Trust and capital

An anthropology of private banking elites

Thèse de doctorat présentée à la Faculté des lettres et des sciences humaines
de l'Université de Fribourg (Suisse)

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2021

Approuvée par la Faculté des lettres et des sciences humaines sur proposition
des Professeurs :

Dr. Christian Giordano (premier rapporteur)

Dr. Ellen Hertz (deuxième rapporteure)

Fribourg, le 17 mars 2015.

Le Doyen Prof. Marc-Henry Soulet

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Doctoral thesis

presented to the Faculty of Arts and Humanities of the University of Fribourg (Switzerland) in fulfillment of the requirements for the degree of Doctor of Philosophy

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2021

Accepted by the Faculty of Arts and Humanities based on the proposal of

Professor. Christian Giordano (First Referee) and Professor Ellen Hertz (Second Referee).

Fribourg, 17th of March 2015.

Prof. Marc-Henry Soulet, Dean

For Tanguy, Edouard, Elisabeth, Apolline and Astrid.

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Acknowledgements

First recognition goes to Professor Ellen Hertz who was my motivation to study anthropology in Switzerland in 2005 and who gave me support in the various stages of my PhD, basis of this book, with insightful tips and recommendations. I admire her generosity, audacity and perspicacity.

Further, my sincere gratitude goes to Professor Christian Giordano (1945-2018) who supervised my thesis. He had the patience to help me progress even as I had to juggle multiple activities and commitments in addition to my research. He encouraged me and gave me advice when I needed it most, always impressing me with his broad knowledge and his personal kindness. Although he is no longer with us, he will always stay in my heart.

My book would also not have been possible without such efficient and continuous support from Professor Henrietta L. Moore who accepted my application to finish my thesis writing period at the University of Cambridge, in England, and agreed to be my supervisor during the final stage. Working with her has been an amazing and enriching experience.

Several acquaintances and colleagues in the field of anthropology, like Andrea Friedli, Stefan Leins, Heinz Kaeufeler, Tijo Salverda and others helped me with their input and friendship at different times.

My fieldwork would not have been possible without my private banking colleagues, other private bankers, managers, people from various departments of private banks, colleagues from family offices, clients and other business informants – lots of inspiring people in private banking.

I am also grateful to the editorial team Rachel Ewan Webb, Sheila Regan, Mark Taplin and Jen Metcalf, for their valuable insights and comments. Thanks also to Kirsten Henry for her expert eye.

My fondest memories and thanks go to my grandfather, Stefan Stanek, who encouraged me to pursue my research and not give it up to focus only on the corporate world. Many thanks also to my mum, Jarmila Stanekova, my grandma Marta Stanekova, to my dad Pavol Orvisky, and to Adriana, Sara, Maxim, Mirko

and to my amazing friends for not forgetting me when I was absent being busy with the book and encouraging me in difficult moments.

Finally, my deepest love and gratitude go to my husband, Tanguy Desmarquest who has been so supportive of me during all these long years. Without him, it would never have been possible. He is my rock. I am also very thankful to my four wonderful children Edouard, Elisabeth, Apolline and Astrid, for reminding me every day what is important in life.

List of acronyms

ETHZ	- Swiss Federal Institute of Technology in Zurich
OECD	- Organisation for Economic Co-operation and Development
PE	- private equity
CEE	- Central Eastern Europe
HNWI	- high-net-worth individuals
UHNWI	- ultra-high-net-worth individuals
IAM	- independent asset manager
FINMA	- Swiss Financial Market Supervisory Authority
CFC	- controlled foreign corporation; controlled foreign company
CRS	- Common Reporting Standard
AUM	- assets under management
NNM	- net new money

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Introduction

An anthropologist in private banking

In June 2007, I was in the process of defining the topic and field of study for my PhD. Having previously worked on the topic of stereotypes and prejudices for several years, with one foot in anthropology and the other in economics and finance, I was fascinated by the importance of the social notion of trust in the financial sector. However, it was proving difficult to find a research field that would enable me to seize the essence of the concept and perform an insightful analysis. A pivotal opportunity emerged when I was invited to take up a challenging job as an international private banker in Zürich, Switzerland, working for the central and eastern European (CEE) department. This job had the potential to bring me closer to the problems surrounding trust and mistrust in private banking. Then, almost immediately, a second transformative moment began to unfold: the financial crisis of 2008. Suddenly my opportunity to observe trust and mistrust at work in banking became even richer. In 2009, my academic mentor told me: 'You must be the only one to be happy the crisis has come right now!'

At the beginning of 2009, the world was slowly starting to recover from one of the worst financial crises since the Great Depression. It was within this environment that I embarked on research for my thesis, which has become a book. It is an anthropological study of international private banking professionals based mainly in Switzerland, but also in other countries, and of the wealthy elites whom the bankers serve, with a special focus on central European wealthy elites. I completed the work in 2021, when the world was still grappling with the challenges of Covid-19 and people were living in unprecedented lockdowns – yet the financial markets were at an all-time high in the US. My fieldwork took much longer and was far more complex than I expected, but it enabled me to apply a much longer perspective to my research and enrich the work along the way. The fact that my study of private banking coincided with the above crises had in both cases consequences on my field of study. The timing proved to be a stroke of good fortune, since it gave me the opportunity to study a number of unexpected conflicts, social processes, new practices, anxieties, ritual-like events and the

significant impact these had on the populations I was studying. In these uncertain circumstances, to simplify the social reality, few things could be more relevant as a focus of study than the concepts of trust (perhaps the most desirable commodity during times of crisis and instability), of mistrust and of capital, which French sociologist Pierre Bourdieu (1930-2002) describes in his theory of social spaces as being composed of economic, cultural, social and symbolic capital. Could these forms of capital be the building blocks of trust and mistrust? As I will argue, trust and mistrust are the essence of private banking. Therefore, my practical and theoretical objective was to understand how trust and mistrust function as anthropological objects in general, what social processes are used to construct them – particularly in the environment of private banking and wealthy elites – and how they impact these social fields.

