



e-Bulletin September 2014

Swiss Chamber of Commerce in Turkey



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PLATINUM PATRONS



GOLDEN PATRONS



SILVER PATRONS



EVENT PATRONS





Editorial

Honorary Consul of Switzerland in Mersin

Filip Tahinci

Dear Readers,

I have the pleasure to address you in this issue of the newsletter of the Swiss Chamber of Commerce, as the Honorary Consul of Switzerland in Mersin. I take this opportunity to send you all my greetings from beautiful Mersin, 8th biggest city in Turkey located along the Mediterranean sea.

The city's sectoral representatives, local authorities, representatives of non-governmental organizations, scientists and experts have pursued a study in previous years and came up with three major business sectors to be targeted in Mersin:

- + Agriculture and agricultural industries**
- + Tourism**
- + Logistics**

Accordingly, three initiative committees have been established with the participation of all parties involved.

The province of Mersin is a part of Cukurova, one of the most fertile agricultural sites of Turkey. Mersin is ranked 1st in fruit production with 10% of Turkey. Turkey's 65% of banana production and 55% of

strawberry production is achieved in Mersin. In addition, strategies are being implemented to increase industries related to agriculture.

For many years Mersin region has been relatively less attractive for tourism compared to other seaside areas in Turkey, however it is a fact that in average there are 300 sunny days per year in Mersin. The Ministry of Tourism has declared 6 areas in Mersin as "Tourism Centers", accordingly major well-known construction companies have allocated land with the aim to build touristic hotels and complexes.

For the last 200 years, Mersin has been considered to be strategically well located, specially for the logistics of all commercial activities in the hinterland. Today, Mersin port is the 3rd largest port in Turkey which serves a large hinterland including Adana, Gaziantep, Kahramanmaras, Hatay, Nigde, Kayseri, Karaman, Konya. Due to the geographical location, efforts are being spent to turn Mersin to a logistics center, like Dubai and Barcelona.

As honorary Consul, one of my duties is to promote business contacts and the Swiss economic interest in this region. Accordingly, I will be happy to assist all

members of the Swiss Chamber of Commerce and all their possible contact parties in Switzerland. Please do not hesitate to contact me. You can reach me from

mersin@honrep.com.

Sincerely Yours,

Filip Tahinci



Interview with...

Name: Müriyel Hayirel

Position title:
Senior Representative, Union
Bancaire Privée
Istanbul Rep Office

Date/Place of Birth:
Istanbul, 17.05.1956

Marital status:
married

Education:
Boğaziçi University

Mrs Hayirel, tell us a little bit about your background.

After graduating from Robert College, I received my degree in management from Boğaziçi University.

I am married with two daughters and three grandchildren. I worked as an English teacher with young children, all through my college years and well after.

Before entering the Banking industry, I have worked in the marketing of pre-school software programs, while raising my family. But my interest in financial markets has always kept my eyes on the banking industry. I have worked in the field for almost twenty years now and have been with Union Bancaire Privée for thirteen years.

What is your impression of Turkey and the Turkish market so far?

Turkish economy is one of the fastest growing economies in Europe and the Turkish financial system undoubtedly benefits from this rapid growth. Thanks to the major structural reforms in early 2000s, the regulatory structure of the system is clearly defined, and well managed by competent independent regulatory bodies, such as the Banking Regulation and Supervision Agency (BDDK). Together with the wealth accumulation of the society and the positive operating environment, there is an increasing interest on Turkish financial system, which evidently leads to higher competition with new names in the market. The human resource quality of the sector is already good, but further investments in HR are required, since the financial

literacy of the Turkish investors have improved significantly in the recent years. We believe that, the financial institutions that can offer client-specific solutions with highly qualified staff are likely to outperform their peers in the future.

Name us three extraordinary things about UBP?

First, I can tell you that with assets under management of CHF 88 billion as at the end of December 2013 and a professional workforce of 1350 people, UBP is a major player in Switzerland's wealth management industry. The Bank is headquartered in Geneva and also present in twenty locations around the world. The Bank distinguishes itself through its healthy and solid balance sheet an excellent financial base with a Tier 1 ratio of 29 % -well above regulatory requirements-UBP

ranks among the most strongly capitalized Swiss banks.

