

News for Banks



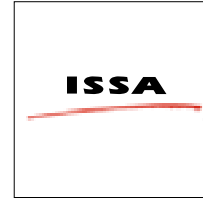
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Georges Gagnebin
CEO UBS Private Banking

Point of view

New avenues in Private Banking

Autumn 2001 saw the launch of UBS's marketing offensive "The Bank for Banks". This offering is intended to underscore our commitment to making our products and services, as well as part of our logistics and infrastructure, available in the context of partnerships and other collaborative ventures with other banks. The initiative holds particularly attractive features for our partner banks because it encompasses all areas of the UBS Group.

"The Bank for Banks" also opens up new avenues in Private Banking. Many banks, especially smaller ones, are keen to expand their private banking capabilities. However, they are understandably deterred by the high investment and development costs associated with new locations, products and platforms. We are now able to respond to this predicament by forging partnerships with other banks, not only in Switzerland but also at the international level.

In this respect UBS Private Banking offers win-win solutions for both sides. The partnership provides our business partners with access to selected UBS wealth management services. At the same time, you as a financial intermediary can benefit from our global Private Banking presence without incurring the high cost of having to build up your own infrastructure.

We have developed a variety of business models for this type of cooperation. They will enable you to concentrate on your core competencies while optimising your cost/income ratio. The round table discussion (page 8) shows how this sort of partnering can work out in practice and what benefits it can bring.

This is another way of demonstrating the "power of partnership" to our clients and business associates.



UBS

Financial Services Group

Networking partnerships

The euphoria surrounding Internet portals has now given way to a more sober appraisal. But e-commerce in the business-to-business market is nonetheless a decisive component for the future structures of the industry. It is now a matter of finding the right business models and service strategies to meet the challenges that lie ahead.

In recent months, the e-commerce euphoria has suffered a significant reversal within the financial services industry. Some client portals have sustained huge losses, others have been abandoned altogether. The superficial observer might be forgiven for concluding that e-commerce was no more than a fad and that we will soon be back to business as usual.

Irreversible change within the financial industry

A closer look tells a rather different story. A good many of the Internet portal flops were a direct result of unprofessional project management and inadequate knowledge of the industry. Others, born at the height of the e-euphoria, were too one-sided and insufficiently customer-friendly. Looking at e-commerce applications in the areas of information gathering and decision-making and within business processes along the value chain within an enterprise and especially within the network of all the parties involved in transactions, the picture is rather different. Then it becomes clear that the structure of the financial services industry has undergone radical change – and that this change is probably irreversible.

As offerings have grown more transparent globally, clients have grown more discerning, increasing pressure on margins throughout the industry. Web-based solutions mean that business processes can be largely automated. The informa-

tion input needed for decision-making can additionally be called up along the process chains. As a result, the demands made on networked processes have grown more exacting. In practice this has led to a growing realization among small and medium-sized financial institutions that their business processes are far from ideal in terms of efficiency and cost effectiveness. A bank unable to remedy these shortcomings will find its ability to operate successfully in these business areas seriously impaired. Nowhere is this more apparent than in back-office applications (see practical example on the table below).

The proprietary development of networked tools and IT applications is really the preserve of the major players only.

The relatively low frequencies of certain transactions are the main back-office worry for financial industry players in the new technology-driven environment. The problems begin at the level of managing securities identification numbers. Major

practical problems are encountered here in terms of both cost effectiveness and quality of management. The same is true of corporate actions: their sporadic nature is a serious stumbling block when it comes to calibrating IT systems to cope with them. The time and effort required is out of all proportion to the size of the securities positions involved. The potential benefits of automated processing simply go up in smoke.

Lacking the technical skills needed to operate the programs, internal back-office departments find it hard to cope. The result is frustrated staff and supervisors, poor quality and non-cost-effective delivery.

Opportunity for new business models and new value creation

One thing is clear today: going it alone is no longer a viable option. The adage “Manage today’s markets with yesterday’s structures and you won’t have a market tomorrow” is more apposite than ever.

Building on their established strengths, the challenge for financial service providers is now to position themselves successfully for the future in an increasingly networked industry. And there is room for practically every player – provided they are willing to forget certain prejudices and come to terms with the evolving situation. This applies to banks of every size and class.

Potential benefits of automated processing

Business processes	Estimated efficiency gains compared with actual status in %	
	Target	Ideal
Payments	25%	30%
Foreign exchange and money market transactions	30%	40%
Managing securities identification numbers	40%	50%
Stock-exchange orders	30%	40%
Delivery/withdrawal of securities	25%	30%
Interest and dividend income	35%	40%
Corporate actions	50%	65%

Source: W/D/P-Projektmanagement; medium-sized branch of a globally active financial institute (350 employees)

Building on their established strengths, the challenge for financial service providers is now to position themselves successfully for the future in an increasingly networked industry.