In this introduction, I will first set the stage for my research, describing concretely the field of private banking, putting the field into socio-historical and geographical perspective, and specifying how I studied 'up' to private banking and wealthy elites, as Laura Nader (1969) suggested in her article 'Up the Anthropologist: Perspectives Gained from Studying Up', in which she encouraged anthropologists to study the culture of power. In the second part of this introduction, I will present the research itself, focusing on the populations of private bankers and wealthy elites, and on the objects of research – trust, agency and capital – in periods of transformation. The third section contains an explanation of my methodology, with special focus on the ethnographic methods employed, the sources of my information, the complexity of coping with my dual role as a banker and anthropologist in the field, and the ethical issues involved. Finally, I will present the outline of this book, underlining the main concepts of the circulation and construction of trust and mistrust through agencies. Later on, I will explain the foundations of the different forms of capital, which give human agents their total capital volume and are the building blocks of trust.

Setting the stage

My new job dropped me right into the middle of the financial and wealthy elite. At the same time, I was suddenly submerged in financial, economic and – later – regulatory and social turmoil. Information about the crisis was everywhere, and I initially studied it on a more macro-economic and institutional level. It was only after some time that I dared to observe the actors in the industry with a more anthropological eye and began to understand that the best way to analyse how trust and mistrust were functioning was to observe the familiar world of the private banking and wealthy elites as closely as possible, not focusing on macro-financial aspects, but rather on the social field of human agents, bankers and wealthy elites, even if this proved uncomfortable from a methodological perspective. Before going into detail about my research and methodology, though, a few words about the nature and composition of private banking are necessary.

There are a number of different banking service platforms in the banking business. These include general corporate banking departments, which service companies; investment banking services, which are used for companies' purchase, sale or issuing of securities; and the retail market, which provides the usual banking services to individuals. In addition to these more general services, there is the private banking sector, which provides more sophisticated, diversified and tailor-made services to wealthy individuals. Universal banks are the banks that offer all the below services together. Some of the banks only offer some of these services. The so-called 'pure private banks' provide only services to wealthy clients, generally with assets worth more than USD 1 million. Some of the private banks provide, in addition to private banking (also called wealth management), investment banking and commercial banking. This is the case at the two biggest Swiss banks, UBS and Credit Suisse. In my analysis, the focus will be on the purely private part of the banks' services, on private bankers, their extended teams, their managers and their clients. I will not enter into an analysis of their interactions or comparisons with investment banking and corporate departments, which I would consider an added value, but not automatically necessary, for my research objective. Individuals whom I call private bankers, based on the name given to the position at most of the private banks, are the

people from the so-called front office, who are directly responsible for serving clients.

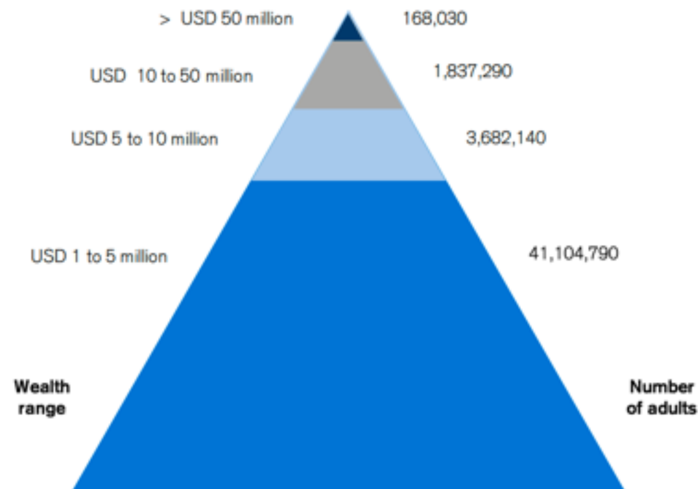
Historically, providing private banking services and top-level banking infrastructure to very wealthy individuals existed only in certain international private banking centres, such as Zürich, Geneva, Monaco, London, New York and Singapore. Clients from different countries went to these centres to open their accounts, and international private bankers helped to manage their assets. Now the services and infrastructure are available in more locations. The general process is as follows: bankers help to ‘onboard’ the client, meaning they present the client to the bank via a KYC (Know Your Customer) document and answer with or without the client’s help any questions the compliance department may have. This means that the bankers have to describe the source of the potential client’s assets based on the information they have found or the client has provided, evaluate the client’s wealth and give details about his or her education, family, hobbies, objectives of the account, etc. Following approval of the KYC, the administrative part begins, which involves filling out many documents (although the digitalization demanded by Covid-19 has motivated many private banks to reassess their way of signing documents and has led them to adopt new electronic methods). Next, the bankers and assistants help the client to identify investment needs and to establish a so-called risk profile that indicates which investments are suitable for the client and how they want to invest: either via a discretionary mandate style, where the assets are managed directly by the bank based on specific criteria; or on an advisory basis in which the bankers, either on request or their own initiative, offer investment advice, execute trades, and buy and sell various securities. Securities traded can be deposits, bonds, shares, funds, private equity, currencies, commodities, hedge funds and other so-called derivative products that derive from one of the previous asset classes. Working with teams of private banking assistants or account managers, bankers also realize payments and must clarify the destination when money leaves, or the source when money comes in. In the past, bankers also assisted in inheritance planning (for example, by creating family holdings or trusts), but this was heavily criticized because of their attempts to hide assets or avoid taxes. As we will see later on, with the increased transparency due to compulsory exchange of information between Swiss banks and OECD countries, tax evasion is less of an

issue now. Nevertheless, legal ways of optimising corporate holdings' taxes or individuals' taxes by using the double tax treaties and knowledge of local and international tax rules is a practice. Clients are mainly advised on these matters by independent tax consultants, as most of the banks can no longer officially provide this service. Bankers also offer other financial services, such as security-based loans, real estate loans, yacht financing and jet financing, either with the bank's help or via introduced intermediaries. Bankers and their assistants are in touch with clients in any possible way – for instance, in person or via email, telephone and SMS.

