Goodbye digital and big data…
Hello artificial intelligence and smart data!

The Silk Road,
a wonderful opportunity to boost trade

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A BANK THAT TARGETS THE PROTECTION OF YOUR FREE TIME AND YOUR ASSETS.

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• Secured savings
• Pension funds
• Estate planning
• Mortgage finance
BCGE is a commercial bank by nature. Its raison d’être and mission are to contribute to development of the Geneva economy. For that purpose, it now has over 18,500 corporate entities among its clients. 67% of its turnover is achieved with them, i.e. businesses, institutional investors and public authorities.

That reality stands at odds with the impression held by the general public who tend to see a cantonal bank as basically a string of small branches collecting local savings and financing individual and family housing. Although that original line of business does remain significant, the contribution of businesses and institutions to BCGE’s balance sheet has become substantial: at present, the group grants financing totalling 14.9 billion francs to these stakeholders in the economy.

The bank’s business and institutions activities are covered by three front-line divisions, 383 employees and major organisational and IT infrastructures, both in Switzerland and abroad. These activities generate highly sophisticated internal knowledge of short-term economic trends, sectoral change and individual prospects of businesses that are our customers. Both these business banking (corporate financing) and investment banking (mergers and acquisitions, private equity, etc.) activities involve our professionals being constantly alongside managers in the field, not cooped up in our offices. Know-how, quality of economic information and methods of analysis to decide on lending or measure risks are forms of expertise that are important for determining how a loan book or securities assets are managed.

In recent years, the bank has seen substantial growth and expansion of its asset management and private banking activities. Its disciplined and rigorous approach, implying a strict and selective investment philosophy, has persuaded a great many existing and prospective clients to entrust it with their management mandates. But there is another explanation for this success in private banking: clients increasingly appreciate the possibility of asking a business bank to manage their securities portfolio.

Instead of drawing theoretical conclusions from vast swathes of historical data or keeping their eyes glued to Bloomberg screens (management through the rear-view mirror), our analysts visit industrial plants in Switzerland, port and rail facilities abroad, soy bean farms in Brazil and coffee plantations in Tanzania. They hold discussions with managers and owners of dams, warehouses, clinics, airports, hotels, retail chains and e-shopping platforms. They attend general meetings and presentations, and gather information about the life of the companies selected for inclusion in the portfolios. They get to know managers, their strategy and profile in the fields of the environment and ethics.

Aware that more than two-thirds of the performance of a standard securities portfolio will be generated by listed shares or private equity, this internal culture and state of mind of a bank serving businesses does much to strengthen our ability to select securities. There is a perfect analogy here: the finest experts in corporate banking (company financing) know perfectly well that some businesses are very good and others much less so; their selections after lengthy analysis will make all the difference between a high-quality loan book and a portfolio made up of speculative commitments. Building a professional equity portfolio cannot escape this self-evident fact. In this asset class, if not in others, the evidence would rule index-tracking management completely out of the equation.

Entrusting management of individual, family or institutional wealth to a commercial bank has many advantages. It means choosing a bank that responds to the exacting demands of businesses on a day-to-day basis and in the field; opting for a bank where the dominant culture of its managers and other staff is characterised by immersion in daily economic realities and not by a remote, ‘ivory-tower’ view of the world. It also means opting for an investment philosophy 1 in tune with the real economy and sceptical about ready-made formulae of algorithms and hedge funds. All these factors enabled the bank’s BCGE Best of mandates to obtain GIPS® certification in February 2017, an international recognition of quality.

Today, BCGE manages and administers assets worth more than 23 billion. For over 15 years, it has not recorded a single complaint about the quality of the management of its mandates or investment products. On the contrary, they have performed very well by comparison with other managers. This successful track record owes a great deal to the commercial spirit of this bank which shelters it from any temptation to speculate.

1 www.bcg.ch/philosophie-investissement-asset-management.
2 This award certifies application by the BCGE Best of mandates of the ethical framework defined by the CFA Institute for performance calculation and presentation. GIPS® standards have become a reference for best practice in the industry.
### Geneva economy dashboard

Economic situation for the current year and forecasts

#### Forecasts

<table>
<thead>
<tr>
<th>Macroeconomy</th>
<th>GDP 2017</th>
<th>GDP 2018</th>
<th>Inflation 2017</th>
<th>Inflation 2018</th>
<th>Unemployment rate 2017</th>
<th>Unemployment rate 2018</th>
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<tr>
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#### Official interest rates

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<th>12 months</th>
<th>18 months</th>
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<td>-0.75%</td>
<td>-0.75%</td>
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#### 10-year interest rates

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#### Forex and oil

<table>
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<th>12 months</th>
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<td>Crude oil – Brent (USD/barrel)</td>
<td>50</td>
<td>60</td>
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</table>

Source: Thomson Reuters & BCGE
Unemployment in Geneva: no longer the record-holder
In 2016, the unemployment rate fell slightly in the Canton of Geneva to an average of 5.5% against 5.7% at end-2015. Its trend diverged from that of Switzerland as a whole where the rate ended at 3.5%, stable against the end of 2015. After a jump in January, unemployment has reverted to the level recorded in December 2016, down 0.2 of a point both in one month and year-on-year. For the first time in nearly 20 years (since 1999), the Canton of Geneva no longer holds the Swiss record. Its place has been taken by Neuchâtel (6.5%).

Inflation picks up again
Inflation in Switzerland is now above zero. After falling for more than two years, prices have finally stopped sliding year-on-year. However, the trend differs depending on the type of goods, and prices of a great many goods and services included in the index are still dropping. Moreover, a clear distinction remains between imported goods and those produced by domestic activities. At Swiss level, inflation is expected to work out at an average of 0.3% over 2017, whereas Europe is likely to show a slightly higher increase (0.7%).

Overnight stays: more foreigners, fewer Swiss
The strength of the Swiss franc seems to be encouraging the Swiss to spend time beyond our borders rather than discouraging foreigners from coming to Geneva. That at least is the lesson to be drawn from the hotel occupancy figures: in 2016, Geneva hotels reported 2.928 million overnight stays, 24,500 fewer than in 2015 (-0.8%). This fall is attributable to Swiss citizens who spent 47,400 fewer nights in the canton’s hotels (-8.4%), whereas foreign guests, who represent 82% of total stays, spent 22,900 extra nights here (+1.0%).

Interest rates: no change in sight
Confronted with flat prices, the European Central Bank does not seem ready to change its interest-rate policy. Before making a move, it is waiting to be sure that inflation is sufficiently solid, self-perpetuating and Europe-wide. In this environment, the Swiss National Bank is unlikely to change its strategy either. However, caution remains the order of the day over long bonds whose yields might prove more volatile. On the other hand, that sensitivity does not point to an upward trend in rates.

BCGE Asset Management
The vital but little-known sense of smell

Nobel Prize winner Linda Buck came to Geneva for the Wright Colloquia to speak on the latest discoveries about the sense of smell. Every smell has its own unique code allowing a different perception of molecules, even when they are very similar. And odour genes vary from one individual to another. An investigation of the role of the nostrils and brain in a field of study in which many questions remain unanswered to this day.

You must have had this experience at some time or other. You sense a smell. A person with you can smell nothing at all. Someone else finds it disagreeable, but weak; you, however, think it is pleasant, but too strong. Welcome to the world of odours!