Whether the term “collaborative commerce” signifying virtual connectivity among financial service providers will prove to be more than just the “flavour of the month” is open to debate. But building virtual enterprise networks and using client-oriented business processes to bundle services, products and information from diverse sources into an integrated offering makes sound strategic sense.

Given the inherent complexities of this undertaking, only the industry heavyweights can in theory manage it alone – and even they have their work cut out for them. For they, too, have no option but to join a network with many other players and to operate with uniform protocols and standards. Looking at the potential opportunities and especially the prerequisites that need to be put in place, it is clear that the traditional interfaces between financial industry players need to be engineered anew. Partnerships are in, and deep-rooted prejudices are out. This applies to relationships

- with joint-venture service companies in the field of securities and payments (e.g. Telekurs)
- with information and IT-service providers (e.g. Reuters, Bloomberg)
- with the various categories within the financial industry itself (e.g. banks, private banks, regional banks)
- with the new competitors from the commercial and service sectors (e.g. department stores)
- and above all with the various categories of clients.

Alternative solutions for tools and IT business processes within the financial industry

Rating	Proprietary development of tools and IT applications	Proprietary development with help of outside specialists	Joint service centers within financial industry	Out-sourcing to specialized providers	Partnership concepts like “The Bank for Banks”
Preserve of major players only					
Alternative with considerable interface problems for medium-sized operators					
Practical problems in setting priorities					
Difficult to ensure practical industry-specific relevance					
Individual, practice-related IT solutions possible on cost-effective basis					

There are two key issues confronting all players in the financial services industry:

- Is my positioning today such that it will guarantee my existence tomorrow?
- What service packages do I need to offer in which position and with which partners?

Potential approaches

Who is best suited within the financial services industry to provide the tools, instruments and IT applications required within the virtual network? The diagram lists the potential players. Their suitability is briefly discussed below:

The *proprietary development* of networked tools and IT applications is really the preserve of the major players only – a state of affairs that is not completely satisfactory as it fails to solve the interface issue within the network. It means that the entire “financial market” system is not functioning at optimum efficiency and that the potential is not being leveraged to the full.

If the systems are developed at individual institutions *by commissioning outside specialists*, the interface issue is not solved either. This option of developing and maintaining the necessary systems and instruments is also more available to medium-sized entities.

The solution frequently adopted in the past of tackling the problem through *service joint ventures within the financial industry* is dogged by the practical difficulty of setting the right priorities. The result is considerable friction and loss of efficiency. Also when it comes to implementing the projects, the solutions adopted are frequently too far removed from practice. Enquire about satisfaction with services delivered by joint ventures of this type and the typical verdict is that performance is generally no more than mediocre.

One possible course of action for medium and small-sized institutions is to *outsource the job to a specialized,*

independent provider. But this alternative can only fulfil part of the requirements as the interest in coordination and the requirements of the interface within the network typically do not rank high on the agenda.

A good many of the Internet portal flops were a direct result of unprofessional project management and inadequate knowledge of the industry.

Looking at the future networking requirements of the financial services industry, the "The Bank for Banks" product offering launched by UBS has a lot to commend it. It enables the interests of the partner banks to be harmonized, a bank's own experience and standards to be adapted individually to the needs of its partners and, most important of all, it means that industry-specific experience can be leveraged in full. Common standards are developed,

coordination aspects receive proper attention and the interfaces are defined based on forward-looking criteria.

Too close for comfort?

The fact that even the most deserving of solutions have not always met with the success they merited is legendary in banking of all industries. But can the industry still afford such failures in tomorrow's operating environment? One argument undermining the acceptance of the "The Bank for Banks" product offering is concern about the security of client data, to the extent such data would actually be involved. The fear that client data might be misused to a competitor's own advantage is still widespread among decision makers.

Concerns like these might still have been legitimate some years ago. Comprehensive security solutions tended to be costly, complicated to implement and had the added drawback of hampering data throughput. Today, there are reliable IT security systems available at reasonable cost. One aspect to remember with today's networked IT concepts is that telecom providers also need to be involved alongside financial service providers. Seen from this angle, the reluctance to get too close to a strong

partner in the financial services industry as opposed to collaborating with an outside service provider is in any case exaggerated. If too little heed is paid to security aspects in the course of the collaboration, client data is if anything more at risk from the latter than the former.

