

News for Banks



- 2 Gaining currency**
Foreign exchange as an asset class
- 4 The stress-testing of CLS**
Taking out settlement risk
- 5 Prescriptions for payments**
Raising efficiency, adding value
- 6 Making operations pay**
UBS takes the industrial approach
- 8 Navigating risk**
When cash experts convene
- 10 Back to basics**
Central banks rediscover the charms of gold and cash
- 12 Surfing the contango**
A commodity index that performs
- 13 Bar market**
Bullish on bullion
- 14 In brief**
Short news items

Back to basics

The quality of debate at SIBOS 2009 will be high. Their minds focused by the protracted economic and financial crisis, delegates will vigorously engage with the fundamental issues surrounding our industry's future. Looming large in the agenda will be the role of transaction banking, as well as questions about the related infrastructure and risks.

In this newsletter, we anticipate some of these discussions. "Navigating risk" was the lead theme of our own International Cash Seminar, an annual event for UBS's partner institutions (page 8). Some conclusions were optimistic. Not all that might have happened in recent months did happen. Foreign exchange settlement, for example, was a risk vector that did not bark, thanks in good part to the CLS clearing system (page 4).

Banking operations also stood the strain. That is no accident. At UBS, as at other banks, risk mitigation is woven tightly into the programme for payments, messaging, and processing utilities (page 6). The bank is selectively globalizing elements of its operations infrastructure, with a view to improving efficiency and service levels. We also pick up hints from external experts on how to realize productivity gains while keeping costs in check (page 5).

The new conservatism extends to investment philosophy. As far as can be ascertained, central banks have abandoned an incipient trend towards broader diversification. Instead, they are renewing their affection for dollar instruments and gold

as core reserve assets (page 10). A good many private and professional investors are moving the same way, as vigorous activity in precious metals (page 13) suggests.

The re-thinking of risk represents a first step towards a safer, more durable financial system. The well-informed discussions and debates that we expect to hear at SIBOS 2009 will also help move the industry towards that goal.

Stephan Zimmermann
Chief Operating Officer
UBS Wealth Management & Swiss Bank