The term 'private' in private banking emerges from the fact that the service is provided to the clients on a more personal basis and by a team of bank advisors. Clients can therefore grow accustomed to cooperating with their team on a regular basis. Historically, private banking has been considered highly exclusive, providing a service to individuals owning a minimum of USD 1 million of available financial assets. Such clients are also called 'high-net-worth individuals' (HNWI). In most of the private banks, clients must have at least USD 1 million in the bank, with their global fortune being between USD 5 million and 30 million. Recently, it has been possible to obtain the services of some private banks for a smaller amount, starting at USD 0.5 million or even USD 0.25 million, when investing in very standardised products such as mandates made from funds. However, the focus of most private banks are HNWIs and the wealthiest clients – known in private banking parlance as 'ultra-high-net-worth individuals' (UHNWI). Their overall fortune is generally greater than USD 30 million. In some bigger private banks, the UHNWI minimum global fortune is USD 100 million, or USD 50 million of existing assets in the private bank. Wealthy clients mentioned in this book are mainly from the HNWI group, but some are from the UHNWI group.

According to the Global Wealth Report published by Credit Suisse Research Institute in 2019, and as shown on the top of the 2019 pyramid, the majority of

Figure 1: The top of the pyramid, 2019

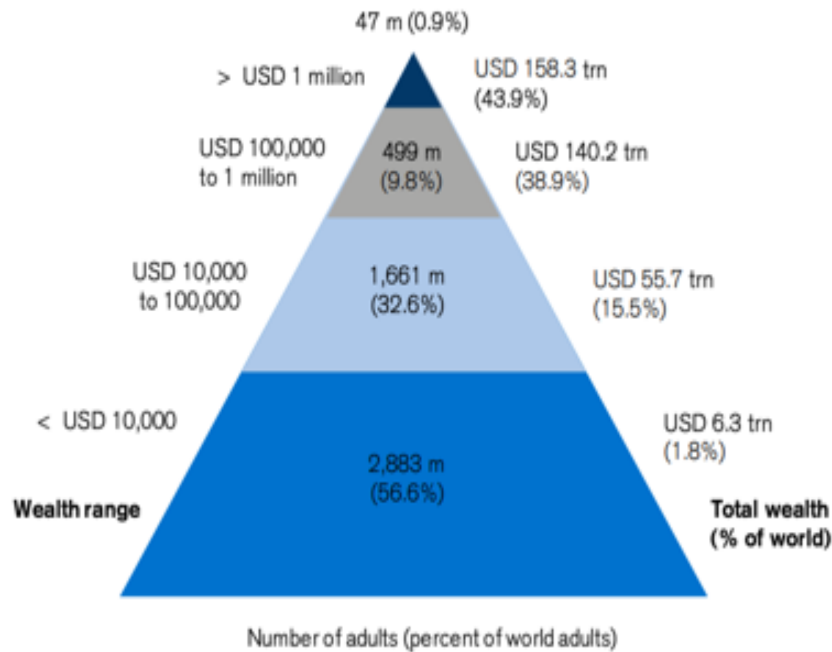


Source: Credit Suisse 2019

the world's 46.8 million millionaires held, in mid-2019, wealth between USD 1 million and USD 5 million – more precisely, 41.1 million or 88% of the HNWI group. Another 3.7 million adult millionaires (7.9%) are worth between USD 5 million and 10 million, and almost exactly two million adults now have wealth above USD 10 million. Of these, 1.8 million have assets in the USD 10–50 million range. A total of 168,030 UHNWIs had a net worth above USD 50 million in mid-2019.

Among the UHNWI group in mid-2019, the research team estimation was that 55,920 adults are worth at least USD 100 million, and 4,830 have net assets above USD 500 million. North America dominated the regional breakdown, with 84,050 members (50%), while Europe has 33,550 (20%), and 22,660 (14%) live in Asia-Pacific countries, excluding China and India.
The wealth pyramid in Figure 2 shows the wealth differences between adults.

