



WEGELIN & Co.

PRIVATE BANKERS SINCE 1741

Media release

The Wegelin Investment Commentary No. 264 “States under Stress” is published

In the struggle against capital protectionism

St. Gallen, 8 July 2009 – States are posing an increasing threat to the free flow of capital. In the current stress situation stemming from the financial crisis, states are demonstrating increasingly aggressive behaviour: by turning against other states, even against their own citizens and breaching principles of international law in a bid to regain control over the allocation of capital. International financial centres such as Switzerland are being boxed into a corner. The new Wegelin Investment Commentary titled “States under Stress” recommends that Switzerland define strategic principles for a clear “line of defence”. In the process, cross-border wealth management must be defended and expanded to secure the free global allocation of capital.

Faith in market mechanisms is foundering and political systems are using the momentum of the crisis to initiate capital protectionism. The return of and control over funds to the political system’s sphere of influence thwarts the cross-border wealth management currently practised in international financial centres. However, the superiority of the free allocation of capital will prevail in the long-term and the pendulum will swing back in favour of the free market within the next three to five years. In this environment, the author of the Commentary, Dr. Konrad Hummler, urgently recommends Switzerland to define strategic objectives for a “line of defence”. These include negotiating an anonymously raised withholding tax to resolve the fiscal implications of banking secrecy, while upholding the protection of privacy and the exclusion of retroactive criminalisation. At the same time, complete freedom for Swiss banks to operate abroad must be demanded in return for Swiss concessions. Through an orderly withdrawal to a strategically defined “line of defence”, Switzerland would make its will clear and regain its ability to persevere in the attainment of its goals.

The stress of recent months has evidently shifted from the banks to political systems. The latest increases in long-term interest rates are one indicator of this. A crushing burden of debt and the rapidly increasing complexity of state responsibilities have precipitated a pincer movement that is likely to trigger even more stress. Hence, the states themselves are becoming a systemic risk. Moreover, increasingly aggressive tactics are becoming apparent: A president issues orders to his parliament per decree (France), the scope of taxation is hegemonically expanded to include subjects of foreign countries (USA) and international organisations press for new laws to be imposed despite the lack of their democratic legitimacy and the existence of valid contracts (OECD).

About Wegelin Investment Commentary

Wegelin & Co. Private Bankers’ Investment Commentary has been published since 1909, seven times a year, and today more than 70,000 copies are distributed worldwide. It presents a very personal and independent view of what is happening on the global financial markets. The widespread interest that the Commentary arouses is closely linked to the controversial nature of the topics selected, including the future of bank secrecy and illusory stock market promises. The Wegelin Investment Commentaries are available at www.wegelin.ch.

About the author

Dr. Konrad Hummler, Managing Partner of Wegelin & Co. Private Bankers, studied law at the University of Zürich and economics at the University of Rochester (NY). He holds a doctorate in

law from the University of Zurich. Prior to joining Wegelin & Co., he held various positions at UBS, including that of personal advisor to the then UBS Chairman Dr. Robert Holzach. Dr. Hummler regularly publishes economic articles in the Swiss and international press and is author of the Wegelin Investment Commentary. He has been a member of the Bank Council of the Swiss National Bank since 2004 and a member of the Supervisory Board of Deutsche Börse AG since 2007. Dr. Hummler was elected President of the Swiss Private Bankers Association in 2008.

About Wegelin & Co. Private Bankers

Founded in 1741, Wegelin & Co. is Switzerland's oldest bank. As a limited partnership, Wegelin & Co. is one of the few remaining independent Swiss private banks whose partners have unlimited liability. Its reputation is built on superior performance, a scientific approach to developing investment strategies and structured products, and its commitment to the highest client service standards. Wegelin & Co.'s more than 530 employees currently manage client assets of approximately CHF 22 billion.

Additional information available from:

Dr. Albena Björck, Head of Corporate Communications

Telephone (direct): +41 71 242 58 21, e-mail: Albena.Bjorck@wegelin.ch