New perspectives

As its operating environment evolves, the financial services industry is moving in the direction of virtual enterprise networks. These can open up new perspectives for the entire industry provided the players position themselves properly within the network.

The "The Bank for Banks" product offering proposed by UBS seems capable of contributing to strengthening the financial services industry. Compared with the alternatives on offer, the UBS model earns good marks.

Andreas Würgler

Managing Partner at W/D/P-Projektmanagement in Hägendorf (Switzerland).

A management consultant and author of specialist books, he has been commissioned by banks and leading computer manufacturers to investigate potential IT applications within the financial services industry.

Streamlining the back-office: UBS KeyLink

The term "Business-to-Business" captures in a single phrase the importance of a professional and strong business partnership in today's environment. UBS KeyLink, one of the "B2B" services offered by UBS, helps other financial institutions to grow more efficient.

Over the past few years, financial institutions have come under enormous pressure and have had to deal with the rapid changes in industry structure, the almost insatiable demands of clients and

an onslaught of technological developments. Of course, all these environmental changes lead to new opportunities and hence new challenges. However, the pressure on margins and the spiralling investment costs pose permanent challenges to financial institutions to remain abreast of market change. How then does a financial institution cope with the complexity of this shifting industry landscape? Obviously, as Andreas Würgler stated in the previous article, this pressure emanates from multiple forces squeezing financial institutions between two main, apparently conflicting, requirements:

- improving operations toward a more scalable, global, efficient and lower-cost structure, whilst

- expanding the quality and range of service offering.

UBS prefers to design the most fitting solution together with its partners rather than selling a pre-packaged product.

UBS has realized the necessity of providing its customers with solid business-to-business services to enable them to achieve greater scale and scope. In re-

sponse to this industry requirement the bank has launched “The Bank for Banks”. With this concept, UBS wants to be perceived as a reliable partner for financial institutions rather than a competitor. Business partners can choose from various services in order to optimise elements of their value chain, from cash/currency and securities management to sophisticated risk management services. Also, UBS prefers to design the most fitting solution together with its partners rather than selling a pre-packaged product. The chart gives an overview of the service offering along the value chain. “The Bank for Banks” was presented in more detail in the last “News for Banks”, which is also available on the Internet at <http://www.ubs.com/b4b>.

recent study identifies lower operating expenditure as the No. 1 priority of bank CEOs. One step towards cutting operational cost and increasing performance and efficiency is to optimise the back-office in the different business streams. UBS KeyLink might be the tool of choice to complete the puzzle by helping to link banking businesses throughout all areas so as to enhance and streamline processes.

Lower operating expenditure is the No. 1 priority of bank CEOs.

provides a sophisticated modular interface for e-banking services. Specific modules in the area of cash management, foreign exchange, securities and precious metals at the same time help optimise back-office processes and reduce internal costs.

... Cash Management

UBS KeyLink offers a wide range of functions to enhance and streamline cash management activities. Apart from sending all kinds of payment instructions, UBS KeyLink makes it possible to view up-to-the-minute balance and transaction information and to follow all open payment inquiries submitted by the user. The so-called multibanking feature allows users to view consolidated information, not only relating to UBS transactions but to all interbank actions via one single system. UBS has already concluded agreements with over 100

Modular cost cutting in the area of...

Financial institutions are constantly seeking new ways to reduce costs. Indeed, a

Leveraging the IT-enabled world of instantaneous information, UBS KeyLink

“The Bank for Banks”: Business streams

	Market intelligence / Decision support	Business execution / Liquidity provision	Processing	Client servicing
Cash/ Currency	Research products s/i	Reporting tools s/i Trading solutions s/i CLS Third Party Services s/i Transaction initiation tools s/i	CLS Third Party Services s/i Operations Management i Global Cash Custody s/i Cash Clearing Services i	
Securities	Research products s/i	Trading solutions s/i Reporting tools s/i Securities lending s/i	Operations Management i Custody Services s/i Clearing and Settlement Services	
Asset Management	Investment solutions and products s	Institutional Asset Management s Investment Funds s Private/White Label Funds s	Portfolio Management s Fund Administration s	Client information and reporting
Private Banking	Private investor research s/i Trading research s Portfolio brokerage service s	Private Placement Funds s/i International s Private Banking Services s	Private Banking Service Platforms i Client Billing (Insourcing)	Non-competitive joint client savings
Corporate Finance	Advisory (M&A, disposals, etc.) Financing (equity and debt) IPOs			
Trade & Export Finance	Documentary Credits & Collections/Bank-to-Bank Reimbursements Bank Guarantees/Standby Letters of Credit Export Credits			

s: Usable on a stand-alone basis; provides access to UBS infrastructure through a manual interface.

i: Usable as part of an integrated, front-to-back solution; provides access to UBS infrastructure a fully automated interface.

international counterparts for this multi-banking service. By receiving SWIFT messages from its counterparts, UBS can supply its partner with aggregated information on all their relationships with the guarantee of data confidentiality at all times. The benefits of this solution are clear – efficient and cost-effective cash management.