Figure 2: The global wealth pyramid 2019



Source: Credit Suisse 2019

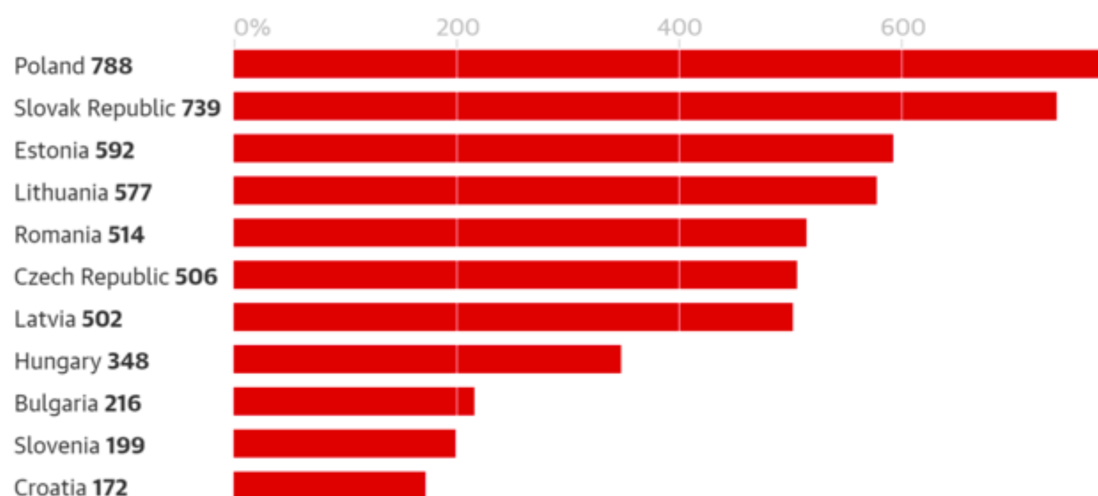
Credit Suisse's 2019 research based on the global wealth databook (Davies, Lluberas, Shorrocks 2019) estimates that 2.9 billion individuals, or 57% of all adults in the world, had wealth below USD 10,000 in 2019. The next segment covers those with wealth in the range of USD 10,000-100,000 and it has seen the biggest rise in numbers this century, from 514 million in 2000 to 1.7 billion in mid-2019.

This shows the increasing prosperity of emerging economies, especially China, and the expansion of the middle class in the developing world. The upper-middle segment, which covers individuals with wealth ranging from USD 100,000 to USD 1 million (these are known as affluent clients in private banking circles) has also expanded significantly this century, from 212 million to 499 million. Affluent individuals currently own net assets totalling USD 140.2 trillion, or 39% of global wealth. This is four times their share of the adult population, and shows the beginning of wealth concentration. Above them, the top tier of HNWIs (i.e., USD millionaires) remains relatively small – 0.9% of all adults in 2019 – but it is increasingly represented in terms of total wealth ownership and share of global wealth (Credit Suisse 2019). The total wealth of HNW adults has nearly

quadrupled, from USD 39.6 trillion in 2000 to USD 158.3 trillion in 2019. Over the same period, global wealth has risen from 34% to 44%. We can therefore observe an increasing wealth concentration in this segment of the population.

The wealthy clients I mention in this book are part of the 0.9% at the top, with a total wealth of more than USD 1 million, as these are the main clients and prospects of the main Swiss and international private banks. Regionally, the wealthy clients mentioned in this book will be mostly from CEE, some from Russia, and a few from western Europe. More than 30 years after communism, eastern European countries are significantly wealthier than before. Between 1990 and 2018, the percentage growth in GDP has been very high and has created wealth for a group of elites, who were in a position to benefit from the situation. Statistics show that, since 1990, the Polish and Slovakian economies have increased more than sevenfold, and those of Estonia, Latvia, Lithuania, Romania and the Czech Republic have grown more than fivefold (Guardian Graphic & World Bank 2019 in Boyed 2019).

Figure 3: Percentage growth in GDP, 1990-2018



Source: Guardian Graphic & World Bank 2019

In terms of composition, the clients from CEE were mainly newly established entrepreneurs, rarely top corporate managers, even though the number of inheritors is slowly increasing as the older generation ages. In Bourdieu's view, the wealthy are rich, or 'newly' rich, as a result of their economic capital. What

about the other types of capital, though – cultural, social, symbolic? Were the wealthy also starting ‘from scratch’ (as the entrepreneurial jargon says) in this regard? I will give some examples throughout the book that will help shed light on how the capital was transformed, or not, into economic capital that created wealthy elites. The first generation of entrepreneurs after 1989 potentially benefited from their and their families’ contacts and knowledge, the social and cultural capital they acquired before 1988, and were able to start companies and grow their economic capital.

Most of the affluent and HNWI clients are direct clients, meaning they handle their own relationship with the bank. UHNWI clients are more often supported or represented by so-called family offices, at least for part of their duties. This is to make the communication with the bank easier, manage legal and administrative issues, and give the wealth owners time to focus on their business, investments, family or leisure. Family offices are small entities generally with between two and ten people who manage the day-to-day administrative affairs of wealthy individuals and their companies, represent them in legal affairs, make payments, arrange investments, etc. The staff are often lawyers, finance professionals, bankers, administrative officers, etc. Bankers have to therefore deal with more or less ‘institutionalized relationships’ and several people with potentially very different roles. I will explain the role of family offices and the types of relationships between bankers and clients in more detail in Chapter 2.

Some years ago, the upper tier of ‘local’ retail banking started to provide some of the services associated with private banking in the home countries of many international clients. Family offices have also often established themselves in the country where their wealthy clients live. In 2021, bankers and clients say that international private banking centres – due to their general quality of knowledge of various fields such as financial markets, their contacts to other finance and legal professionals, their developed or improving infrastructure, their geographical diversification and their long-standing traditions – still make sense for clients. This is despite the fact that such centres are, as we will see later, also undergoing a profound transformation and are being challenged by other actors in the market, local banks and also financial technology (FinTech) platforms. In the not-too-distant past (ten years ago), international private banking centres, mainly off-shore centres, were known in the industry for providing non-domestic

clients with services that far exceeded the size of the domestic economy. They were also known for enabling clients to avoid taxes by not communicating clients' assets to the clients' tax authorities. If clients were not reporting their assets on their own initiative, it was difficult for the countries of domicile to access the assets. Clients perceive this positively as asset protection in case of unstable and authoritarian regimes. However, one could question to what extent this is a part of the private banking narrative that allows clients from these countries to justify lower payments of taxes in the past.