Linda Buck who won a Nobel Prize in 2004 for her work on the olfactory system spoke about this little-known sense at the 17th edition of the Wright Science Colloquia devoted this year to the genome revolution. In human beings, 350 genes contribute to the sense of smell, as this prestigious biologist and neuroscientist explained “making it the richest family of the human genome”. However, we have very few such genes compared to animals; the mouse for instance has a thousand odour receptors.

The sense of smell in other vertebrates is of course essential, indeed vital. It enables them to identify their food and locate their predators. In human beings, it often plays a more anecdotal role (enjoyment of a pleasant odour, disgust at nauseous smells), but can also give a warning, enabling us for instance to detect a gas leak.

An early sign of illnesses

A dysfunctional sense of smell must not be disregarded either. It may be an early sign of an illness like Alzheimer’s disease, the professor at the Fred Hutchinson Cancer Centre pointed out. Although she did concede that we do not yet understand the reasons for this link.

In general, our sense of smell deteriorates with age. But some people suffer from anosmia – in other words, a loss of the sense of smell – from childhood. Although cases of general anosmia (no sense of smell whatever) are few and far between, a by no means negligible percentage of the population does suffer from specific anosmia. They are unable to identify certain sources of odour (for instance, 12% of the population cannot detect musk, including Linda Buck to her great regret because she loves fragrances) or detect nothing at all when concentrations are low.
Of course, not everyone shares identical genes which determine the sense of smell. Work done by this world leader in the field led to the discovery that more than one receptor of olfactory neurones is involved in the detection of an odour. There are in fact several receptors which can recognise the same fragrance. Conversely, one single odour can be identified by a great many receptors.

“In human beings, 350 genes contribute to the sense of smell, making this the richest family of the human genome”

Each odour molecule activates receptors in combination, thereby permitting a unique coding for each odour and hence a different perception of different molecules, even if they are broadly similar. This particularly fine sensitivity explains for instance why pears and bananas have a very different smell despite their almost identical molecular structure.

The nose has a multitude of olfactory sensory neurones sending signals to the olfactory bulb located in that part of the brain closest to the nasal cavity. In the nose, each olfactory neurone is directly linked in a very precise way to the brain, depending on the receptor which this neurone expresses. “But the way in which this information is organised in the higher regions of the brain to generate the perception of an odour is a question that remains unanswered today.”

Innate or acquired?
That leads us on to another question: is the sense of smell innate or acquired? “The way animals react to certain odours is instinctive.” Linda Buck and her team have shown that a mouse sensing the smell of a fox is instinctively paralysed with fear, even if it has never seen a fox in its life. “In the case of human beings, we do not know. I suppose, however, that there must be something innate because people react in the same way to flowers or, at the other extreme, to smells of rotting matter.” Similarly, it might be the case that the reaction to certain fragrances is handed down from one generation to another, but here too further studies would be needed.

The scope for research in this area clearly remains extensive. Questions of the links between the olfactory system and memory (Proust’s famous madeleine), of differences in perception between men and women or of the precise role which the eleven different zones of the olfactory cortex play are just some of the many issues to which no scientific answers have been found as yet.

But things might change. As Linda Buck is happy to point out, “the tools provided by the genomic revolution are very important for research into the brain and to understand its functions. That makes them extremely useful for any attempt to better understand how the sense of smell works.”

Aline Yazgi

Making science accessible
The driving force behind the Wright Science Colloquia, held every two years in Geneva, is to explain the latest advances made by science to the general public. Created in 1984 by Dr H. Dudley Wright, a businessman, industrialist and scientist of US origin, to thank Geneva for its hospitality, they are also an occasion for a magnificent son et lumière show which enlivens the façade of Uni Bastions is consistent with the spirit of this dissemination of knowledge by creating emotion around science.
Geneva, a Genevan business

Historical note

Last December, the printing works celebrated its 120th anniversary. Created in 1896 by George Warder Brooke, it took the name of Atar, a contraction of Ateliers Artistiques (or Artistic Workshops) in 1905. Its original mission was the publication of newspapers, literary or artistic works, jobbing print contracts, lithography, engraving and binding. Heavily involved in the art world, Atar began to specialise in poster publishing, and the firm still has a very fine collection today. In 1989, Atar acquired the Journal de Genève’s commercial printing works and, in 1995, it set up the CAG Graphic Art Centre company with Roto-Sadag and Sprint Printers. The firm eventually left the city-centre, moving into its own premises in Satigny. In 1997, its official name was changed to Atar Roto Presse. Marc Van Hove, Atar’s dynamic boss and managing director, has been at the company’s helm for 18 years.

Atar: 120 years in pursuit of quality and innovation

Since its foundation in 1896, Atar Roto Presse has perpetuated the tradition of printing fine books, catalogues, financial reports, newspapers and periodicals for its clients, including watch industry brands, foundations, banks, publishers and newspapers. The biggest printing works in the Canton of Geneva employs 78 professionals in the graphic arts on its own premises with a floor space of 4,500 m² in Satigny. Marc Van Hove, Atar’s dynamic boss and managing director, has been at the company’s helm for 18 years.
A master printer for the twenty-first century
Atar uses three different printing techniques. This is unique in French-speaking Switzerland. A rotary press, the only one of its kind in Geneva, enables newspapers to be printed. Sheet-fed offset printing is dedicated to a range of publications and high-quality books. Digital offset makes it possible to respond rapidly to one-off orders and complements traditional offset work. In the course of its 120-year history, Atar has had to respond to many challenges posed by the rapid sequence of technological developments that have profoundly transformed the printing industry. Marc Van Hove underlines the crucial importance of investments in this constantly changing environment. In the past 18 years, Atar has invested 30 million francs in new equipment and machinery to remain competitive. Thanks to its strong cash flow, freedom from debt and reserves, the printer now benefits from great flexibility. In 2014, it acquired two sheet-fed offset presses, a move that was crucial to safeguard the future working and success of Atar. This practically self-financed investment of ten million francs safeguards the company’s high-end positioning. The two new machines give clients the benefit of further innovations and print solutions compliant with the Atar strategy based on quality, added value and stable prices. With the installation of these new presses, the company has gained a high production speed, increased productivity, good conditions for the daily work of its staff and quality control measures that are distinctly more stringent than before. A magnificent book was published in February recounting Atar’s history from 1896 to the present day.

Atar meeting the challenges of the printing industry
The print market is experiencing a difficult phase, and many local businesses in the sector have paid a heavy price in recent years. Marc Van Hove stresses the impact of the euro to which the Canton of Geneva is particularly sensitive. Recruitment is another challenge. Talent is hard to find because the Swiss workforce lacks mobility. Moreover, the sector is having to contend with constantly declining order numbers now that many companies use foreign printers. The managing director believes that the only route to success in this environment is to focus on the high end and sophistication, productivity, a proactive stance, small orders and a rapid response. A careful choice of clientele must also be made and even the most exacting demands satisfied. Atar’s policy is not to become involved when price is the only selection factor. The printer’s strategy is to invest constantly and against the prevailing trend, i.e. in times of crisis. That strategy is feasible because the business is sound and debt-free. Marc Van Hove concludes by pointing out that Atar is lucky to be able to count on highly understanding family shareholders with modest demands and a genuine sentimental attachment to the business.