Secondly, UBP with its outstanding financial expertise, is committed to providing its clients with investment solutions which offer high added value and are tailored to their particular needs, as well as first-class service and transparency. As an illustration, UBP proposes a top tier Turkish equity fund which is managed out of London by a Turkish national.

And thirdly, innovation lies in the heart of our development and is one of our priorities. The product – innovation process that we have put in place is designed to take advantage of the best opportunities and to respond to regulatory developments.

What is the biggest challenge UBP is facing in Turkey?

I think the biggest challenge that we are facing is the regulatory change that is taking place not only in Turkey, but in the whole world. The financial investor should understand, educate and position oneself towards a more transparent and regulated world in the very near future.

What future plans does your company hold and what are your upcoming projects?

Union Bancaire Privée has been present in Turkey for more than twenty years now. We are a Representative Office with certain limitations in banking activities that reports to the Banking Regulations & Supervision Agency.

The Bank is committed to our country and is always considering opportunities to strengthen our local expertise. For example, we have recently hired 2 analysts sitting in our Istanbul representative office in order to research local companies to support the investment case and decisions of our Turkish equity fund manager.

What role does the Chamber of Commerce play in your business life?

We have been a member of the Chamber for a while now and I am a member of the Board as of March 2014. I think it is a fantastic networking organisation with Turkish and Swiss company professionals from very different sectors that provides its members interesting information, solutions and networking, through very well organized, high class meetings and events.

Is there anything else you would like to add that would be of interest to our SCCT Bulletin readers?

I think we should add a section of “suggestions” for all our readers in our SCCT Bulletin.

As Marie Curie once said:

“Be less curious about people and more curious about ideas”.



Memories from a Swiss Education

Name:

Cemil Sönmez

Company:

Sönmez Holding – Baia Hotels

School:

TASIS - The American School In Switzerland

Place:

Lugano

During which time period have you gone to university in Switzerland?

I studied at The American School in Switzerland between January 1998 and May 2001 for my high school education.

How come you went to Switzerland? Whose influence was behind this idea?

I have two older brothers who went to TASIS as well so it was an easy decision for me. They highly recommended me to go there and I was able to study one semester with my brother. We also have a work relationship with a company in Lugano which is owned by our good friends.

Do you have any special memories?

I have so many special memories that I could write a book about them. Second semester of school year would start in Crans Montana and it was everyone's favourite. For two weeks we could both go to classes and spend time on the beautiful slopes. It was such a bonding and fun experience which fits the whole Swiss education experience. I revisited Crans Montana after I graduated and again enjoyed the delicious Fondue and Raclette at their restaurants.

Please give us a brief insight on your personal experiences during that time.

The years I spent in Lugano were very important to me since they were my high school years. I believe best friendships are made in high school and I couldn't have chosen a better school and city. The fact that it is an international school provided me with friendships from

all over the world. I am amazed to start conversations and jokes from where we left off maybe ten years ago. Friendship bonds were very strong. Classes and teachers were top quality. Sports activities were highly encouraged which I liked a lot because I played in the football and basketball teams. I enjoyed travelling to other schools to play games on weekends. Lugano is such a safe and beautiful city which is very close to Milano so I could easily go for a weekend.

What is so special about Swiss education? What do you appreciate most having studied in Switzerland?

I believe TASIS is one of the most special schools in the world. Its location, heritage and educational system are very unique. As I mentioned the friendship bonds were very strong not only between schoolmates but also faculty. Everything was well thought out in terms of class, study, sports hours and overall life in a boarding school. I could choose to take harder classes for example in Math or Science if I found it was easy for me and I liked that flexibility. Living in Lugano also helped me learn Italian as my third language. TASIS also formed a very solid foundation for my collage study in the USA.

What would you recommend Turkish parents who want to send their children to a Swiss boarding school?

Sometimes parents think twice before sending their children abroad for high school. However, schools like TASIS offer great boarding school facilities and I believe that was a lifetime experience for me. It teaches to take responsibility and make decisions on your own in a controlled environment. I highly recommend it.

News from Members



Interview with General Manager of Evren Saat, EVREN MERİÇ

Mr Meric, could you please tell us about the history of Evren Saat?