For many years, Switzerland has been one of the most important international private banking countries in the world. This is why I use it as the most representative case, and focus on Zürich as a financial centre. To better highlight the changes through which the industry and Switzerland have gone in recent years, and to give a historical basis for my research, I will now describe the beginnings of private banking in Switzerland, and then provide a short history of the industry.

The history of banking shows that, for as long as records have existed, banks have been switching between institutional and private hands. In its early form, a private bank was a bank managed by independent individuals who guaranteed the funds with their personal resources. These days, the phrase simply denotes banking services intended for private individuals, and the guarantee in many banks is no longer given by the bank's owners.

> The first recorded appearance of Jewish and Lombardian money exchangers, who arrive in Switzerland from around Europe, dates to the 13th century. In 1387, Bishop Adhemar Fabri allows Genevan bankers to charge interest on loans. In the 15th century, the Geneva trade fairs attract merchants and financiers to the city, who soon spread to Basel. In the 16th century, John Calvin further loosens Catholic usury restrictions and creates a safe haven for European Protestant refugees. Switzerland's status as an important refuge for Protestant refugees from Catholic neighbors in the 17th century also helped build up the banking industry. This influx of émigrés brought not only watchmakers to western Switzerland, but also bank specialists. In the 18th century, enduring Swiss banking icons, such as

> Lombard Odier Darier Hentsch, start to appear on the landscape. In 1713, the Great Council of Geneva bans banks from revealing client information, creating the foundations of banking secrecy. In the 19th century, Switzerland's neutrality (recognised in 1815) and the emergence of the modern federal state provide political and economic stability. In the 20th century, two world wars, the Great Depression and exchange rate volatility cement Switzerland's position as a leading wealth management center. But dealings with Nazi gold, controversy over Holocaust era bank accounts, and allegations of money laundering, handling dictators' assets and tax evasion scandals haul Swiss private banking back to Earth. (Allen 2013)

With its history and reputation, Switzerland was an ideal location in which to study private banking elites – in other words, the population of bankers and their wealthy clients. Swiss private banks served a large number of domestic clients in 2021, but their client base has historically been wealthy individuals from foreign countries. The banks therefore also provided a platform on which it was possible to access the population of wealthy elites. However, performing my research in this charged and complex environment was not always easy.

The research

To establish the theoretical framework for this book, Chapter 1 revisits aspects of the existing theoretical basis of the academic discussion of trust, and of the anthropology of elites and financial elites in particular, who are most relevant to my hypotheses.

The population on which my research is focused is that of private bankers who are based in Switzerland and enter into contact with clients externally – mostly with support from the front office, which includes private banking assistants and other bankers who provide back-up. This mostly happens internally, but they can also be presented to clients if needed. Bankers are in touch with various internal specialists who support them: investment advisors, wealth planners, private equity specialists, fund specialists, FX specialists, structured products specialists,

etc. They are supervised by private banking managers who manage teams, support bankers in their contact with clients if needed, and are in touch internally with further hierarchical structures of the private bank. These individuals represent the bridge between the wealthy elite and the internal environment of the private bank, and are responsible for conveying trust between these two domains.

Following the wise advice which James C. Scott gave me years ago, I tried to imagine my fieldwork as a study of a tribe of wealthy individuals on the one hand, and a tribe of bankers and investment specialists on the other. These two tribes cooperate within a delicate trust-based relationship. Moreover, within the tribes themselves, communities are created based on common characteristics, and this creates inner trust circles. In this thesis, I will not call them tribes, but ‘populations’, reflecting the use of this term by private banking managers when speaking about private bankers. At certain points in my research, I made use of the methodological approach of inverting my point of view, trying to understand why elites might be isolated and fearful when common sense would suggest they should be living securely, comfortably and with ease. This approach is described in detail by Christian Giordano:

> This conscious intellectual process consists of reversing one’s horizon and inviting the reader to do the same. The purpose of this methodological strategy is to uncover the occult social logic of collective representations and behaviors that might appear devoid of logic and contrary to normality or legal order but have a very specific meaning and legitimacy for the actors involved. […] This process of inversion leads to Max Weber’s interpretative method popularized over the last thirty years by Clifford Geertz. (Giordano 2004: 1)

What social process is used to convey this trust? How is trust built and transmitted?

As previously mentioned, the task of private bankers is in general to find clients and acquire them. This involves persuading them to open an account and to entrust their money to the bank. In private banking jargon, this is called acquisition or ‘hunting’, and bankers in charge of acquisitions are sometimes called,

idiotypically, 'hunters'. The word is, however, rarely used in official language or presentations, as it might be perceived negatively, as if clients are 'prey'. From the perspective of American sociologist and economist Thorsten Veblen (1857-1929), hunting is a characteristic of a so-called 'leisure class', on which I will elaborate later. Once a client has opened an account with a bank, it requires daily care, or 'farming'. Assistants, account managers or other bankers in this role have been unofficially called 'farmers'. From a mobility perspective, hunters were initially seen as mobile, travelling to see clients, while farmers were seen as less mobile. However, hunters, who generally make the initial contact with clients, also perform farming tasks, and farmers have an active role in acquiring new clients, by assuring quality of service. During the cooperation, depending on the type of service – mandate or advisory – bankers or asset managers either invest the money on the client's behalf, or they advise clients on how to invest and the client makes the decisions. The choice of service depends on factors like the client's trust in the bank's ability to manage their assets, and the client's availability and knowledge. It can also sometimes depend on the bankers' 'style', meaning whether private bankers feel comfortable advising or prefer to delegate asset management to asset management professionals. Some bankers only like to give advice themselves, because they do not trust the bank's asset managers. Giving advice also allows bankers to be more in contact with the clients, which they might appreciate as a way of gaining a client's trust and showing their cultural capital based on knowledge – even if it does mean more work because the bankers need to prepare investment proposals and research. In Chapter 2, I will describe more about how private bankers work, what their tasks are, how trust and mistrust circulates via their work and how their relationships with clients function more specifically.