... Foreign Exchange

With the UBS KeyLink's Treasury modules, users obtain a wide spectrum of foreign exchange services. They can trade foreign currencies over the Internet via a secure connection with a click of a mouse. Using one and the same tool, they can also simplify the confirmation process of Foreign Exchange and Loans or Deposits. Furthermore, with the experience and knowledge UBS has gained by being a beta bank in the forthcoming Continuous Linked Settlement (CLS) industry initiative, it has created a module that optimises the settlement and reporting needs of its future CLS Third Party clients.

... Securities

In order to facilitate the day-to-day securities management of individual or multiple securities portfolios, regardless of whether they are managed in-house or by external portfolio managers, the Securities module of UBS KeyLink supplies features like transfer delivery instructions, corporate actions and securities account reporting, all of which can help its users to achieve straight-through processing in their securities back-office.

... and Precious Metals

UBS takes its partners even one step further towards complete automation and straight-through processing within UBS KeyLink Precious Metals. Users can gain complete control of the post-trade process, from confirmation to transfer delivery instructions. The back-office will consequently benefit from a reduction of paper flows, attain quicker access to consolidated information and achieve faster reconciliation.

Secure and cutting-edge technology

Since its inception more than 10 years ago, UBS KeyLink has undergone several system changes, new developments and enhancements. From its earliest days as a DOS version, it has now adapted to

the highest, most robust IT infrastructure. Today it comes in two different versions, the established Windows version and the newer Web version. With either version, partners of UBS have an integrated and user-friendly e-banking tool at their disposal.

A major concern with all electronic banking tools, however, is security. Users of UBS KeyLink have to be confident that their sensitive financial and personal data is transmitted in an absolutely secure manner. Therefore UBS KeyLink has put in place a succession of encryption and authentication measures, preventing insecure circulation of confidential material. This is guaranteed through the use of a Secure Socket Layer (SSL) protocol to create a secure, encrypted session between a user and UBS.

As a state-of-the-art tool, UBS KeyLink meets the most stringent standards in the world of e-banking. It allows partners of UBS to execute all kinds of inter-bank transactions and receive reporting in a secure manner. Additionally, since the messaging format of this e-solution is based on SWIFT, which is a globally recognized format in the world of financial institutions, it allows for communication not only with UBS, but also with any other SWIFT member bank around the globe. Partners working with UBS

KeyLink can expect high quality in terms of accuracy, reliability and speed of service, since UBS itself relies on the very same information in UBS KeyLink every day. The KeyLink group is a global organization with offices in Zurich, Stamford and London, and operations in Asia. It ensures that the service level provided to more than 700 UBS KeyLink customers all over the world remains at the highest standard around the clock.

As a state-of-the-art tool, UBS KeyLink meets the most stringent standards in the world of e-banking.

In summary, UBS KeyLink is a secure instrument that provides financial institutions with cost-cutting opportunities in the back-office along the value chain.

Frédéric Schnell

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With UBS KeyLink partners get online access to consolidated information at the click of a mouse.

Illustrative example

A medium-sized European regional bank has two subsidiaries in other countries. The head office controls the group's foreign exchange (FX) business and needs to maintain an overview of the transactions its subsidiaries settle. The group has a substantial private and corporate banking business and engages in the necessary FX trading to meet customer requirements. UBS is its main correspondent in CHF, EUR and USD, and acts as CLS Third Party provider towards the main office in order to offset the forex settlement risk in the seven major world currencies (CHF, EUR, USD, JPY, CAD, AUD, GBP). It also maintains account relationships with banks in Asia and Canada.

Due to the fact that the bank's back office in the areas of Cash management and Foreign exchange mainly relies on manual and paper-based processes, it is looking for ways to streamline these processes and reduce internal costs. The main goal is to obtain transparency on all account relationships and transactions, and be able to follow online the status of time-critical CLS transactions. It also wants to

eliminate the cost-intensive and time-consuming paper workflow in the FX confirmation cycle and switch to an automated e-based solution.