Evren Saat is a family owned watch company, which joined the business in 1974. At first, with my grandfather's support, who used to be a school principal, my father had taken first steps in starting this business. We are now operating seven watch stores in Istanbul, and also started for the distribution of Louis Erard watches from Switzerland, and Cesare Paciotti watches from Italy. We are presenting more than 65 world-known watch, and fashion brands to our customers in our stores.

How do you see the watch business in Turkey, and what are your expectations?

Turkey is a fast growing country, and has a very young population, that is why there is a huge possible potential for both in the watch business, and also for other businesses. Nowadays, the meaning of watch is changing. It used to be a machine that indicates time, but right now it is more than that. It is an instrument, which shows your social and cultural accumulation that also indicates your way of looking to life, and reflects your style. Our main aim in the business is to increase our portion in the watch business year by year.

What is your perspective about watches being as someone who is involved in the business?

I should separate this into two: from ladies' side, and from gents' side. Many of the ladies see watches as jewelery, and ask for precious stones as diamonds, or gold plated watches, or a good looking charming watches. When we look for the gents, we see that they are looking for more complicated and unique watches that differs them from others. Cars, shoes, cell phones, and watches are the main accessories of the gents, and they are always wondering to have the best of these accessories. What I believe is that a watch that has complications, good looking, and taking the attraction of people directly is a good choice. There should be an association between you, and your watch, because it directly reflects you, and the way of your looking to life.

What kind of services do you provide to your customers?

First of all, making customers happy is really important; you may sell a watch but after services are more important than selling the watch. We provide after services to our customers in our stores, and our main target here is to fix the problem as quick as possible. All of our employees are well educated about watches, this is really important because we are providing complicated watches, and they should inform our customers about the details for the use of the watch. Loving your job is the key for the success, and we choose our employees who are addicted to watches, and whose aim is to achieve further.

Finally, could you please share us your upcoming projects or future plans?

We are celebrating our 40th year in the business, and we are planning to make a special event to celebrate this. As I mentioned before, our goal is to increase our portion in the business year by year, and with that target what becomes more important is not to lose our customers' willingness to purchase from us at the same time with that growth. We should keep our capability, and add more talents to increase that portion in the business. So we are open-minded to innovation and modifications in the business.



Evren Meriç, General Manager

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News from Members



SIMALFA.CH

ALFA-KLEBSTOFFE.COM

SIMALFA® expands distributor network in Turkey

The growing market in Turkey requires further actions and an expansion of the current activities. SIMALFA® the market leader in water based environmentally friendly adhesives takes this into account and strengthens its distribution network for the Turkish market.

“The potential for environmentally friendly adhesives in Turkey is huge and expanding our market presence is of the utmost importance. With a staff reinforcement and the extension of our distributor network we fulfill this trend and are able to serve our customers on-site with the outstanding service and know-how they deserve” states the head of sales for the Turkish market Mr. Zafer Tazim.

SIMALFA® is already used in the largest foam converting companies worldwide.

The unique properties of SIMALFA® adhesives are a very high initial tack, which allows a rapid bond development immediately after spraying. Parts sprayed with SIMALFA® can be joined instantly and parts can still be repositioned. Because of the foam's rigidity it has the tendency to spring open, however, when applying SIMALFA® this will not occur. SIMALFA® can be used for all kind of materials in the foam converting industry and upholstery productions.

The high initial tack, the possibility of repositioning the sprayed parts and the broad range of application possibilities of SIMALFA® convince customers all over the world, although the adhesive is absolutely solvent-free (0% VOC). A significant contribution to protect the environment!

For many years the environmentally friendly water based adhesives from the SIMALFA® series provide a real alternative to solvent-based systems and are accepted as standard in the industry. Beside the high initial tack and many other advantages, users like the easy to use system. Complicated and expensive installations or devices are not necessary, that's why a SIMALFA® workstation can be set up with just a few simple steps.

SIMALFA® is applied with the specially designed SIMALFA® free flowing system. For this application the special HVLP spray gun and a specially designed hose set is needed. This application system gives you highest efficiency by lowest investment, and it is very easy to use.

The environmentally friendly adhesive SIMALFA® is a development of ALFA Klebstoffe AG. The company develops, produces and distributes worldwide environmentally friendly adhesives and looks back on many years of extensive experience in the foam converting industry. The synergies of their own technical knowledge and the cooperation with foam specialists form the base of a successful and future-oriented development of their products.