To help achieve the objective of this research and build an exhaustive account of how the trust creation process works in the private banking environment, within private banks, between the bankers and the front office and the clients, and within clients networks, Chapter 2 will analyse the network dynamics with the people around those in the front office, including independent asset managers, back-office employees, middle-office personnel, and compliance officers. Each of these groups plays a different role in the creation and building of trust within the population of international private banking that I observed.

Within a bank and outside, the front-office teams are the bridges between the bank and the population of wealthy elites from a particular region. They are organised into geographical regions, the exact composition of which varies between private banks. In general, most banks contain separate regions and sub-regions dedicated to the Middle East, Africa, Asia, western Europe, eastern Europe, etc. Within these regions, there are smaller groups of individuals, whose size depends on the bank. These are called 'desks' and are generally organised around even smaller geographical regions. Within these desks, there are smaller sub-groups of two to three people who take care of the same country or work together on a client book of one or more private bankers. With such an array of possible sub-populations within a private bank, I had to decide which population I would focus on in my research, and I chose private bankers. Through them, though, I will also show the role of other teams in trust building.

My first position as a private banker for the CEE region in the Swiss branch of a French bank, which I obtained thanks to my experience as an international auditor and because of my Slovak origins and knowledge of the region, meant that for the first few years I was mostly in touch with wealthy individuals from central and eastern Europe. I worked with private bankers from other private banks who were mainly, though not exclusively, assigned to this part of the world as well. From the perspective of observing the social process of building trust and mistrust based on agencies and forms of capital, this region provided many unique opportunities due to the social changes and specific behaviours resulting from its post-communist heritage. Therefore, as well as focusing on Swiss-based private bankers – many, though not all, of whom covered the CEE region – I also examined in my research wealthy individuals from CEE. Wealthy clients and their private bankers (who are assisted by internal teams) are closely interconnected in the frame of work and sometimes private life, by more or less regular contact and long-term, sometimes even intergenerational, cooperation. Together, they create what I will call the 'population' of private banking. This group comprised the fieldwork area for my analysis of the anthropology of private banking. Within the region, my main focus was on wealthy elites from the Czech and Slovak Republics, because I had the most contact with them and knowledge of the Slovak language. Choosing this geographical focus also enabled me to use a more precise scope for the network analysis in the final chapter.

During my fieldwork, the relations in terms of trust and mistrust and the dynamics of capital use were those within the private bank, between client-facing private bankers from the same or different bank and in the same or different location (for example Zürich, London and Monaco), their teams and supporting specialists; those within the networks of the wealthy elites; and, most importantly, those between private bankers and their wealthy clients. The quality of these relations in banking is based on bankers' narratives, which are often tested during times of crisis.

The financial crisis that began in 2007 and became widespread by 2008 is now regarded as one of the longest economic crises of the twentieth century. It impacted global finance and politics, and had transformative regulatory and social consequences.

When I joined the private banking sector in 2008, newspapers were beginning to report on the decline of financial markets and how states were having to bail out (save from bankruptcy) several financial institutions that were struggling to finance themselves or had many bad real estate loans on their books. One of the consequences was that the states had to increase their tax collection capabilities. Firstly, in Europe, in order to maintain bank secrecy but ensure that taxes were paid on income, clients could pay 30% in taxes to Bern, which were then anonymously sent to the client's country of domicile. Tax payments on income were ensured, however, in anonymous ways and it was hard for local authorities to check whether taxes on capital gains from securities were paid as required. In the next stage, against this backdrop of transparency and tax-collection increase, the following regulation was implemented: 'The Common Reporting Standard (CRS), developed in response to the G20 request and approved by the OECD Council on 15 July 2014, calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis. It sets out the financial account information to be exchanged, the financial institutions required to report, the different types of accounts and taxpayers covered, as well as common due-diligence procedures to be followed by financial institutions.'[1] CRS basically represented an end of

[1] http://www.oecd.org/tax/automatic-exchange/common-reporting-standard/

Swiss banking secrecy, even though it is officially still valid and banks cannot deliver information to third parties, only tax authorities. Mainly because of the disappearance of Swiss banking secrecy for European clients and OECD countries, structural changes which followed the 2008 crisis were much greater than during earlier market crises, such as the one that occurred between 2000 and 2002. This crisis, which caused an even steeper loss of companies' stock value, was called the dot-com bubble because it was largely caused by speculation on Internet-based companies.

> In 2008 the world economy faced its most dangerous crisis since the Great Depression of the 1930s. The contagion, which began in 2007 when sky-high home prices in the United States finally turned decisively downward, spread quickly, first to the entire U.S. financial sector and then to financial markets overseas. […] The carnage was not limited to the financial sector, however, as companies that normally rely on credit suffered heavily. […] Still more ominously, banks, trusting no one to pay them back, simply stopped making the loans that most businesses need to regulate their cash flows and without which they cannot do business. Share prices plunged throughout the world. […] By the end of the year, Germany, Japan, and China were locked in recession, as were many smaller countries. Many in Europe paid the price for having dabbled in American real estate securities. Japan and China largely avoided that pitfall, but their export-oriented manufacturers suffered as recessions in their major markets—the U.S. and Europe—cut deep into demand for their products. (Havemann 2014)

