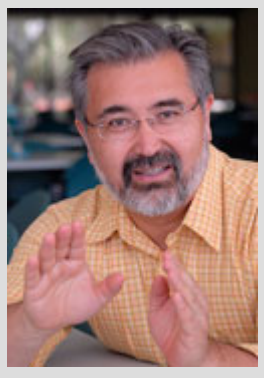


## How to Profit from Switzerland's Loss

by Tony Sagami



For years, numbered, Swiss bank accounts have carried the cache of wealth and secrecy.

That is, until recently ...

You see, those secret Swiss bank accounts aren't so secret anymore.

The United States government is demanding that Switzerland turn over the names of Americans who have secret Swiss accounts. And it is putting the squeeze on financial firms.

For example, UBS last week reluctantly disclosed that it had reached an agreement with the U.S. to pay \$850 million in fines and hand over account details of 250 to 300 American customers — an unprecedented breach of Swiss banking privacy.

Plus, the IRS is demanding information on 52,000 additional UBS customers.

John DiCicco, acting assistant attorney general of the U.S. justice department's tax division, said, "At a time when millions of Americans are losing their jobs, their homes and their healthcare, it is appalling that more than 50,000 of the wealthiest among us have actively sought to evade their civil and legal duty to pay taxes."

However, the loss of that client confidentiality is so serious that UBS is worried that it could put it out of business!

That's not all ...

UBS attorneys claim that complying with the request could force UBS to violate Swiss criminal law by turning over information protected by Swiss financial privacy laws. Such a violation would expose UBS employees to "substantial prison terms" as well as fines, penalties and other sanctions," the lawyers said.

In the dog-eat-dog world of business, there is almost always a beneficiary of another business' misery. That is especially true of the attack on secret Swiss bank accounts.

Investing in that 'winner' could be extremely profitable, and that winner could very possibly be Singapore.

**The World's Easiest Place  
To Do Business ...**



**Switzerland may be losing its recognition as a center of wealth and bank account secrecy.**

For centuries, traders traveling between the Indian Ocean and South China have sailed through the Straits of Singapore. Its unique position as one of the primary commercial gateways to Asia makes it a key crossroad for global trade.

By the late 1800s, three developments had turned Singapore into one of the most important ports of call in the world:

1. The advent of the steamship
2. The opening of the Suez Canal in 1869
3. And the widespread adoption of rubber

Explaining how each of these factors bolstered Singapore's position is a whole story in and of itself. But suffice it to say that by the close of the 19th century, Singapore was enjoying unprecedented prosperity.

The next major stepping stone came in 1965, when Singapore, by mutual agreement, separated from Malaysia. Its new status as an independent republic only furthered its powerful growth, which continues to this day.



**Singapore has the third highest per-capita gross domestic product in Asia, a sky-high literacy rate of 95%, and the highest standard of living in Asia.**

With a population of about 4.6 million, the country generates \$49,754 in per-capita gross domestic product. That's the third highest in Asia, behind only Hong Kong and Japan. Singapore also has a sky-high literacy rate of 95%, and the highest standard of living in Asia.

The World Bank calls Singapore, "The world's easiest place to do business." The country has gotten that moniker by concentrating its manufacturing base on industries like financial services, biomedical research, technology and oil refining.

American Express, AIG, Boeing, Cargill, Dell, Exxon Mobil, Ford, General Electric, Hewlett-Packard,

Merck ... they all have significant operations in Singapore.

Singapore used to be extremely dependent on technology exports. But the bursting of the dot-com bubble and the outbreak of Severe Acute Respiratory Syndrome (SARS) in 2003 clobbered its economy and forced Singapore to reinvent itself or die.

### **The Solution:**

#### **Become a Financial Haven For the Rich ...**

Beginning in 2004, individuals were not charged a tax on the foreign income received in Singapore nor do they pay any capital gains taxes on Singapore investments.

Since then, Singapore has become an economic juggernaut. Its private banks currently manage about \$200 billion, or 5% of the world's wealth. What's more, they have been growing by 20% a year.

It sure doesn't hurt that Singapore is close to India and China, the two fastest-growing economies in Asia. However, the real attraction to investors is that Singapore levies NO TAXES on capital gains!

Money is pouring into Singapore so rapidly that there is an acute shortage of private bankers. The business-friendly Singaporean government came up with a solution: In 2004, it funded the establishment of a Master of Science in private banking at Singapore Management University (SMU).

And Credit Suisse was so eager to get in on the action that it recently moved its world private banking headquarters from Zurich to Singapore.

The privacy laws in Singapore are also very strict. Divulging private financial information is now punishable by a fine of up to \$78,000 and a prison sentence of three years.

For wealthy investors worried about the IRS getting hold of their not-so-secret Swiss bank accounts, Singapore is looking better and better.

### **The Three Companies Best Poised To Profit from Switzerland's Loss ...**

The three largest private banks in Singapore, all of which trade on the Singapore stock exchange, stand to make a bundle off this influx of money and are worth checking out ...

**United Overseas Bank** (U11.SI) is a one-stop shop for the wealthy. It offers private banking, trust services, venture capital investment, merchant banking, brokerage services, insurance, fund management, derivatives and precious-metals trading, along with life insurance.

**DBS Group Holdings** (D05.SI) is the largest bank in Singapore. It provides mortgage financing, funds management and brokerage services. It is also Singapore's primary dealer of the country's government securities.

**Oversea-Chinese Banking Corporation** (039.SI) provides banking, brokerage, corporate banking, asset management, venture capital, and trustee services.

By the way, investing in foreign markets is as easy as buying a stock on the NYSE or Nasdaq. But if you're not comfortable investing in individual stocks, consider looking at the iShares MSCI Singapore Index (EWS).



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This exchange-traded fund (ETF) seeks to provide investment results that correspond to the performance of the MSCI Singapore index. And the three stocks I just told you about comprise roughly 30% of this ETF's portfolio making it an attractive alternative.

Now, don't rush out and buy any of these investments. I don't believe the selling is done yet, and I expect all of them to get even cheaper. But when that happens, they could become spectacular bargains and huge winners as billions of dollars flee Switzerland and end up in Singapore.

Best wishes,

Tony

P.S. As a regular reader of Money and Markets, I'd like to give you the inside scoop on our new, specialized, free publication, Global Wealth Report, launching Monday, March 2. This daily newsletter focuses on the precious metals, natural resources, Asian and South American markets, and more. The best part? A subscription to Global Wealth Report won't cost you one red cent!