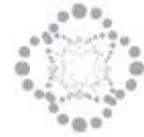
Mr Zafer Tazim, Head of Sales Turkey



News from Members



GLOBAL



BEST GLOBAL BANK

UBS

The clear definition of a radical strategy distinguishes the Swiss bank from most of its peers. The successful execution of that strategy makes it Euromoney's Bank of the Year

Then and now. It's the only way that you can look at UBS. And the turnaround is one of the most dramatic in the history of financial services.

The story of UBS's fall from grace is well documented. Suffice to say that it was one of the first, and biggest, victims of the sub-prime crisis, losing tens of billions of dollars in an ill-judged attempt to be the world's top investment bank.

That, and a series of scandals that culminated in unauthorized trading losses of close to \$2 billion in 2011, had sceptics writing death notices for the firm.

It wasn't just the losses, it was the loss of reputation that hit UBS so hard. At one point it had suffered net outflows of more than SFr200 billion from its core wealth management franchise.

Enter a new CEO and a management team determined to turn the fortunes of the once-safe Swiss bank around.

Just two days after his confirmation as full-time chief executive of the firm, Sergio Ermotti announced one of the most radical repositionings of a global financial services business in November 2011.

The strategy was clear: focus UBS around the areas in which it could and should be a leader. That meant it was a global wealth manager first and foremost, underpinned by a Swiss universal bank and a powerful asset management business, with a greatly reduced investment banking operation that was there to complement its bigger franchises, but with much reduced capital and risk-weighted assets allocated to the division.

While the announcement was broadly welcomed, many doubted that Ermotti could deliver on the strategy. But Ermotti delights in proving the pundits wrong. In less than a year came a new announcement: Project Accelerate. This took the restructuring of the investment bank further than anyone had anticipated, closing or cutting down business lines that could not deliver an economic profit to the group, notably in the troubled FICC sector.

Even some senior executives within UBS thought that Ermotti was going too far. But the markets loved the announcement, with the share price jumping 30% in the next three months.

Now Ermotti had to prove that he could not only produce a strategy, but also deliver on it. And 2013 proved a better year than even bank insiders could have wished.

In 2013, all of UBS's businesses were profitable in every quarter. Group adjusted profit before tax grew 44% to SFr4.1 billion for the full year. Wealth management attracted net new assets of SFr54 billion, 14% more than in 2012, and more in net new assets than the second, third and fourth largest global wealth managers combined. All this was achieved while reducing RWAs from SFr258 billion to SFr227 billion. Since the announcement of the new strategy, balance sheet assets have been reduced by around SFr400 billion.

That strong performance continued into the first quarter of 2014, with profits up 97% on the same period last year. Its 13.2% Basle III common equity tier 1 ratio is an industry leader.



Sergio Ermotti: has proved the pundits wrong over and over again

Its most important industry leader, though, is the global wealth management business. In 2013 it delivered profits of SFr3.3 billion, up 25%. Investable assets globally were close to SFr1.8 billion – giving the group huge scale and influence across financial markets. The Americas part of the business reached a key milestone: it has \$1 trillion in invested assets, \$1 billion of adjusted pre-tax profit, and \$1 million in revenues per financial adviser.

And the investment bank, written off as an impending irrelevance by rivals only 18 months ago, has surprised many. It is picking up deals from highly-priced clients, such as KKR and Deutsche Bank, and showing it can generate economic profit. For the first quarter of this year, the division's return on attributable equity was close to 30%.

UBS still faces some tough challenges. It needs to continue to deliver on its cost-cutting programme. Like all global banks, it is likely to face litigation and fines on legacy issues. It holds SFr3.2 billion provisions. That may not cover the payouts, but more worrying for Ermotti will be if previous misdeeds tarnish the reputation he has worked so hard to restore.

Most of all, UBS needs to show that it can deliver its target return on equity of 15% on its high capital base. So far, it's the one thing Ermotti has failed to deliver. Even accounting for net profit before amortization and impairment of goodwill and intangible assets, UBS's ROE in the first quarter was 10.7%. Analysts suspect UBS needs an aggressive return of capital to shareholders to get anywhere near 15%. But Ermotti has proved his doubters wrong before. Don't put it past him to do it again.