In many nations, these recessions were followed by a decrease in tax revenue, and an increase in unemployment and social unrest. Under these circumstances, one of the first reactions of many governments was to try to collect taxes as previously mentioned, in particular from the wealthy. International private banking centres therefore became the first targets of increased regulation and control, which significantly impacted the way private banks functioned. Moreover, the decreasing price of shares created uncertainties, and in some cases even

anxieties, for private bankers and for wealthy clients who had invested in them. The years after 2008 were the first significant financial crisis that the countries of CEE had experienced within the new, post-communist transition period. While the crisis began in the financial sector, it quickly spread to the wider economy. Being of Slovak nationality, I grew up in the changing social environment of a post-communist country, where the problem of uncertainties vis-à-vis individuals and institutions was (and remains) an intimate part of everyday life. However, I was not sufficiently aware of the true importance of trust and mistrust in business relationships until I started working in private banking in the middle of the crisis. This is why I was intrigued by the process of its social construction of trust and mistrust.

After several smaller market corrections during the intervening period, 12 years later, in February 2020, another significant correction of the financial markets occurred. News about the spread of coronavirus and the rising number of infections and deaths in Italy negatively impacted the financial markets again. The European companies index Euro Stoxx 50 bottomed out on 18 March, while the American technological index Nasdaq and the Swiss index SMI both bottomed out on 23 March, after falling 38%, 38% and 25% from their respective 2020 year highs. However, four months later, many companies were back to their February prices, even though the virus was far from peaking. Reactions of clients were more tempered than in 2008. More experiences in investing and health put things into perspective first. The pandemic obliged bank employees in Switzerland to work from home, as was the case in many other countries. It also had a transformative impact on trust and capital, which I will elaborate on mainly in Chapter 5.

In this dynamic environment of financial markets, do the social practices of trust creation still play the same role in international private banking? On which elements and building blocks are they constructed and embedded in human agents? How does the habitus of bankers and their clients influence the daily life and working strategies of private bankers? I will go into this in more detail in Chapter 2. For now, I will show how arriving at the methodological approach to this analysis was a challenge.

Methodology

The access I gained to the field of study as a private banker was a unique opportunity, but it was also a liability. Because of my ‘double positioning’ as an insider and an anthropologist, retaining an objective perspective along with the ability to examine the problem ‘away from myself’ was a constant challenge, which added to existing issues such as those connected to sampling, developing sources, and ethics.

My research was principally conducted with a number of international private bankers from the institutions that I worked inside and outside of, bank managers, as well as with investment advisors supporting bankers in portfolio proposals, and external financial advisors or asset managers based mainly in Switzerland, but also in other CEE countries. Among the wealthy clients, I observed and interviewed individuals from central and eastern Europe, primarily but not exclusively from the Czech and Slovak Republics. In total, I worked with a sample of approximately 110 individuals, all of whom I had been in contact with directly over the course of 12 years. These individuals were between 30 and 70 years old, and came from a variety of personal and professional backgrounds. From this number, around 75 are mentioned in this thesis; 65% were from the group of private bankers or other private banking sector professionals, and 35% were from the group of wealthy individuals. In terms of gender, only 20% were women, all of whom are from the group of private bankers and finance professionals because, during my main years of research, the number of women clients in CEE was very limited. However, their numbers are growing in 2021. My study was conducted through personal interviews, either face-to-face or, in some exceptional cases, via video conference calls; through participant observation; and through short questionnaires. It was carried out in a mixture of formal and informal contexts (during informal meetings with colleagues, in meetings, occasionally during shared leisure activities, etc.). For reasons of confidentiality, all personal names used in Chapters 1 to 5 are pseudonyms and any similarity to those of actual individuals is accidental. For factual information about private banks based on publicly available information, the real banks’ names were used, and the same is true for the life stories of two individuals and some publicly

available information from the political scene. Where names of institutions of informants could not be omitted, pseudonyms were also used to avoid any issues with confidentiality.

Some of my observations of the population of wealthy individuals were collected indirectly, working with information obtained from financial advisors and investment specialists in central and eastern Europe (mostly from Slovakia) and Switzerland (bankers, asset managers, analysts, etc.) or from relevant documentation and literature dealing with this population (e.g., newspapers, academic studies, books). A small part of my research, documented in Chapter 6, was performed indirectly on the group of the 30 wealthiest individuals in the Czech and Slovak Republics, based on public information. In these cases, since the information is part of public record, real names have been used. In cases where my data comes from confidential sources, pseudonyms are used to protect these sources. In Chapter 6, I used a method consisting of summarising a real-life story of an individual and presenting it in a biographical way in order to better understand the development of their networks over a longer period of time.

Altogether, 100 individuals from the private banking environment have been included in the research presented in this book. Those who have not been included gave interviews on topics that were not relevant to the main content and focus of this thesis, but may be mentioned in complementary articles on the topic in a later stage of my anthropological work.

Defining and implementing a proper methodology and theoretical framework was a great challenge. How does one track the evolution of trust and mistrust, observe groups of people who are not easily accessible, be concrete but also protect bank secrecy, and uphold institutional and disciplinary ethics? How does one strive for an objective point of view while being a member of the studied population? The explicit objective of my research was first to understand how trust and mistrust circulates within elite networks and what it is built on. After the data collection, I realized that most of the data collected led to an additional theoretical framing, an application of Bourdieu’s conceptual framework of the theory of capital, fields and habitus. I will elaborate on this in the following chapters.

