

Banks

Leading the field in auditing and advisory

In the Swiss Banking & Capital Markets and Asset Management segment, Ernst & Young is in a very strong position, leading the audit market and maintaining a significant share in the advisory market for those major banks and investment banks that operate internationally.

On any given day, over 350 of Ernst & Young's staff are working for the company's clients in banking, capital markets and asset management. We are proud to number many of the cantonal banks in German-speaking Switzerland among our audit clients. Our company's outstanding position is also attested by the audit engagements we have taken on for national and international big banks and investment banks. This is where our company's sector-specific approach, with national and international interdisciplinary teams of experts in the sector, is particularly effective. It has enabled Ernst & Young to win new and important audit and advisory clients in a difficult market environment. Going forward, Ernst & Young intends to continue using this sector-specific expertise in pursuing the path of continual growth.

Growth in advisory business

Swiss non-audit and advisory business is an area with appealing possibilities for growth, and we derive a good quarter of our turnover from it. It is clear to Ernst & Young that demand for advisory services is growing on account of the greater regulation and complexity of banking business. Our strategic plan therefore is to increase the proportion of turnover from advisory work, primarily by deploying international and multi-disciplinary client teams in the fields of Tax Advisory, special services and Regulatory Advisory Services.

Regulatory Advisory Services in particular has been driving Ernst & Young's growth in recent years; these are services aimed at achieving compliance with new regulatory requirements or assessing the appropriateness of measures taken by clients. "Banking was always heavily regulated, but the red tape keeps growing denser and tighter; one contributing factor is that the business is itself becoming more and more globalized, so new regulations abroad have more and more of an influence on Switzerland, whether the law requires us to adopt them or the facts force us to adapt to them," explains Thomas Schneider, Sector Leader Banking & Capital Markets.

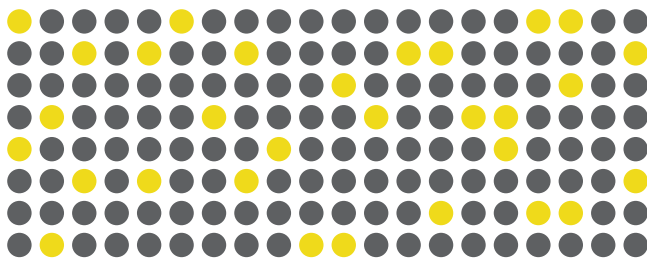
One notable example is the EU Markets in Financial Instruments Directive (MiFID), which extends existing national regulations on how financial services are executed by introducing provisions on investor protection, increased transparency in the financial markets and the integrity of financial service providers. While Switzerland - being a member of neither the EEA nor the EU - is not incorporating MiFID's requirements into national law, Swiss banks have to come to terms with the regulations, either because MiFID is applicable to their European subsidiaries, or because their provision of cross-border financial services makes it advisable to do so. Schneider comments: "Ernst & Young has performed far more services in relation to MiFID in Switzerland than in any of its other local companies in Europe." This experience is one reason why Ernst & Young systematically monitors regulatory developments in all the world's major financial markets in order to spot early any areas in which our clients will need advice.

International harmonization and upheavals in the world of finance

The world of finance is currently undergoing a major shakedown. Established investment and retail banks fail, are taken over, or are making radical changes to their business models. Closer interlinking of the international markets and the expansion of cross-border financial services are resulting in even closer cooperation between global banks and the various supervisory authorities. At the same time, the big industrialized countries are pushing for internationally harmonized legislation and regulation in the global financial markets. In the past, this was evidenced in such areas as the combating of money laundering and the equity capital requirements (Basel II). This is now becoming a trend manifesting itself in other areas, among them the protection of investors and clients and in complex financial products, with terms such as "product suitability" and "onshore vs. offshore" being constant features in debates. When combined with the increasing tendency towards industrialized bank-

NUMBER OF FULL-TIME EMPLOYEES

Ernst & Young Switzerland AG



Number of full-time employees (total):	1,879
Number of full-time employees in Banking	350

ing procedures, the trend is for banks' operations to become more similar, hence more formalized within companies and with fewer national characteristics. In other words, in the future, banking in London, Frankfurt, Singapore or Zurich will become more and more uniform.

Global integration through EMEIA FSO

Within EMEIA, Ernst & Young Switzerland's banking practice is part of EMEIA FSO (Financial Services Organization). It includes over 350 partners and over 6,500 employees from the countries of Europe, the Middle East, India, and Africa. In doing so, Ernst & Young is responding to its clients' desire to be provided with international and interdisciplinary services by a globally established auditor and advisor, and so national borders become less and less relevant in terms of the practical work we do.