Culture & Art

Save the date! Swiss Festival Invitation for the 20th and 21st September at Quasar, Istanbul

As publicized in our previous Newsletters, the Swiss Festival, which enjoys the patronage of the Consulate General of Switzerland as well as the Swiss Chamber of Commerce, is well on track to take place on the 20th and 21st of September on the premises of Quasar in the heart of Istanbul. The aim being to raise Switzerland's cultural and commercial profile in Turkey, it will provide a promotion platform for Swiss businesses and artists alike during a unique two day occurrence. Below you will find the official program, so why not drop in and be delighted by one the various activities?



SAVE THE DATE

20 – 21 September 2014

Swiss delicacy for everyone!



WORKSHOPS/CONFERENCES/ART MUSIC/DESIGN/GASTRONOMY

Time	Event	Place
20.09.2014 SATURDAY		
11.00	Festival Opening	
12:00 - 13:00	Kids Theatre by Theodora Love Doctors	LaTente
13:00 - 16.00	Taste of V-ZUG	Garden
13.00 - 13.45	Panel: Contemporary Art in Switzerland & in Turkey Moving Museum artists; Tobias Madison, Flavio Merlo, Bea Schlingelhoff	LaTente
14:00 - 14:15	Traditional Swiss Music & Alphorn Course	Garden
14:15 - 15:00	Saadet Türkoz Classical Music Live Performance	Garden
15:30 - 16:00	Panel: Mathieu Jatou Director of Montreux Jazz Festival	LaTente
17.00 - 17.40	Dance Performance - Davide Romeo	LaTente
18:00 - 19:30 VIP PARTY	Taste of V-ZUG	Garden
19:00 - 22:00 VIP PARTY	DJ Performance + Cocktail Reception	Garden
21.09.2014 SUNDAY		
11.00	Festival Opening	
12:00 - 13:00	Percussion Show	Garden
13:00 - 16.00	Taste of V-ZUG	Garden
13.00 - 13.45	Panel: Swiss Design / Pierre Keller & Swiss Designer Patrick Reymond	LaTente
14:00 - 14:15	Alphorn Music / Traditional Swiss Music	Garden
14:15 - 15:00	Alphorn Course	Garden
15.00 - 15.45	Magic Workshop for Kids by Theodora Love Doctors	LaTente
16:30 - 17:30	Dance Performance - İlhan Rüstem	LaTente
18:00 - 19:30	Taste of V-ZUG	Garden
18:00 - 18:45	Concert: Burhan Öcal with Swiss Guest Musician	LaTente
19:00 - 22:00	DJ Performance	Garden

Festival Venue: Quasar İstanbul, Büyükdere Caddesi No:76 Mecidiyeköy, 34393 İstanbul
For more information: sinem@ddf.com.tr

Culture & Art



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Consulate General of Switzerland in Istanbul



European Day of Languages to be held on the 27th September

As in the past years, the Consulate General of Switzerland will be participating with a national stand in the European Day of Languages to be held on the 27th September at the Beyoğlu Municipal Youth Centre between 12 am and 6 pm. Organized by EUNIC, the European intercultural platform for academic and cultural exchange, the event aims to familiarize the Turkish public with the cultural richness of our European languages through various activities such as quizzes, taster courses and music. A total of 12 European countries will be represented at the fair.

Conference „Narcissism and Creation“ 27th and 28th of September in the Auditorium of the Galatasaray University

The Consulate General of Switzerland is a happy to support an interdisciplinary encounter on psychoanalysis, philosophy and art at the Galatasaray University. The event will see the participation of Dr. Adela Abella, a Geneva based training analyst of the Swiss Psychoanalytical Society and President of the Centre de Psychanalyse de la Suisse Romande. Our thanks also go to Mövenpick Hotel Istanbul for their kind contribution.

For registration and further information please visit

<http://www.psikeistanbul.org/>

The main language of the conference will be French.

COLLOQUE DE PSYCHANALYSE ET CRÉATION

LE NARCISSISME ET LA CRÉATION

Rencontre interdisciplinaire de psychanalyse, philosophie et arts...