Marie-Christine Lang

“Constant investments must be made to adjust to ongoing change in the industry and maintain the company’s high-end positioning”
A new eco-district

Corsier’s local council began work in June 2016 on its first large-scale construction project which will see the creation of an eco-district covering 11,000 m² called Prés-Grange in 2018. Occupying the site of the former Petit-Castel hotel/restaurant on Route de Thonon, it will comprise four buildings with 41 housing units, amenities for use by local clubs and groups, and, in the longer run, shops, all enhanced by extensive green spaces.

The outcome of several years’ work

Keen to meet local residents’ demand for housing, especially for young people and senior citizens, the local council had decided to upgrade this strategically located area of 11,000 m² with access to good public transport services. An architectural competition was run in 2009. Many Swiss and European entries were received. The “ATOLL” eco-district project jointly submitted by the Vukoja Goldinger GmbH and Tekhne SA architect firms, based in Zurich and Geneva, was the winner. After several variants and preliminary studies requested by the canton’s planning department, for the purpose of increasing the rate of intensification for this development, Corsier’s local council was granted a building permit in January 2016, and the foundation stone was laid last November.

Urban development favouring mixed use and intergenerational links

Three of the four new buildings will be available for rent, whereas one will contain owner-occupied apartments. They will be laid out around a central courtyard planted with trees, and the complex will also include an underground car park together with various communal premises. With intention that those living in Corsier should have priority, the 41 apartments are due to be completed and available for rent by mid-2018. The layout of this new district enables Corsier’s local authority to achieve its goal of mixed use, social interaction and intergenerational links through allocating housing units to varied family groupings and occupants of different ages. Serving as a link between the different parts of the village, exchanges between the inhabitants are facilitated by premises and amenities for local-community clubs and groups, and shops adjoining Route de Thonon; green spaces are also provided. On the latter point, Eric Sommerlatte, the project architect, stresses the fact that the local authority advocated a development close to nature enabling the inhabitants to enjoy contacts with the outdoors. Barring the studio flats, each housing unit will therefore have a garden, terrace or balcony.

The ecological dimension of the project

Giving priority to sustainable development, the local council, in keeping with its “energy city” credentials, was keen to promote innovative technologies and favour the use of renewable energies to reduce the ecological footprint of the district and its inhabitants. The buildings are, therefore, being constructed in compliance with the cantonal standard for very high energy performance (THPE) as defined by the Geneva Cantonal Energy Law. This is based on many criteria, in particular highly efficient insulation of the façades, roofs and floors of the premises leading down to the cellars. The materials used for this structure likewise provide very good thermal and acoustic insulation between the apartments. Eric Sommerlatte points out that heating is sourced from a heat pump which draws energy from the site by means of an array of twelve geothermal probes buried at a depth of around 300 metres. He adds that the additional energy required to produce hot water for sanitary use will be generated by thermal solar panels. Last but not least, some of the electricity consumed by the communal areas is provided by photovoltaic solar panels.

Corsier’s local authority is therefore completing a complex of buildings based on an innovative architectural concept which will create attractive living spaces for the future inhabitants who are due to arrive here in 2018.

Marie-Christine Lang
Corsier in brief

Corsier's lakeside location was the reason why people settled here a very long time ago. Along the embankment, the remains of several villages have been discovered, the oldest of which date back to more than 3,000 years B.C. This lakeside settlement of national importance has been accorded the status of a World Heritage Site by UNESCO.

Following the Celts and the Allobroges, the Romans settled on this land where local place names still recall their presence to this day. The name of the village of Corsiacum is probably derived from the estate of a certain Curtius. It went on to become Corsy and finally Corsier. In the Middle Ages, the Lords of Corsier who reigned as masters over the village and its surroundings were governed by the Dukes of Savoy.
Goodbye digital and big data... Hello artificial intelligence and smart data!

The 3.0 era continues to astound us with its inventiveness and speed. Digital natives or the YZ generations (born after the 1970s) will probably experience something that was seemingly impossible and which previous generations used to call science fiction: artificial intelligence. The best of all possible worlds is not far off, and robotisation has made deep inroads into the provision of services.

Today, the accumulation of data (big data) and their sharing (open data) are no longer sufficient; data can now be processed to support and assist human beings in their professional and private lives. The aim is no longer to produce big data but smart data, in other words intelligent and intelligible data placed at the service of man. Artificial intelligence is on the horizon. It has become a genuine scientific discipline seeking ways of solving problems of great logical or algorithmic complexity. By extension, in everyday parlance, it designates the devices that imitate or replicate the performance of some human cognitive functions. It seeks to create or simulate in robots or software an intelligence comparable to that of man or even superior to his own. Thanks to algorithms, based notably on probabilities of occurrence and repetitive connections, it will enable links to be created between stored information and external stimuli.

**Thinking machines**

In other words, digital systems and synthetic applications will have the ability to “think” while they are in use by drawing analogies and making data associations capable of giving pertinent responses to the user. While the Siri system (on mobile phones) or Google Cars prefigure this phenomenon, it is also playing a key role in certain industries and is set to make inroads deep into all our private lives. Researchers and scientists in various fields have been working on this subject for a number of years. At the end of September, Google presented a new version of its Google Translate service enhanced by deep learning (neural networks, artificial intelligence technology). The intention was to achieve better-quality translations using the Google Neural Machine Translate system (GNMT). This artificial intelligence technology has the ability to shift from one language to another without even being asked to do so! Deep Mind, a Google subsidiary, and the University of Oxford have developed a program capable of converting lip movements into text. From there, it is only a small step to imagine that robots will go on to welcome our clients or console our children in the near future.

**Precious knowledge**

Information and knowledge have been mankind’s most valuable assets from time immemorial. They are essential for the growth, development and self-affirmation of human beings. Technologies may change but grey matter and the ability to analyse and select information remain fundamental assets that make all the difference. That is why the five giants of the Internet (Amazon, Google, Facebook, IBM and Microsoft) have joined forces in a common project called Partnership on AI in an effort to master the development of artificial intelligence and derive the greatest possible benefits for citizens and society alike. The partnership wishes to “advance public understanding and awareness of AI and its potential benefits and potential costs” and also raises the question of ethics to “support research and recommend best practices in areas including ethics, fairness, and inclusivity; transparency and interoperability; privacy”. AI is gradually becoming the new electricity. Better still, it is perfectly accessible and could be made available free of charge to human beings. However, some difference between human and artificial intelligence should remain because the former has a conscience of its own. Will artificial intelligence ever acquire that characteristic? In the financial sphere, it remains to be seen whether the artificial banker will be capable of empathy and emotion with his future clients. That, frankly, is anyone’s guess.

“**It is only a small step from here to imagine that robots will go on to welcome our clients or console our children in the near future”**

**BCGE 3.0**

Investment robots have already made their appearance in the financial industry. Some commentators see their role as highly damaging. Fortunately, BCGE has not fallen into the trap of investment automation and is keeping a cautious watch on technological advances before moving on to developments which must take due account of the need for security. For the time being, advice to customers is real and favours the human relationship between the customer and his personal adviser in order to reconcile his specific financial needs with the available opportunities. However, BCGE has launched digital e-banking (BCGE Netbanking), e-brokerage (BCGE 1816) and e-forex (ForXchange by BCGE) platforms.
BCGE diplomatic week in Hong Kong

Since its inauguration in 2010, the Hong Kong representative office has been organising every other year an event for its clients and partners. The Chairman and CEO, accompanied by a delegation of BCGE experts, meet several different audiences with the support of the local team.

