," said Frey.

The small communities in central Switzerland who wanted to govern themselves were faced with a paradoxical situation. It was only the emperor who could grant them the freedom to do so, but the Habsburgs as major landholders in the region had an interest in curbing their freedoms.

When Rudolf died, the three rural communities of Schwyz, Unterwalden and Uri took an oath of mutual support in case his successor tried to take away their freedoms. This oath is traditionally regarded as Switzerland's founding act.

Luckily for the Swiss, at this time the empire did not yet fall automatically into Habsburg hands. Rudolf's son Albrecht became German king in 1298, but was murdered by his nephew over an inheritance in 1308. By the time the Habsburgs started succeeding each other, the Swiss had more or less thrown them out.

But Frey pours cold water on the heroic accounts of Swiss victories written by chroniclers from the winning side.

"In reading Swiss history you always have to reverse the figures. A people's army whose men can be called up is always stronger than an army of knights. When we hear that 400 Swiss beat 1,500 Habsburg troops, in actual fact it was probably 1,500 Swiss who beat 400 Habsburgs. You'll always win if there are more of you."

Furthermore, the Swiss and the Habsburg perspectives were somewhat different. The Habsburgs were extremely successful in enlarging their lands to the east. Their holdings in the west thus became less important.

When in 1415 the Swiss Confederates seized most of what is now canton Aargau, including Habsburg castle, it meant a certain loss of prestige but not much more.

"It was just a tiny scrap of land that they had lost, of little significance," says Frey.

For the people of Aargau, they merely swapped Habsburg governors for Swiss ones.

After 1415 the Habsburgs still owned only the Fricktal area along the Rhine. One much later ruler is still respected there: Maria Theresa (Theresia in German), empress from 1740 to 1780.

"Until recently at least lots of girls in the Fricktal were called Maria Theresia," says Frey. "The reforms she introduced were very beneficial for the area. For example, she introduced obligatory fire insurance, and when the Fricktal became part of canton Aargau in 1803 part of the agreement was that fire insurance must be made obligatory in the whole canton. That's why even today Aargau has the lowest insurance premiums. The fund has been invested for 200 years!"

And the connection went on: The hearts of the last crowned members of the dynasty, Emperor Karl I and his wife Zita, are buried in the Habsburg vault in Muri monastery, founded by Karl's distant ancestor nearly 1,000 years ago. ■

Swiss Head for Sun, Sand & Silvery Beaches

Swiss tourists are heading for the beach this year, with the Mediterranean a favourite destination. Making a strong reappearance is Egypt, particularly the Red Sea.

The weak dollar and less fear of terrorism means that trips to the United States are also undergoing a boom, report travel agencies.

Summer is here and the Euro 2008 football championships are over. The Swiss are in a holiday mood, and for many of them this means heading off to the sun. Switzerland's main agencies say that the Mediterranean remains the destination of choice.

Top places are Spain, particularly the Balearics and the Canary Islands, and the Greek Islands, such as Crete and Kos.

"You don't have to fly that long, it only takes two to three hours to get there," Peter Brun, spokesman for Kuoni, the country's largest operator, said.

Egypt is this year emerging as a winner. At Hotel plan it is currently the second most popular trend destination.

Red Sea

"The Red Sea is the most popular area rather than travelling around because it's so hot in Egypt. You can snorkel and go scuba diving at the Red Sea," spokeswoman Sandra Stampfli said.

The country has not always enjoyed such popularity. In 1997, 36 Swiss tourists were shot dead alongside 26 others by militants in Luxor, leading to a decline in tourism to the country.

"The region is very calm, especially in the last three years, and Egypt is also outside the euro area and is good value for money," said Kuoni's Brun. New resorts have also sprung up.

The euro currency does not seem to be influencing bookings as much as last year, says Brun. However, it may be a factor in putting people off visiting Swiss neighbour Italy, some agencies say. Pictures of piles of rubbish in Naples may also not have helped.

At TUI Suisse, Croatia is emerging as an alternative to Italy, spokesman Roland Schmid said.

There is also a big move towards the US this year. Kuoni reports that bookings are up almost 20 percent in comparison with 2007, and at Hotel plan it is the number one trend destination.

The weak dollar is one reason, say travel agencies. But the Swiss also seem to simply like the US especially touring around the Rockies or California in a camper van. New York, for shopping, and Miami are also popular later in the year.

"Many people didn't go to the US in the past few years, or

it's the first time that they are going, because of September 11. Now it's a trend destination," said Brun.

TUI Suisse has also seen interest in the US rise, with Canada being popular too. The weak dollar helps Swiss tourists when it comes to meals and entry tickets, said spokesman Schmid.

Overall there seem to be two factors that are not affecting the Swiss and their holidays: the weather and the economy. People simply want to go away during July and August.