In order to achieve these ends, the bank signs up with UBS KeyLinkWeb. Thanks to the tailor-made solution, the bank obtains real-time information over the Internet on all transactions with UBS and, with the multibanking functionality, also with the correspondent banks in Asia and Canada. It can define different access rights to limit the availability of information dedicated to its subsidiaries and the different business areas.

The head office will obtain consolidated data of the bank's CHF, EUR and USD accounts held with UBS, and the two CHF accounts of their subsidiaries. The correspondent banks in Asia and Canada start sending SWIFT account statements to UBS KeyLinkWeb. UBS enables the head office to see these accounts as well. In order to ensure the accuracy of account information, the main office receives access to a report of investigations on UBS KeyLinkWeb to follow all open inquiries on accounts held with UBS. The

two subsidiaries, on the other hand, only need access to information concerning their own account with UBS.

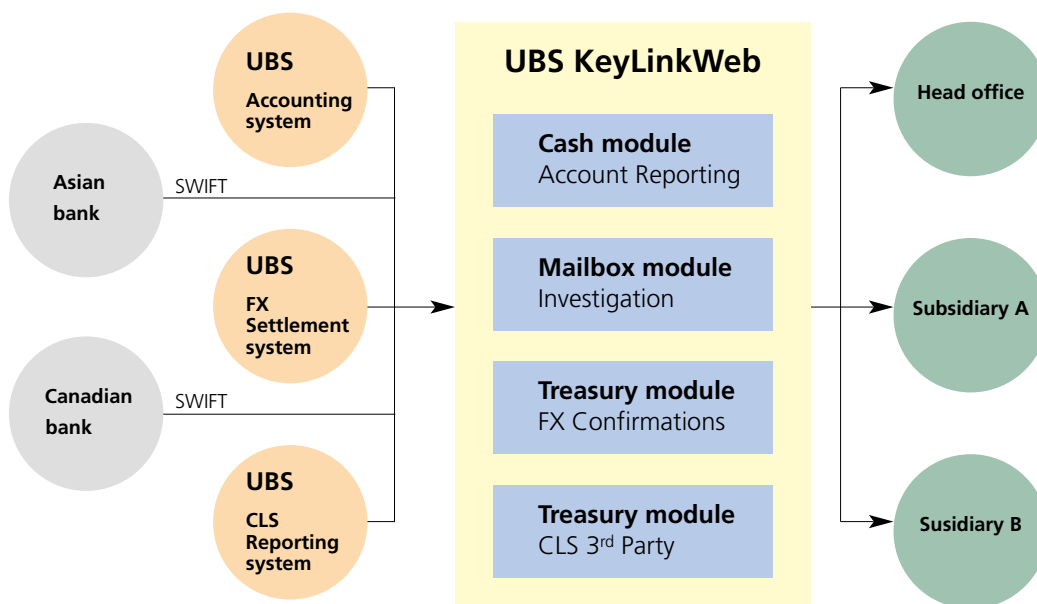
Confirmations of all FX trades with UBS will now be delivered electronically via UBS KeyLinkWeb rather than on paper. After verification, an electronic confirmation can be sent back to UBS directly, involving no physical paper flow. Thus, the user has maximum control throughout the whole CLS trading cycle from deal submission to deal settlement with the same tool.

The following UBS KeyLinkWeb modules will be in use:

- Cash module to obtain online account information on all accounts held with UBS (CHF, EUR and USD) and the corresponding banks in Asia and Canada via multibanking
- Mailbox module to obtain a report on all open inquiries submitted about accounts with UBS
- Confirmation module to receive FX confirmations electronically
- CLS 3rd Party Service module in order to track all CLS transactions and status

Frédéric Schnell

UBS KeyLink: Set-up



UBS KeyLinkWeb sources information from the different internal UBS systems, adds the data received via SWIFT from the correspondent banks in Asia and Canada and displays it to the head office and the two subsidiaries.

Partnering: opportunity for expertise



Christian Hafner, Romano Kratter, Francesco Morra

Romano Kratter

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The round table discussion shows that a partnership with UBS can pay off for a smaller private bank as more and more financial services providers are under pressure to adapt their IT systems to new business needs and in some cases to replace them. The complex requirements mean that it is increasingly difficult to achieve the commercial break-even point for investments. A senior executive from a Zurich-based private bank and a consultant discuss the issue with a UBS representative. “Partnering” results in a win-win situation, enabling the smaller bank to concentrate fully on its core competency – delivering advisory services.