On 1 December 2016, BCGE’s representative office in Hong Kong hosted the BCGE gala dinner with 120 guests at the Happy Valley Jockey Club in Hong Kong. Clients and prominent local figures had an opportunity to enjoy an exceptional evening, embellished by the presence of some pieces crafted by the Swiss jeweller Gübelin. The particularly Swiss touch of the speeches, entertainment and dinner impressed the audience.

BCGE Chairman Jean-Pierre Roth, CEO Blaise Goetschin and the Director of Dimension SA, Claude Romy, also met a delegation from the Ministry of the Economy and Finance led by James Lau Jr., Under-Secretary for Financial Services and the Treasury. They held an exchange of views on the development of banking in the region, on topical issues such as the automatic exchange of information and on the outlook for the Swiss and Chinese economies. Regular discussions of this kind help to promote Geneva’s economic and financial centre.

A BCGE delegation (Jean-Pierre Roth, Chairman; Blaise Goetschin, CEO; David Ting, Head of Hong Kong office; Hélène De Vos Vuadens, Head of the Communication and Investor Relations Service) held talks over lunch with His Excellency the Ambassador of Switzerland to China, Jean-Jacques de Dardel. This meeting was an opportunity to update the general analysis of opportunities and risks linked to business around Hong Kong, as an important geographical centre. It enabled very positive conclusions to be drawn from the coordinated actions led by the bank to facilitate the flow of mutually beneficial business involving the role of Geneva in the internationalisation of the yuan, the support given by the bank to Swiss companies active in the Far East and M&A advice on direct cross-investments.

Keen to adapt to the local culture and needs of its partners, the delegation visited one of the most prestigious names in the Chinese food industry, the Lee Kum Kee family business in Tai Po, which specialises in production of sauces and condiments based mainly on oysters.

BCGE took up temporary residence in the CMA Building, home to the Chinese Manufacturers’ Association (CMA) of Hong Kong, to present to an audience of professionals investment opportunities in Switzerland, BCGE’s management philosophy and its activities in the area of company ownership transfer. The Consul-General of Switzerland in Hong Kong, Reto Renggli, gave a lively presentation of Switzerland’s special advantages. BCGE also hosted institutional and/or bank investors on its premises to introduce them to the bank, its institutional management and investment philosophies based on the real economy and on sustainability.

Appointments to the Executive Board of the BCGE Group

On 1 January 2017, Claude Bagnoud, a member of the Executive Board since 2000, was appointed Head of the Geneva Private Clients and Family Businesses Division. Yves Spörri took over from him at the helm of the Swiss Corporate and Institutional Clients Division.

Former Head of the Banks and Insurances business unit and of the Multinationals and International Institutions Department, Yves Spörri has been appointed to the Executive Board. An EPF graduate engineer aged 48, Yves Spörri has been working at BCGE since 2001. He is a Swiss national with long professional experience of banking. “Yves Spörri has been a key manager of our bank for many years now. He has worked to promote its interests to the community of banks and insurance companies in Switzerland and elsewhere. He has sophisticated knowledge of contemporary finance and its technicalities, an essential qualification in the eyes of his discussion partners”, Blaise Goetschin, Group CEO, points out.

Head of the Swiss Corporate and Institutional Clients Division since 2001, Claude Bagnoud took over from Jérôme Monnier (who is to join the Management Board of Banque Cantonale de Genève (France) SA in Lyon) as Head of the Geneva Private Clients and Family Businesses Division. The Public Authorities Department has now been attached to this division.

“As a banker who is highly appreciated by the stakeholders in the regional economy, Claude Bagnoud has the ability to reconcile the expectations placed by Genevan clients on a human bank which is accessible and close to everyone with the demands of a market that is being transformed at the fast pace of digitisation. He knows and loves our canton”, the Group CEO says about him.
Easy to use, with attractive pricing and robust operational qualities, the BCGE 1816 online trading platform hosted its 7,000th user last January. As an integral part of the BCGE Netbanking online trading system, BCGE 1816 gives access to Swiss and international markets at advantageous prices. It allows users to make investments in Swiss and international securities via stock markets in Europe, North America, Australia and Asia (Tokyo and Singapore).

BCGE 1816 can be activated free of charge in order to buy and sell securities completely independently. At the same time, free access to detailed and updated stock market information is available online via the Yourmoney site and application.

Commenting on this advance, Blaise Goetschin, BCGE CEO, says: “Clients are increasingly inclined to use the most powerful electronic tools to manage their business. ForXchange by BCGE, the platform for online forex trading for businesses, and BCGE 1816 for stock market transactions, form a highly efficient duo”.

The new offer of services by BCGE Xpatbkimg.ch is focused on investment advice, occupational benefits and cross-selling for expatriates who have assets and family in Switzerland as well as foreign expatriates in Switzerland. This concept corresponds to a clearly identified line of development because Swiss expatriates who are sent abroad by their companies are estimated to number several hundred thousand people; there are also a great many foreign expatriates in Switzerland. This offer of services is available in French-speaking Switzerland via the bank’s Geneva establishments and its branch in Lausanne, and in German-speaking Switzerland through the Zurich branch.

A dedicated team for private banking clients

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In brief

Gilbert Probst appointed Chair of the BCGE Board of Directors

Geneva’s State Council has appointed Gilbert Probst to take over from Jean-Pierre Roth. He will take up his duties on 25 April 2017 following the bank’s Annual General Meeting. Born on 17 September 1950, Gilbert Probst was a Full Professor of Management and Organisation at the University of Geneva from 1987 to 2015. Since then, he has held the roles of Honorary Professor, Director of the Public-Private Partnerships Centre, which he founded, and Co-Director of the MBA Programme at the Geneva School of Economics and Management (GSEM). Professor Probst is co-founder and Vice-Chair of the Swiss Board Institute (Geneva) Foundation and Vice-Chair of the Swiss Institute of Directors for Switzerland (St. Gallen).

From 2007 to 2016, Gilbert Probst was Managing Director of the World Economic Forum, Dean of the Global Leadership Fellows Programme and in charge of the Open Forum Davos.

Previously, Gilbert Probst had been Vice-director and lecturer at the Institute of Management (IfB) of the University of St. Gallen (1983-1987). He also taught at the Wharton School of the University of Pennsylvania and at the International Management Institute (IMI) in Geneva. He is the founder of the Center for Organizational Excellence (University of St. Gallen) and the Geneva Knowledge Forum.

Gilbert Probst has extensive experience in the private sector. He has been a member on the Boards of Directors of EPA/UNIP, Kuoni, Holcim, Schlaepfer Textiles, Alu Menziken and Acqiris.

The bank wishes to thank the outgoing Chairman Jean-Pierre Roth who worked effectively for seven years and deployed his excellent financial and economic expertise.