27 et 28 septembre 2014

Aydın Doğan Auditorium - Université de Galatasaray, Ortaköy - Istanbul

LES INTERVENANTS : Adela ABELLA • Irem ANLI • Nami BAŞER • Anne BRUN • Banu M. BÜYÜKKAL
Bernard CHOUVIER • Nayla DE COSTER • Zeynep DIREK • Nilüfer ERDEM • Yavuz ERTEEN • Alain FERRANT
Christian GUÉRIN • Bella HABIP • Eric JACQUET • Yeşim KORKUT • Nazlı ÖKTEN • René ROUSSILLON
• Jean-Marc TALPIN • Melis TANIK SIVRI • Leyla TANOĞLU

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UNE COLLABORATION DE
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UNIVERSITÉ DE GALATASARAY
PSIKE İSTANBUL, GROUPE DÉTACHÉ EN TURQUIE DE LYON



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Centre de Recherche en
Psychologie (CIRP) UFR P 2





Swiss National Day Celebration

Date: 1st August, 2014

Location: Swissôtel The Bosphorus, Maçka

Swiss National Day Celebration at the Swissôtel The Bosphorus on August 1st

The Swiss National Day celebration is a significant event which is inspired by the date of the Federal Charter of 1291, when three Alpine cantons swore the oath of confederation, an act which later came to be regarded as the foundation of Switzerland.

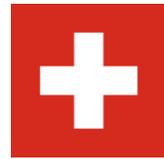
As in the past, the Consul General of Switzerland in Istanbul, Ms. Monika Schmutz Kirgöz, invited for this year's reception at the Swissôtel The Bosphorus on Friday, August 1st, honouring the 723rd anniversary of our country. The occasion drew a crowd of some 450 guests from all walks of life such as politics, economy, diplomacy, academy, finance, society, art and culture, administration, business as well as Swiss citizens living in Turkey.

Whilst various delicious Swiss specialties were served during the festive evening, this year's occurrence was honoured by the presence of the Youth Orchestra Wil from the Canton of St. Gallen. This melodious entertainment by some 70 youngsters offered a mixture of traditional Swiss folk musical and international ever greens, delighting the guests and providing the perfect backdrop to a successful evening.

Thanks and gratitude go to the sponsors for their substantial support for the event. They come from different fields of trade and industry and are not just from Switzerland, but also Liechtenstein and Turkey. Each one of them is an impressive showcase for excellence in his and her own right: **Swiss Chamber of Commerce in Turkey, Novartis, Amac Aerospace, Hilti, Société Général de Surveillance, Mövenpick Ice Cream by Nestlé, Swiss International Airlines, Nespresso, Lindt Chocolates, Esen Moving.**

The Consulate General's gratitude also goes to Swissôtel The Bosphorus who, as in the past, have made us feel at home here on their premises.

See photos on next page



Event Calendar 2014

Month	Date	Subject	Organizer	Type
September	17 September	Innovation Event with Prof. Dr. Claudio Boer	SCCT	Swiss Innovation Series
	20-21 September	Swiss Festival Quasar	Dream Design Factory	Culture
October	1 October	Chamber Corner Networking Event	SCCT, AHK, Advantage Austria	Business Events
	not confirmed	Breakfast Seminar with Gide Loyrette Nouel -Best practices for lease agreements	SCCT	Business Events
	14-17 October	SERV Swiss Export Risk Insurance	SCCT	Business Events
	20 October	"Swiss Career Day", Koç University	SCCT	Education
	24 October	Italian Language Day of Switzerland	Consulate General of Switzerland	Culture
	not confirmed	Networking Event with V-Zug	SCCT	Business Events
November	2-8 November	Delegation from Jura Canton, Ankara, İzmir & Istanbul	S-GE/SCCT	Business Events
	5 November	Lunch for delegation & SCCT members at Mövenpick Hotel	SCCT	Business Events
	not confirmed	Entrepreneurship As an Adventure	Consulate General of Switzerland, ITU & SCCT	Swiss Innovation Series
	not confirmed	ISE World Swiss Education Fair	ISE WORLD	Swiss Education Fair
December	3-4 December	2014 Marketing Summit	MCT	Forum / Fair / Summit
	10 December	10th Swiss Turkish Economic Forum	SCCT	Forum / Fair / Summit
	not confirmed	End of the Year Cocktail Reception	SCCT	Social Event
Board Meetings	19 February	Mövenpick Hotel Istanbul		
	26 March	AGM 2014 - Mövenpick Hotel Istanbul		
	6 May	Mövenpick Hotel Istanbul		
	10 September	Mövenpick Hotel Istanbul		

News from Switzerland

Foreign banks pack their bags in Switzerland

The foreign banking sector in Switzerland has been hit by a wave of dissolving or merging banks in recent years. Major players from China and Brazil are being tipped to take their place.