Christian Hafner: *Dominick Bank chose UBS as its partner bank. Why? What advantages do you expect to gain?*

Romano Kratter: In future, only global players and niche players will have a place in our industry. Banks which are neither one nor the other are going to have a problem. We have positioned ourselves as a niche player. Back in 1997 when our bank was founded, we already embraced the partnering philosophy by outsourcing our middle and back-offices. Both cost and quality considerations argued in favour of us concentrating consistently on our core competencies, buying in the other services from partners. We set out to find a partner able to supply us with a broad range of services. After completing our evaluation, our choice fell on UBS because we are convinced UBS is the right partner for our needs. Cooperative ventures of that sort were nothing new in themselves, but we wanted to do it consistently and systematically: instead of 18 brokers we now have one major preferred partner. From payments, through research material to execution, the deal includes the full range of capabilities.

Our core competency is private client expertise. (Romano Kratter)



Christian Hafner



Romano Kratter

Francesco Morra: Clients are growing increasingly demanding when it comes to products and services like tax and asset reporting and e-banking tools. Smaller banks have trouble amortizing the investment needed, but for competitive reasons they can't afford not to offer these services. Independent, fully integrated banks with less than CHF 25 billion in assets under management would have to absorb a level of IT investment that would no longer be commercially viable.

Kratter: We don't deliberately have any products of our own. We see our role as being to find solutions, and product selection is the consequence of our advisory philosophy. There are enough bank products around. What we do is act as "orchestrator".

Aren't you afraid clients will defect to UBS?

(Christian Hafner)

Hafner: Mr Morra, does this approach make sense?

Morra: I very much like the idea of being free to concentrate fully on core competencies, on relationship management. Once that fundamental decision has been carefully evaluated and taken

by management, swift and radical execution will be critical for its success. There would be no worse scenario than if the costs of all the existing internal systems were to continue to pile up in parallel and for a protracted period of time. This makes it imperative to establish a relationship of trust quickly with the partner bank.

Hafner: What benefits has the cooperation brought so far?

Kratter: The service we get from UBS's Intermediary Desk is excellent. In future, we will be taking advantage of the full range of services offered by UBS under its "The Bank for Banks" product offering – from physical banknote and precious metal transactions, access to UBS research, central securities custody through payments, the trading platform with access to 50 markets right up to refinancing. We are implementing the collaboration progressively, and all modules should be up and running by the end of January 2002.

Hafner: Aren't you afraid clients will defect to UBS?

Kratter: Our core competency is providing client expertise. If a client prefers to have his or her account with UBS but still wants to use our advisory capabili-

ties, we have no problem with that. In any case, there are certain complicated types of service, for example preparing tax statements for non-Swiss clients, that only a global player is really equipped to handle. Of course there were discussions within our Board of Directors: How much licence does the Federal Banking Commission allow? What happens if the partner bank suddenly decides to change its strategy? Essentially, though, it's a win-win situation.

There are enough bank products around. What we do is act as "orchestrator".

(Romano Kratter)

Morra: I don't see client defection as a real threat. On the contrary, the more time and resources management can invest in clients, the better. You can generate more client utility quicker if you are free to focus on responding to client needs in an optimum way instead of grappling with back-office functions.

Hafner: At UBS it's often hard for us to know if potential partners have already gone through this strategic process. For



Christian Hafner



Francesco Morra

what type of bank is the strategy pursued by Dominick Bank suitable?

Morra: Wherever the production of specific products and services requires a certain critical mass or where there are clear economies of scale to be had on the cost and quality side.

I very much like the idea of being free to concentrate fully on core competencies, on relationship management.

(Francesco Morra)

Kratter: In the course of an intensive workshop, our Board of Directors and management agreed on a strategy for the future. For banks, this is one of the most critical existential issues.

Hafner: *This partnership enables you to get a handle on your costs. But that doesn't necessarily mean that it will enhance your revenues. Can you cite an example of how you were able to deliver a new service thanks to your partnership with UBS?*

Kratter: One current example is mortgages. Having our own inhouse mortgage specialist would obviously not be cost-effective for us. We were approached by a foreign client who was planning to establish his domicile in Switzerland and found a company in the following areas: obtaining work and residence permits, founding the company, buying a house and finding office premises. In partnership with UBS, we were able to cover the client's mortgage and e-banking needs. The partnership with UBS allied to the advisory expertise of Dominick Bank resulted in an attractive package.