BCGE (France) partner of the Embassy Prize for Innovation

Banque Cantonale de Genève (BCGE) was invited with Zenith Watches and TGV Lyria to partner the Embassy Prize for Innovation evening. Organised by the Embassy of Switzerland in France on its premises (rue de Grenelle in Paris), this awards evening was held on 8 December.

The Embassy Prize for Innovation is an event held once every two years. Its aims are to promote the Swiss research and innovation landscape and to foster a dialogue between Swiss and French businesses present there in order to share their expertise in the area of research and innovation in this field. For the first edition of this competition, the chosen topic was the economy at the service of senior citizens, sometimes also known as the ‘silver economy’. Thirteen French and Swiss companies active in the silver economy were selected by the Embassy and had an opportunity to present their products and services at the prize award ceremony.

Many different sectors were represented: home automation (a specialty of the building industry grouping together techniques enabling living space to be controlled, automated and programmed), information technology (games for senior citizens on tablets to detect illnesses such as Alzheimer’s), alternative care (music to relieve pain), sports programmes adapted to elderly persons available for consultation online and various connected objects enabling senior citizens to remain independent in their own home for longer than would otherwise be the case.

The prize was presented by Ambassador Bernardino Regazzoni to the SWAF company for its connected glass, enabling the user’s ideal consumption to be calculated. The Coup de Coeur prize was awarded to the Domosafety company for its system designed to improve the safety of the elderly in their own homes.

Nearly 14,000 shareholders place their trust in BCGE

Banque Cantonale de Genève (BCGE) continues to broaden its private and institutional shareholding base which now has just under 14,000 members.

The number of private individuals and businesses who are becoming BCGE shareholders is climbing steadily, regardless of the economic or stock market environment. This trend is a tangible sign of confidence in, and support for, a business strategy focused on the real economy and on the quality and personalisation of customer service. BCGE welcomes the fact that it can count on the decisive support of dynamic and widely diversified shareholders who provide a solid foundation to facilitate the bank’s growth and prestige.
Introduction of the single registered share after the new Articles of Association came into force

At the AGM on 26 April 2016, BCGE shareholders adopted the amendments to the Articles of Association required for introduction of a single registered share. Following ratification by Geneva’s Grand Council, the new Articles of Association came into force on 28 January 2017. The three different categories of shares were replaced by a single category listed on the SIX Swiss Exchange.

The revised Law on Banque Cantonale de Genève (LBCGe), which came into force on 1 April 2016, now stipulates that the bank’s share capital is divided into registered shares of identical par value, each share giving the right to one vote. On 26 April 2016, the AGM of BCGE shareholders adopted amendments to the bank’s Articles of Association to implement this amendment of the LBCGe. In particular, the new Articles set the par value of the registered share at 50 francs. These amendments to the Articles of Association were formally approved by FINMA and ratified by the Grand Council of the Republic and Canton of Geneva. The new Articles of Association came into force on 28 January last, enabling the effective conversion of the shares to go ahead.

The purpose of introducing a single share is to boost the liquidity and attractiveness of the share on the capital market, enhance the transparency of the shareholding structure, relinquish bearer shares pending future changes to Swiss legislation, and facilitate compliance with the new regulatory requirements.

Automatic share conversion

The three previous share categories have been replaced by a single category of registered shares listed on the SIX Swiss Exchange. This conversion went ahead automatically without the need for any action by shareholders themselves. The conversion took place on 2 February 2017, which was also the first day of trading in the single registered shares.

Each bearer share with a par value of 100 francs was converted into two single registered shares with a par value of 50 francs each. Unlisted A and B registered shares, with a par value of 50 francs each, were also replaced by the new single registered shares. Since conversion, Banque Cantonale de Genève’s share capital, totalling an unchanged 360,000,000 francs, has comprised 7,200,000 registered shares, each with a par value of 50 francs.

Action to be taken by shareholders

For holders of bearer shares or A or B registered shares who keep their shares in a securities custody account opened at a bank, conversion into new single registered shares took place automatically.

On the other hand, holders of bearer shares who still keep their shares at home or in a safe deposit must forward these shares to their bank immediately so that they can be converted into the new single registered shares.

“The introduction of a single share is designed to boost the liquidity and attractiveness of the share on the capital market”

The Swiss Code of Obligations lays down a special regime for registered shares: only those shareholders whose names are registered in the company’s Register of Shareholders are authorised to exercise their voting rights and related share rights. If the shareholder’s name is not registered, personal membership rights in the company are suspended, and the shareholder is not allowed to attend the company’s general meetings. To be authorised to attend the bank’s general meetings, shareholders must have applied for their names to be registered in the bank’s Register of Shareholders. To register, shareholders must use the application form supplied by the bank.

The bank wishes to thank shareholders for their understanding and welcomes completion of this key stage in the modernisation of its capital structure.

Further information from: www.bcge.ch/capital-actions or 058 211 21 39.
Three key messages from Banque Cantonale de Genève

BCGE, which celebrated its bicentenary in 2016, occupies a privileged position with 220,000 private individuals and just under 15,000 businesses in Geneva. They all place their trust in the bank. Figuring among the leading banks in our country, simplicity and accessibility are its distinctive features, together with its role as a partner of choice for businesses to which it provides an extensive range of services.

BCGE offers a fully comprehensive range of products and services, and occupies a dominant position in many sectors of activity and innovation products. It is a major player in the Geneva economy to which it gives particularly loyal support. As a leading bank in Switzerland and the only universal bank whose decision-making centre is in Geneva, it also belongs to a powerful banking network, grouping together 24 cantonal banks. This is the foremost banking force in the country where it ranks first for SME financing. BCGE can also count on a diversified and outstanding shareholding base which gives it a position of choice to confront its competitors. The Canton of Geneva owns 44.3% of its capital, the City of Geneva 20.9%, local councils in the canton 7.4% and private investors 27.4%.

1 Corporate bodies.
BCGE, a leading Swiss bank

BCGE is an investment innovator: in 2014, it created the cantonal banks tracker certificate1. This instrument enables investors to benefit from the upside potential on cantonal banks’ share prices and the payout of historically higher dividends than the Swiss market average and that of the major Swiss banks. On the occasion of its bicentenary in 2016, BCGE launched the Geneva Economy Quintessence tracker certificate, an equity product that invests in over 20 Swiss and world businesses which, like the bank, put their faith in Geneva’s future. It is intended for investors wishing to participate in the growth of businesses that hold the key to spreading Geneva’s name and renown further and wider. This tracker certificate, made up of listed companies — both Swiss and international — that are established in the canton and reflecting the competitive and selective fabric of the Geneva economy, has proved a great success.

With an outward-looking international approach through its business operations, strategy and client-base, BCGE generates 22% of its income in dollars and in euros. To respond to the needs of SMEs and businesses, especially those active beyond its borders, BCGE has developed, in association with a Geneva fintech company, the ForXchange by BCGE platform to facilitate their foreign currency management.