Numbers of foreign-owned banks in Switzerland have declined from 162 at their peak in 2009 to 121 at the end of May this year with the likes of Lloyds, ABN Amro, Santander and ING packing their bags.

The trend continued in July with the Israeli-owned Bank Leumi agreeing to sell to Julius Baer and Portugal's Espirito Santo private bank also announcing a change of hands. In addition, British-based Standard Chartered is looking for a buyer for its Swiss operations.

The headline figure for the falling number of foreign-owned banks in Switzerland also does not take into account several overseas-run operations that are slimming down their Swiss activities, such as HSBC that is selling CHF10 billion (\$11 billion) of its client assets.

The Association of Foreign Banks in Switzerland (AFBS) is hoping that banks from Brazil, China and Singapore will fill some of the gaps left by departing players from the United States and Europe. And early signs are starting to emerge to back up this prediction.

Brazil's Safra group, that bought Sarasin bank from its Dutch owners in 2011, agreed a deal in April to take over the Swiss-based private banking operations of United States giant Morgan Stanley. And in July BTG Pactual, also headquartered in Brazil, announced the takeover of the Italian-owned BSI private banking operation.

"We also hear rumours of Chinese and Singaporean banks making plans to come here" Martin Maurer, AFBS secretary-general, told swissinfo.ch. "Some banks in emerging economies have now reached the size that allows them to expand into new markets. Switzerland is an attractive place for those that want to diversify their operations into private banking."

Speculation of Chinese banks arriving were given further impetus by the recent renminbi swap agreement agreed between Switzerland and China's central banks. The next step towards Switzerland's ambitions of becoming a renminbi trading hub would be the establishment of a Chinese bank on Swiss soil.

But Martin Schilling, director of financial services at PricewaterhouseCoopers Switzerland, believes there will be more casualties in the ranks of foreign-owned entities.

The consolidation of foreign-owned banks in Switzerland has run at a faster pace than that observed among domestic players, he said.

"All the talk was about a big wave of consolidation in the Swiss banking sector, but this has not really been the case," Schilling told swissinfo.ch. "By far the biggest reduction has come from foreign banks, a grouping that has lived up to predictions. There could well be further transactions [mergers or buyouts] in the coming weeks, months and years."

Continues on next page

News from Switzerland

Foreign-owned banks in Switzerland appear to be particularly affected by these adverse conditions. Some have simply paid the price of using banking secrecy to provide a home-from-home vault in Switzerland for the undeclared assets of offshore tax cheats.

Leumi's Zurich branch is one of around 14 banks to have been placed under active criminal investigation by the United States Department of Justice for allegedly aiding tax dodgers.

Other banks have been forced to sell-up by adverse trading conditions that have sucked away profits. Espirito Santo appears to be caught between two stools, reeling both from poor results and the arrest of its former boss Ricardo Espírito Santo Silva Salgado in Portugal as part of a tax evasion probe.

But the main reason so many foreign-owned banks are axing or downsizing in Switzerland is that their Swiss operations represent only a small, niche part of the group's business operations, according to Martin Schilling.

"With regulatory and economic pressures building up, some international banking groups have decided to shed parts of their portfolio not viewed as core operations," he told swissinfo.ch.

The global financial crisis forced all banks to retrench and re-evaluate their strategies. Faced with falling profits (and often sizeable losses) and demands from regulators to better control risk with greater capital reserves, many multinationals were obliged to slice off far-flung parts of their business that did not bring in enough revenues to justify their continued existence.

Added to the potential legal and reputational hazards of tax evasion probes, some executives have viewed their small private banking offices in Switzerland as even less affordable unaffordable luxuries.

But Martin Maurer is convinced that the foreign bank sector in Switzerland will eventually stabilise and begin to flourish again in future.

"If you look at the trend of consolidation over the last two years you might come to the conclusion that there will be no foreign banks in Switzerland in five years' time, but this simply will not be the case," he told swissinfo.ch.

"There will certainly be fewer foreign banks than in the past but they will be bigger and from different geographies."

Source: swissinfo.ch

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