Hafner: *That's something we often hear from clients who want to keep their equity base low. There are banks which also use our processes for collateralized lending. But how much can a bank outsource and still remain a bank?*

Morra: The legal prerequisites for maintaining a banking licence naturally have to be investigated in each regulatory environment. But for me this is less of a regulatory issue. Dominick Bank is a private bank active in wealth management. Faced with the multitude of services typically demanded by clients today, many banks are opting for the partnering approach. More and more banks are going to have trouble providing these system-driven services at a reasonable

cost. Seen from this angle, there will be a growing trend towards partnerships between small banks and big banks like UBS. It's a win-win situation. The smaller players gain access to services which they could only produce on a stand-alone basis at prohibitive cost, while the big banks can run their systems at higher levels of capacity utilization.

Kratter: We are currently evaluating further joint-venture partners. If there is added value in it for us, we are definitely open to further collaborative proposals.

The Boston Consulting Group

The Boston Consulting Group (BCG) is a leading international strategy and general consulting firm. BCG's mission is to support leading corporations, especially banks, in developing and implementing strategies and business models for creating and sustaining competitive advantage.

Dominick Bank

Dominick Company AG is a Swiss full-service private bank. It is an independent provider of private and investment banking solutions. It operates with a team of highly experienced advisors and is committed to long-term client relationships.

International Securities Services Association (ISSA)

The International Securities Services Association (ISSA) is a private and non-profit association whose members include custody banks, securities clearing organizations, central depositories, stock exchanges, brokers, fund managers and similar institutions in the asset servicing industry. Its members' activities account for a significant share of the world's cross-border securities investment volume. UBS is one of the two co-founders – jointly with Citibank – of ISSA.

ISSA's main objective is to provide open discussion platforms for securities market professionals and to tackle industry-overarching problems in a collegiate manner. As one member once put it, "ISSA brings together experts and globally promotes their interests in the field of securities clearing, settlement and

custody". ISSA members support the idea of jointly improving the infrastructure underlying the international financial markets through the exchange of professional knowledge, and through cooperation across borders and industry sectors, in areas where joint initiatives make sense and do not put specific market players at a commercial advantage or disadvantage. Thus, a membership in ISSA does not yield a tangible commercial benefit. Rather, by becoming a member, an institution demonstrates its commitment to actively participate in initiatives that aim at improving the global securities processing environment, to the collective benefit of market intermediaries and end investors.

Currently, ISSA has around one hundred member institutions, which are repre-

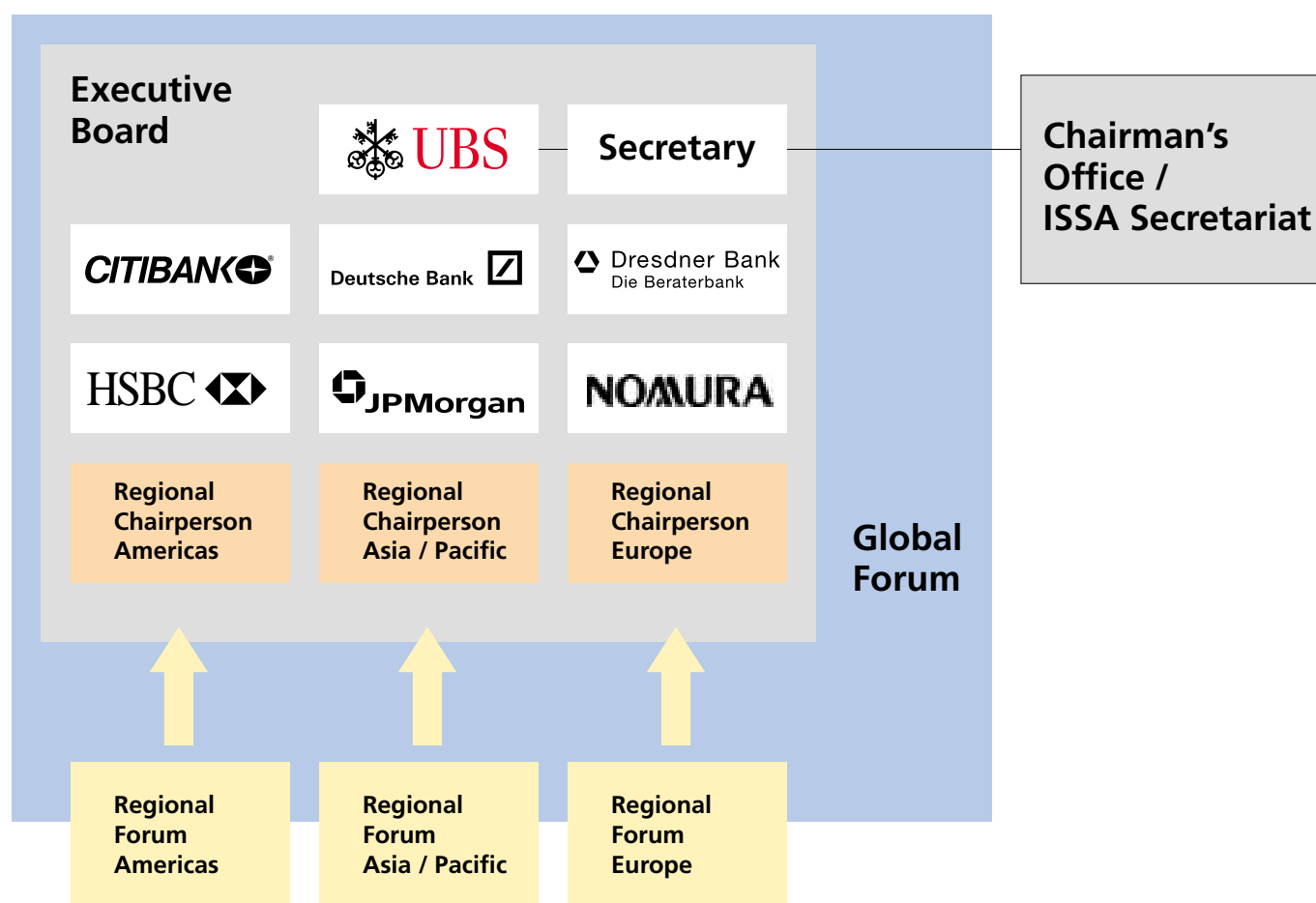
sented by senior level executives. Geographically, ISSA is represented in 43 countries. Each member is assigned to one of three Regional Forums, which occasionally convene in workshop-type meetings to discuss issues that are either relevant to their region, or are part of a global project.