BCGE, a simple and accessible bank

BCGE provides a range of diversified and advantageous services, high-quality banking facilities and personalised expert advice for the benefit of its 220,000 private clients. It proposes simple, good-value and dependable solutions to execute transactions. The bank has the densest network of branches in the canton, 22 in all, together with offices in Lausanne and Zurich. Its clear line of conduct, along with its assertive and transparent investment philosophy, testify to its strength and resilience, reflected in its 200-year history. Among its services for private clients, BCGE put in place ten years ago the Avantage Service loyalty programme which groups together more than 33,000 clients and enables an interest-rate bonus of up to 2% to be accumulated on a savings account. When it comes to banking facilities, the BCGE 1816 online trading platform provides users complete independence when it comes to managing stock-market transactions and direct access to the foremost international stock exchanges.

BCGE, a multi-services bank helping entrepreneurs

As a pillar of the regional economy, BCGE maintains relations with nearly 15,000 businesses in the canton thanks to its evolving business model which enables it to offer professional, flexible and high-quality support to companies of all sizes and to the major financial players. Among the 20,200 businesses established in the Canton of Geneva, 90% are SMEs employing fewer than 10 people, 64% single-owner firms, 24% limited companies and 29% family businesses. Corporate entities account for 67% of the bank’s overall business.

BCGE benefits from the best business penetration rate (36% of all businesses and 58% in the SME segment) in the Canton of Geneva. The bank is highly acclaimed for the proven competence of its staff and support for the local economy, a mission entrusted to it by the Constitution of Geneva. It meets the needs of SMEs that want regular contact with their banker, a relationship of trust, reactivity, flexibility and advice with high added value. The satisfaction rate of its SME clientele is one of the highest on the market. Financing and occupational benefit solutions are the bank’s strong points recognised by independent surveys. BCGE collaborates in particular with the several business associations, such as the Fondation d’aide aux entreprises (FAE), the Geneva Chamber of Commerce, Industry and Services (CCIG), the Centres de Rencontre des Entrepreneurs de Genève (CREG), etc., and the loan-guarantee agencies. The bank provides personalised and good-value services, especially in the areas of professional loans, leasing, lending for personal projects and business credit cards. Thanks to its expertise, knowledge of the field and spirit of initiative, the bank supports and assists businesses in all their activities. Acting as a vector of success, BCGE is one of the influential players working for local entrepreneurs.

The bank has singular expertise in private equity, thanks to its wholly owned Capital Transmission subsidiary. This aims to provide financial backing through equity or quasi-equity capital for businesses and investors. Capital Transmission has investment capacity allowing it to finance long-term expansion of businesses, underpin consolidation of their operations or facilitate the transfer of ownership through acquisition of minority stakes or mezzanine financing. For mergers and acquisitions, BCGE uses its wholly-owned Dimension subsidiary company, based in Lausanne with a branch office in Geneva. Active throughout Western Switzerland, it has specialised for over 20 years in the valuation and ownership transfer of businesses in the fields of retailing, industry, watchmaking, construction, real estate, business services and information technology. ■

Dialogue


“Its clear line of conduct, along with its assertive and transparent investment philosophy, testify to its strength and resilience, reflected in its 200-year history”
The Silk Road: a wonderful opportunity to boost trade

The Chinese Government’s highly ambitious One Belt, One Road project is being accompanied by colossal investments and might well revolutionise the global geostrategic chessboard.

The Silk Road is one of those expressions that immediately conjure up exoticism and dreams. In existence for more than two millennia, it has been updated in recent years by construction of a new rail link between China and Europe which has reopened this mythical route. Always much more than a simple road, it has now taken on a further dimension. This truly strategic project was launched in 2013 by the Chinese Government. Called One Belt, One Road, this new Silk Road is designed to transform the economic heart of the world, in which China would no longer stand on the periphery, but become instead the nerve centre.

To talk about this far-reaching project, Banque Cantonale de Genève invited two experts to comment at a BCGE Asian Desk: Jean-Pierre Lehmann (Emeritus Professor in International Political Economy – Visiting Professor at IMD and Hong Kong University – and founder of The Evian Group) and François Marti (Executive Vice-President of SGS’s Industrial Services Division; see his interview below).

“The Silk Road is a fine symbol of what happened in the past, is happening today and will happen in future. It has been in existence since the eighth century B.C., but the term itself is relatively new. It has permitted a great many exchanges, transfers of culture and religion”, Professor Lehmann points out. He has a particularly good knowledge of this part of the world where he has been active professionally for exactly half a century. “Previously Asia did not really exist. The different countries did not know one another.” That reality was even apparent among Jean-Pierre Lehmann’s students when he first taught in South-East Asia. “The 21st century has brought about a genuine change.”

“Europe must realise that it is becoming increasingly marginal and make efforts of cultural adaptation to get to know and understand China better”

A place of exchange and information for entrepreneurs

BCGE Asian Desk aims to be a forum at the service of entrepreneurs wishing to become established in Asia. It gives them the benefit of theoretical and practical expertise. Since 2013, a number of events have been organised, always along the same lines. They give an opportunity to experts and acknowledged decision-makers from Geneva who have already successfully become established on the continent to state their views. They describe their experience in the field and the challenges encountered in their approach to these markets. A round-table follows with the participation of various experts (members of associations for economic cooperation between these countries and Switzerland, business lawyers, members of the academic world, etc.).

BCGE is also active in several other ways in developing relations between Switzerland and Asia: savings account in yuan, partnership with the Switzerland-China Chamber of Commerce, sponsorship of various events involving both countries, accompanying delegations, regular meetings with the Hong Kong financial authorities.
When China catches cold, the whole planet falls ill

Similarly, the Chinese awakening now has an impact on the rest of the world whereas previously even neighbouring countries were not affected. And Professor Lehmann goes on to cite, as an example, the Cultural Revolution whose effects remained confined within the country’s own borders. “Today on the other hand if China has a cold the whole planet catches pneumonia.”

The One Belt, One Road project in fact consists of a land route (railways starting in Western China, crossing the mountainous regions of Central Asia and arriving in Europe) and a maritime route (leading through the ports of China and East Asia, along the coast of Africa and through the Suez Canal). All these are regions in which Chinese investments run into billions of dollars, as this ambitious project involves gigantic infrastructure works.

“This new Silk Road is a wonderful opportunity for businesses active in infrastructures (transport, logistics) and services (especially tourism and the hotel trade) because demand is so enormous”, Professor Lehmann points out.

A new international department

A new department has recently been set up by BCGE to deal more specifically with the needs of multinationals: MII, standing for Multinationals and International Institutions. MII seeks to be a facilitator of international transactions and provide support for corporate clients with transnational activities. It highlights the bank’s professional activities and global expertise. It provides support and assistance to meet corporate development needs. These professional activities include trade finance, payments traffic, cash management, treasury, interest rates, forex and the ForXchange electronic platform, financing and credit, corporate finance and asset management advice. This is rounded off by personalised banking solutions for staff of businesses that are bank clients under the BCGE Business Partner and Xpatbking names (see page 13). This mission helps to strengthen BCGE’s universal character.