"People want to leave their everyday lives. You can have beautiful holidays in Switzerland but the Swiss like to go abroad for different cultures and they like the beaches and the sea, because they don't have it in Switzerland," said Kuoni's Brun.

At TUI Suisse bookings are up by ten to 20 percent on last year, especially in family and club holidays. Higher airline fuel prices do not appear to have affected bookings, said Schmid.

Brun says that in any case most people booked their time off earlier in the year before any fuel surcharges were imposed. Even worries about the economy are not affecting people's holiday mood.

"People are still treating themselves to holidays," sais Hotelplan's Stampfli. "Perhaps they simply forgo something else instead." ■

Enduring Swiss Connection Takes Chandigarh to Greater Glory

An Indian town designed by a Swiss architect is set to join the ranks of the UNESCO World Heritage sites in 2009.

Swiss-born Le Corbusier oversaw the building of the city of Chandigarh - the only one of his town designs ever to be realised - during the 1950s.

For Indians, the town - 250 kilometres north of New Delhi - is already synonymous with success.

"You know, it is the Indian town that has the highest number of cars per resident." This fact is proudly repeated by the Chandigarhis, but not as a way of complaining about pollution. They mean that it is quite simply the richest town in the country.

Instead of cows in the streets, there is golf for the rich. And iPhones sold like hot cakes before their official release in the rest of the country.

Le Corbusier's plan was simple: around 60 identical rectangles 800 by 1,200 metres linked by large avenues. Each of the districts was designed to be

autonomous with its own shops, schools and temples. Everything is a ten-minute walk away. The stress is on rationality - the only exception being the lack of a 13th district, one of Le Corbusier's superstitions.

In the north of the town, the architect built its administrative buildings in his very recognisable style. The parliament, government and courts of justice stand at the end of long avenues, rough concrete against the blue sky.

Although some people complain that the material used for the building is not suitable for the heat, most inhabitants love the town. They have even nicknamed it "the town of son-in-laws", claiming that the girls of Chandigarh who go to live far away with their in-laws, always end up returning there with their husbands.

It has to be said that Chandigarh boasts an unparalleled quality of life when compared to other towns in the country. "It is the most beautiful town in India: the greenest, the cleanest and the best organised," enthuses one resident of 40 years' standing.

Hundreds of acacia, poplar and plane trees line the avenues. At the heart of the town, Le Corbusier set aside dozens of hectares for parks. Its artificial lake has become the relaxation spot for families at the weekend. Rarely for India, there is no rubbish in the roads, on lawns or at the lakeside.

This is largely to be explained by the make-up of the population. Ever since it was built Chandigarh has been a town of bureaucrats, a ghetto for the middle and upper classes from which the poor are excluded.

The town is also famous for its university. On an American-style campus, Chandigarh boasts one of the best law faculties in the country, a prestigious architecture faculty and a highly respected university hospital.

"By ordering the construction of Chandigarh, [former Prime Minister Jawaharlal] Nehru wanted to build a town of knowledge and in this sense it is a success," says a senior journalist. At once the town attracted students from all over India.

"I always wanted to come to Chandigarh for its university," explains Rajendra, a student originally from Rajasthan, in between two law classes.

"I would love to stay after finishing my studies but it is difficult to find a house and work here."

And that's the rub. Initially planned for a population of 150,000, subsequently adapted to accommodate 500,000, the town now has around 1.5 million inhabitants. While the population continues to grow, the town is paralysed on a daily basis by rush hour traffic jams.

"We are studying the possibility of building a metro and underground parking facilities, but there's a terrible shortage of land, especially for creating new districts," explains Sunita Monga, the town's chief architect.

Crammed as it is into its tight straightjacket, the town still needs to find space for another 60,000 or so workers to meet the needs of booming information technology companies. Include their families, and 250,000 new arrivals could be settling there in the coming months.

How can it grow without being disfigured? How can it respond to the challenge of a double boom - economical and demographical while still respecting the architectural heritage of Le Corbusier?

Town planners like Madhu Sarin don't know where to turn. "Chandigarh is a horizontal town. There are no tall buildings. It is impossible to build skyscrapers without disfiguring it. Le Corbusier, for example, only provided for eight courts while today we need 15 to 20 to deal with all cases. But you can't add an annexe to a Le Corbusier building."

Chandigarh has other problems to deal with too: corruption, speculation, lack of transparency in decision-making. Becoming a world heritage site will help protect Le Corbusier's creation. Only 60 years after its creation the mere blink of an eye in the history of a town - it will be added to the prestigious UNESCO list next year.

Jawaharlal Nehru, India's first prime minister, asked Le Corbusier to create a city that would be "a symbol of the nation's faith in the future, unfettered by the traditions of the past."

The architect gave India a fundamentally western-style, international town. ■