ISSA's major sponsor is UBS. The bank has held ISSA's chairmanship and has hosted the secretariat in Zurich ever since the association was founded in 1979.

Activities and achievements

ISSA has been a key driver for advances in the area of post-trade securities processing for many years. For instance, ISSA was closely involved with the design and global promotion of the International Securities Identification

ISSA Organizational structure



ISSA's agenda is driven by a permanent board, which comprises seven sponsoring members. The Executive board is complemented and extended by three chairpersons representing the interests of ISSA members within their geographic region.

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Comments

Number – commonly known as the ISIN code. ISSA also laid the groundwork to the nine influential recommendations on securities clearance and settlement issued by the Group of Thirty (G30) in 1989. The recently published ISSA Recommendations 2000 are much broader in scope. They address issues of sound governance, effective and efficient use of technology, the maintenance of high standards of operational performance, and robust and transparent legal and regulatory frameworks. Several of these issues have rekindled the interest of the Group of Thirty. ISSA has therefore entered into an active dialogue with the G30 to explore a mutually beneficial form of future cooperation, for instance in the area of global compliance monitoring. Pooling increasingly scarce resources and sharing the results among like-minded organizations will not only benefit the member firms directly supporting such exercise, but it will also be to the advantage of the industry at large.

Every other year, ISSA's full membership convenes at the ISSA Symposium, which has traditionally been held in Switzerland. The UBS Executive Development Center at Wolfsberg has always provided the perfect setting for this global event. Contrary to conventional industry conferences, the ISSA Symposium is not open to the public. Participation is limited to senior executives upon personal invitation only. The Symposium creates a unique platform that enables competitors in daily business life to meet for an open and direct exchange of views, free of commercial sales pitches and shielded from the media. All findings, however, are subsequently made available to all interested parties.

Preview of the forthcoming ISSA Symposium

The 11th ISSA Symposium takes place at Wolfsberg from 11 June to 14 June 2002. It will focus on two key issues:

- Improving the financial industry's handling of collective investment vehicles with respect to distribution and post-trade processes
- Ensuring and improving the continuity of the global securities market infrastructure

The latter topic, in the wake of the 11 September 2001 terrorist attacks in the USA, will examine contingency measures, industry co-ordination, the role of regulators, and the cost of risk containment. Robust and efficient end-to-end processing, standardization issues and various related issues will be covered in this segment also.

Further information about ISSA can be obtained at <http://www.issanet.org>.

By engaging all participants actively in workshop-type discussion groups, the Symposium attempts to define new initiatives for the asset servicing industry. New ideas are explored and models for improvement in the field of securities services are developed. The achievements listed above were launched, advanced or concluded in ISSA Symposia, besides a variety of other issues.

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