Jean-Daniel Coendoz
Senior Relationship Manager

A wakeup call

Confronted with this geopolitical revolution, it is high time for the Western world to wake up. “We are seeing the sunset of Pax Americana. President Trump will simply speed up the pace of de-Westernisation”, Jean-Pierre Lehmann forecasts. And this expert in Asia urges Europe to return to that part of the world. “Europe must realise that it is becoming increasingly marginal and take this challenge seriously. That calls for efforts of cultural adaptation to get to know and understand China better.” Because even if some questions do still remain open (in particular, knowing how China’s relations with Russia and Japan will evolve), the ‘Middle Kingdom’ is set to occupy an increasingly important position in global governance: “Unlike the United States, China needs globalisation”. ■

Aline Yazgi
“China’s economic profile has changed radically in the past 10 years”

Following his presentation at the BCGE Asian Desk, dedicated to the reality behind the One Belt, One Road concept, François Marti, Executive Vice-President of SGS’s Industrial Services Division, agreed to examine the subject in depth during this interview. Based in Geneva, his group is familiar with the Chinese market on which it has been present since 1991. Active primarily in inspection tasks, it now has 13,000 employees in that country, fewer than ten of whom are Western expatriates.

SGS has 25 years’ experience of China. What has changed most in your view in recent years?

In the past decade, I have been astonished to see just how far China’s economic profile has been transformed. Ten years ago, it was an exporting country focused on manufacturing where our clients were foreigners who purchased goods in China which had to be inspected before they could be sold in Europe and the United States. Since then, a local middle-class has emerged and sustains domestic consumption. We therefore have a growing number of Chinese clients who generate roughly half our sales today.

What are the main features of the Chinese client?

He is becoming increasingly demanding and very keen on Chinese brands.

That being so, which are the sectors where foreign businesses are particularly appreciated?

With the emergence of Chinese brands, they are interested in all aspects of branding advice. In particular, they want to know how Western consumers behave in order to make quite sure that their own models can be exported and prove equally successful on foreign markets.

In general, everything which touches on infrastructures (roads, railways, ports, airports, electricity, etc.) is growing rapidly, and Western engineering is in great demand. There is also a strong activity in the hotel trade: as many hotel rooms are being built today in China as in the rest of the world put together.

Which regions have the highest growth rates today?

The Eastern regions remain the driving force behind the Chinese economy. But there has been such cost inflation that manufacturing industries are relocating westwards. And since infrastructures are improving all the time, this movement does not generate additional costs or pose recruitment difficulties.

We observe this when we open laboratories further to the west to keep in touch with our manufacturing clients. Some of our colleagues are happy to return to their region of origin, moving back closer to their parents and benefitting from higher purchasing power than when they were located in vast urban areas like Shanghai and Shenzhen.

So, if a Swiss company wished to set up in China, should it choose a region further west?

No. It is better to begin by setting up in regions accustomed to foreign investors. The legal and judicial system there is more stable. What is more, people living there have a better command of English.

What is your main advice to any business wishing to set up on the Chinese market?

First of all, go there at the very least with a medium-term vision, otherwise investment costs are too high. Then it must adopt a fairly open enterprise policy; it must in a sense be willing to become “sinicised”. It must adapt to the culture, take Chinese elements on board and agree to change certain things. An understanding of Chinese culture is essential; the business must realise that certain things, like numbers, colours and symbols, assume very great importance there. Unless Swiss features are its unique selling point, a brand must learn to adapt, but without losing its soul either.

What aspect do you regard as particularly important for a Swiss entrepreneur wishing to set up in China?

Find a good local partner. Official intermediaries such as the embassy, consulate and the Switzerland-China Chamber of Commerce are well worth a visit. The people there can establish link-ups and have already gained experience of working in the Swiss and Chinese environments.

Protocol is very important in China. What are the main pitfalls to avoid?

The most important person always sits facing the door and never with his back to the door. When you are negotiating, you must always know just how far you can give way before putting your demands, because their offer will depend on what you bring with you. Finally, the hierarchical system remains quite strong. So, just because you have reached agreement with one particular person does not necessarily mean that things will go ahead. Unless you have arranged for the deal to be validated by his superior, you may well come back six months later and find that nothing whatever has been done.

Aline Yazgi
Planning and structuring a management buyout

The bank’s satellite entities are portrayed turn by turn in an article in Dialogue. Virginie Fauveau, the Director of Capital Transmission, a BCGE subsidiary, supports and assists entrepreneurs who wish to sell their business. She explains for the magazine the key stages in the preparation of a management buyout (MBO) and possible sources of finance.

How do you define an MBO?

This is a transaction by which the management team acquires operational control or even takes over the capital of a business. The initiative may come from the vendor or from executives who want to acquire the company. This situation is frequently encountered in family businesses whose founder is approaching retirement age and whose children do not wish to become involved in the business. The formula may also be of interest to member entities of groups which take the view that their development would be more promising if they were to become independent. An MBO cannot be implemented without a suitable financing structure: borrowing, cooperation with financial investors or a combination of the two techniques.

How much time elapses on average between the initial idea of launching an MBO and effective sale of the company?

Looking ahead to divestment of the business at a sufficiently early stage, especially when it is a family business, enables the available options to be analysed: acquisition by one of the children, sale to a third party or MBO. Once the decision has been taken, the executive staff members chosen to acquire the business must be made ready for their future role as entrepreneurs. The other employees in the business must also be prepared for the management change: for instance, a capital-ownership plan can be envisaged for all personnel to encourage their support for the project. The future shareholders must discuss their respective obligations and agree with the vendor on his future role in the business. For the vendor and purchaser alike, price remains a key element of the transaction – hence the importance of providing a suitable financing structure. That process takes around six months.

Few executive staff members have the resources needed to acquire a business

For an acquisition to proceed smoothly, the general view is that an equity contribution of at least 20% is needed. If a team of internal managers acquires the business, they will have to back their commitment with equity contributions proportionate to their economic strength. The remainder of the equity can then be put up by financial investors. In that case, we create an acquisition holding company which, already endowed with this equity, will be able to secure further financing.

In what form?

We use the term “quasi-equity” in the case of a mezzanine loan because mezzanine debt is treated for legal purposes as external funding, thereby making interest payments tax-deductible, whereas it is regarded as equity from the economic standpoint so as not to dilute the managing shareholders’ participation. Convertible bonds can also be issued. Another solution is a loan granted by the vendor for a number of years. A bank may also grant senior debt for between five and seven years with quarterly capital repayment and interest instalments. The structure of the financing depends on the company’s ability to generate cash flows. Care must be taken to prevent the acquiring holding company from taking on an excessive debt burden. When an investment fund takes a stake in the capital, it becomes involved in defining development targets, assists in creating management tools and sets targets for management to achieve. The acquiring executive staff members may be granted a share of the capital which is higher than their initial contribution, using tools which progressively increase their share.

What role can Capital Transmission play in an MBO?

Capital Transmission is an investment company wholly owned by Banque Cantonale de Genève; its mission is to finance long-term expansion of businesses, underpin consolidation of their operations or facilitate the transfer of ownership. In an MBO we may acquire a minority participation and also grant a mezzanine loan or subscribe to convertible bonds. We adopt a very flexible approach to the time limit for disposal of our participation; this will generally be between five and ten years after our financial intervention.

“Looking ahead to divestment of the business at a sufficiently early stage, especially when it is a family business, enables the available options to be analysed: acquisition by one of the children, sale to a third party or MBO”
Further increase in BCGE’s net profit in 2016

Banque Cantonale de Genève achieved very strong results in 2016. With net profit of CHF 79 million (+1%), profitability, in terms of return on equity (5.8%), is at the high end compared with its peers. Its strong competitiveness is clearly demonstrated by two indicators: mortgage lending, which exceeded CHF 10 billion (+4%), and assets under management and administration of over CHF 23.1 billion (+6%). Equity topped CHF 1.3 billion (+5.1%). The dividend proposed to the AGM on 25 April 2017 will represent 5.5% of par value. In 2017, the Bank expects a level of operating profitability comparable to 2016.

