

RETENTION MEETING

ZH, 11-JUL-02

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Defensive Arguments

<i>Counter party:</i>	<i>UBS / CA:</i>
New solution offers a "non-QI-Bank" without US-exposure respectively without US-subidiaries working together with a similar "pure Swiss" custody bank →Should therefore be secure and not a target for US-authorities/IRS.	<ul style="list-style-type: none"> - UBS as market leader plays its role as such actively and is part of the global changes in the banking industry (UBS creates and adapts and not just adapts). - UBS protects personal client data whereas the "new solution" will give additional access to personal data to a third party (custody bank), in addition to new employer institution/bank. - UBS has a long standing track record and a top rating. - In comparison with other Swiss banks, UBS shows the lowest share of non-declared-client-assets with 32% of total managed assets (down from 72%) (FYI: J. Bär w 82%). Therefore, we may not be the no. 1 target for US-authorities/IRS.
UBS has too much administration and is compliance driven.	Internal control procedures and compliance guidelines are crucial to be in control of situation and to protect the client. UBS plays safe in order not to expose clients to any risks (back-up-WHT; confidentiality).
It will be easy to pressure UBS because of US-exposure (UBSPW).	UBSPW strengthens bank's position in the US. UBS creates jobs, has better lobbying possibilities. → Who is more interesting as target for the US? UBS with UBSPW-jobs, US-tax-payer & network or a pure Swiss institution?
UBS-CA will not travel anymore.	UBS-CA will still travel.
With UBS the client will not have access to information about assets anymore (no phone calls, no statements, no investment advice).	Access from the U.S. (incl. phone calls, statements & investment advice) is sensitive and subject to QI/deemed sales restrictions.
Client will be more important for a small organization vs. huge UBS.	UBS has the largest US client business among all banks outside the US. Given the large size of this business, it is an important part of PB and UBS is very committed to it. UBS can offer services that smaller banks cannot.
QI-Audit will give access to external auditors and provide information about CQUE and individuals. UBS will cooperate with US-authorities.	<p>QI-Audit will be done by a Swiss company (Ernst & Young) working under Swiss Bank Secrecy conditions. The QI-audit will be focussed on the bank's adherence to the QI agreement, i.e. primarily whether the bank deducted a 31% back-up-WHT on non-compliant securities transactions. The audit does not target names of clients. Results will be submitted to the UBS-Board. Quantitative audit results will be reported to US-authorities/IRS.</p> <p>(Ernst & Young has been the auditor for UBS for about 10 years already and will be mandated QI-audit starting 2003)</p> <ul style="list-style-type: none"> - QI/deemed Sales rules apply to all banks (not only CH). EAM (non-QI) still have some more flexibility but are expected to be the next target.

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Offensive Arguments

<i>Argument / Questions:</i>	<i>Background:</i>
Do you know anything about balance sheet, reserves, financial strength of the new bank? Why don't you ask for a balance sheet and P & L?	NBZ has small capital resources (shareholders equity of CHF 16 mio.).
How much security do you have with a small bank in case of law suits?	Only very limited capital resources (i.e. equity) available. Limited control procedures.
How do you get cash in Switzerland?	NZB does not have in-house cashier. Client has to go to other bank (e.g. ZKB)→client info also with other bank.
My compensation doesn't depend on commissions - theirs does!	Question neutrality in investment recommendations.
NBZ is a start up operation!	No track record in this business at all. Bank founded only 2 years ago.
Do you know their compliance/controls concept?	Compliance/controls is in the client's interest as it helps to prevent fraud, errors and violations of regulations.
Do they have (enough) resources to follow changes in the PB industry and to adapt quickly?	UBS is the market leader in PB and has all the necessary resources to be at the forefront of the industry developments.
*Would you like to be on a small list or rather prefer to be on a huge list? (question about extent of QI-audit at UBS is raised)	Better protection if client is one of a few thousand US clients than only 100-200 US clients.
Don't you think that providing you with facts serves you better than using a "scare tactics"?	"Leavers" placed uncertainty and doubts as to the confidentiality of their data in the minds of the clients.

General Notes

PREPARATION before contacting clients: list clients by level of importance(size); collect as much information as possible; work with assistant of former CA.
CONTACT clients asap; visit key clients at least twice before former CA can work under a new contract (6 months).
APPROVED SERVICE PROVIDERS (ASP) for Trusts/Foundations: Contact Trustee to gather additional information; Consider a joint trip with trustee; UBS is aimed to diversify (3-5 ASP); SINCO has worked so far very properly and professionally.
Clients are usually informed about situation by former CA.
INVOLVE Martin Liechti for large/important client retention.

Participants (9): Michel Guignard, Peter Brand, Marcel Beeler, Gerard Hofmann, Dino Presta, Béatrice Vogel, Björn Mülli, Carmen Kaufmann, Daniel Perron
Absent (2): Georg Marti, Hannes Rösch