Net profit continued its upward trajectory, rising CHF 0.8 million to CHF 79 million. Excluding non-recurring items in the previous financial year, operating profit worked out at a solid CHF 110.7 million. The Group’s profitability is holding up well despite the strength of the CHF and its impact on the corporate sector, negative interest rates and low commodity prices. The performance is primarily driven by a business model that is diversified in terms of banking areas, currencies and countries.

Income is up, thanks to diversification and international expansion
Total income is at a record high of CHF 349 million. It was underpinned by higher profits from the interest margin business of CHF 211 million, which was itself boosted by growth in mortgages and dynamic rate management. The interest margin stood at 1.02% against a backdrop of ongoing negative rates (2015: 1.10%). The CHF 100 million in commission income was virtually maintained. Commission on securities rose on the back of increased wealth management and new investment products. Commission from lending continued to be affected by low commodity prices, while other commission income, particularly in retail banking, remained stable. The international share of turnover in EUR and USD was 24% (17% in 2015).

A major player in financing Geneva’s economy
Ordinary operating expenses rose to CHF 90 million on the back of capital spending on digitisation and banktechs, and the costs of physical and IT security. For their part, personnel costs rose by 1.7%, i.e. CHF 2.2 million. In fact, many regulatory and technology projects required highly specialised skills. The bank was a net creator of jobs in 2016 with a staff of 738 (+17 in full-time equivalents).

Strong growth in customer deposits
The Bank protected its customers by limiting the impact of negative interest rates on their assets. Customer deposits rose 3.9% to CHF 13.2 billion. Liabilities are soundly diversified, and the mortgage loan to deposit ratio stood at 128%. The BCGE Avantage Service loyalty programme, which offers up to 2% additional remuneration on the savings account, has over 32,700 members.

Assets under management (AUM) exceeded CHF 23 billion, up CHF 1.3 billion (+6%). Private banking activities are growing despite the structural transformation in the sector. The Synchrony investment funds have proved a great success and now have close to CHF 2 billion (+24%). The BCGE 1816 online stock trading platform continues to grow: the number of people using the service rose 20.3% to 7,000 investors.

The Group’s profitability held up well despite the strength of the CHF and its impact on the corporate sector, negative interest rates and low commodity prices”
As the investment universe is linked to the SPI, i.e. all the shares listed on the Swiss stock market which comprises some 200 companies, the fund manager has an opportunity to invest in large, medium and small businesses alike. This flexibility is an advantage to be exploited in line with the bank’s macroeconomic view. So, in a period of accelerating world growth, it is preferable to expose the fund to small and medium-sized companies, because they are more sensitive to this environment. Many of the jewels in this universe are in fact industrial companies whose activity is closely bound up with global GDP growth. In contrast, during periods when the economy is slowing, the more defensive character of large caps is preferable.

How attractive is a share?

Once the state of the economic cycle has been ascertained, the picking of shares is governed by a relatively simple investment philosophy: becoming a shareholder, in other words owning a share in a business. Although that may seem blatantly obvious, many investors often confuse this with buying a lottery ticket. I therefore endeavour to find the best investments by analysing fundamentals and arriving at an independent valuation of the relevant businesses. The attractiveness of each company is assessed by analysing its business model and financial statements. A good company is not always a sound investment. The attractiveness of the investment is defined by determining the company’s net worth. Frequent meetings with companies enable them to be better understood and so more accurately valued. The decision to invest and therefore to become a part-owner of the business is taken at the end of this process if the price to be paid (stock market price) is lower than the estimated net asset value.

High potential

This selection process has enabled high potential to be detected in the fund’s principal convictions-driven choices in 2016, namely Actelion (+82% since its purchase) and Zurich Insurance (+37% since its purchase). Active management also presupposes a refusal to hold certain shares which do not respect the bank’s philosophy: in that spirit, a decision was taken not to have shares in Credit Suisse; that was the right decision because the share lost 33% in 2016.

At present, the Synchrony All Caps CH fund owns shares in some 20 companies with a time horizon for this selection of between three and five years. This is therefore a fund focused on strong decisions. For 2017, we remain optimistic over the outlook for Swiss equities and especially for the companies held by us. Although valuations are high, attractive investment opportunities do still exist, and profit growth is expected to underpin the stock market performance of the selected shares.

“At present, the Synchrony All Caps CH fund owns shares in some 20 companies with a time horizon for this selection of between three and five years”
Focus on a study

Switzerland has many fast-growing businesses, and they can be financed via an extensive choice of offerings, both public and private. Because each canton is free to set its own economic policy, most of them provide financing for companies, including start-ups. At Federal level too, instruments have been designed to facilitate small businesses’ access to financing. Moreover, several players are working on launching a specific risk-capital fund destined for use by pension funds and other institutional investors.

A book to discover

Should the European Central Bank continue its quantitative easing policy? Are central banks justified in printing money to stimulate economic activity? Should Greece leave the eurozone? Should the international monetary system be reformed? Those are all highly topical questions. Providing an answer presupposes an understanding of the fundamental role of money and of the way in which monetary systems work. Pascal Salin’s book, Les systèmes monétaires – Des besoins individuels aux réalités internationales (Monetary systems – From individual needs to international realities) makes an important contribution. This eminently didactic work guides the reader starting out from the real relationship of individuals with money and finishing with an analysis of monetary systems and the workings of the international monetary system. Former President of the Mont Pelerin Society – founded by Friedrich A. von Hayek – and Emeritus Professor at the Université Paris-Dauphine, Pascal Salin is an expert in monetary theory. The author of La vérité sur la monnaie and Libéralisme once again places his vast economic erudition at the service of effective popularisation to enable readers to form an enlightened opinion of the main monetary problems in this early part of the 21st century. Both the proponents and opponents of an active monetary policy to mitigate economic cycles will find food for thought in this work.

SUPPORT FOR VICTIMS OF DOMESTIC VIOLENCE

OUR MISSION
Solidarité Femmes provides psychosocial and therapeutic support for women who are victims of domestic violence and for their children. It also seeks to heighten awareness of this issue among the general public and professionals.

One woman in five is affected by violence of this kind at some stage in her life with a partner. One woman out of ten is a victim today.

In Switzerland, one woman dies every fifteen days from blows struck by her partner.

The numbers prove the scale of this outrage which affects every woman, regardless of social and economic status.

PROFESSIONAL SPECIALISTS
The strength of Solidarité Femmes resides in its theme of therapeutic specialists and social workers who take expert care of victims with particular attention to the mother-child relationship.

Its direct assistance services (individual conversation, telephone call centre, visits without the need for appointments, information sessions) enable personalised support to be given to the beneficiaries. In 2016, 805 women walked through the door of the consultation centre at Eaux-Vives.

Solidarité Femmes also provides accommodation for women who are obliged to leave the family home.

No charge is made for services except accommodation.

Support us!
Every gift helps a woman
www.solidaritefemmes-ge.org

Follow us!

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