The sources and theoretical basis of my research were multiple. The principal source consists of information from my interviews and observations of both

populations mentioned above. I performed 50 direct and indirect interviews and carried out more than 100 discussions with members of my population sample, many of which were on other topics but also provided relevant research data. In some cases, I conducted not just one but several interviews or discussions with a given individual during the research period. This enabled me to track the evolution and change in their situation over a longer period of analysis. I made daily use of participant observation during the whole period of my research, recording regular notes of my observations.

My second source of information was written material from the environment of private banking and wealthy elites. These include quantitative and qualitative analyses on the banking sector carried out by specialised consulting companies; studies of wealthy elites' and bankers' behaviour and the evolution of private banking practices published in articles in both financial and mainstream newspapers; and analysis published on the websites of Swiss regions. Not all of these written sources are quoted in this book, but they have nonetheless served as relevant complementary material for my research.

A third source of information was the academic literature, which comes mainly from the area of social sciences, anthropology, sociology and, to a small degree, from organisational studies. This literature primarily takes the form of books, articles and book reviews. In Chapter 1, I will review the part of this literature that has proven most relevant to my research.

Finally, conferences were also a source of inspiration and motivation during my research.

The most sensitive issue raised by my fieldwork, aside from the protection of informants' names, was my 'double position' as a private banker and anthropologist. This was especially challenging in light of the recent global push for more rigorous transparency and ethics in a field historically characterized by secrecy and discretion.

As an anthropologist and private banker, my position in the field and at work was very sensitive. I have had to protect the privacy of clients in the first instance, while also upholding bank secrecy and exhibiting caution about reputational issues. These are all part of the 'trust contract' that goes along with professional and ethical obligations. Such concerns have made ethnographic description more difficult, since it is forbidden to give precise details of many subjects and areas in

the banking sector. At the same time, using pseudonyms for my informants has made it easier to relay information while remaining objective. In general, the clients and private bankers I work with were informed about the research while I was conducting it. It is possible that this information might sometimes have created suspicion over my capabilities as a banker, but I endeavoured to overcome this by demonstrating my professional skills. However, one of the advantages was that I was consciously able to observe the social process of trust construction in the short and long term, and through the impact of agencies of human agents alone and in cooperation with technology. The term agency can mean several things in anthropology. For Bateson, agency is synonymous with an 'energy source' (Bateson 1987: 134 in Defo 2013), while for Bourdieu, agency is embedded and based in habitus, 'the durably installed generative principle of regulated improvisations [made up of] cognitive and motivating structures,' which enable the generation of appropriate practices in response to particular situations and their 'objective potentialities' (Bourdieu 1977: 78, in Defo 2013). Allan Hanson, whose definition of agency I will further use as a frame in my book, describes agencies as perceptions that are 'in play whenever one withdraws cash from an ATM, makes a telephone call, communicates by email, visits web sites, purchases something on the Internet, [...]' (Hanson 2004: 472).

This conscious observation has made me more aware than most bankers of the ways in which trust and mistrust are created. Sometimes this has not been good for business, as I used the tools I was observing to 'cut' a relationship by creating mistrust with a client I did not respect. In these cases, I observed myself from an anthropological perspective, knowing that the client would leave and that I, as their banker, would suffer a loss. Fortunately, this same awareness could also be used to enhance the trust – or manage the mistrust – of colleagues and desirable clients as well. Parts of our own habitus we cannot change, even if I perceive it as dynamic in time, but one can be aware of the habitus of others. While these are issues concerning my personal and professional experience, the ethical issues I mentioned previously deserve some attention as well, since they formed another important consideration in the development of my methodology.

The issue of ethics, whose perception according to Bourdieu also lies in habitus, was present in my fieldwork and is central to the private banking sector, especially in these times of crisis, large-scale regulatory changes, and increased

transparency due to the use of new communication tools. However, the doubts that many people may express about banking ethics are understandable. Before I entered the field, I was already thinking about the ethical environment of private banking from my personal point of view, because of the many public images I had seen and could imagine about this job, the bankers and the clients. For now, I will not focus on the ethics of the industry, or of private bankers and clients, as I will cover this in later chapters. My attention below is devoted to questions of methodology, and the ethical questions related to my position as a researcher in this field.

Firstly, in presenting my anthropological project to the banking institution for which I was working, I tried to be as ethically rigorous and transparent as possible. This stance was also motivated by my intention to retain my position as a private banker. At the same time, the long hours and intense workload of my job as a private banker sometimes made me less available for my work as an anthropologist, causing my research to take longer. Another element which extended my research were my family obligations and the birth of my four children. Ultimately, however, this longer-term view was actually positive, because it allowed me to observe the next steps of evolution in both the populations of elites I studied, including the impact of Covid-19 on banking. In return for this transparency and trust, the bank management I was working for gave me the possibility of working part-time during my writing-up period in Cambridge, so that I could finalise my research. This was extremely useful and much appreciated. Similarly, my primary role when interacting with clients was always as a private banker trying to offer them the best possible service; at the same time, I made sure to inform them gradually about my research, and many took an interest in the topic.

As already mentioned, in this thesis I strictly respected the confidentiality of bankers and clients and none of the names of my professional contacts are real, only the names available in documents in the public record. Moreover, in some cases I have purposely not written precisely about the activities of my informants or the region in which they work or live, as it could help to identify them; the private banking world is small and interconnected, and there is a possibility that someone might guess an identity based on specific details. In the case of some examples that would enable the clear identification of my source, I have omitted them even

if they were relevant to my thesis. Pseudonyms or non-specific descriptions have also been used when mentioning bankers' institutions in concrete cases. Of course, there is always the remaining risk that someone who knows the environment well can read between the lines. This, however, is a risk I have to take and, because all of my sources were aware of being part of my research field, I believe this choice is justified. In cases where part of the information used is public or easily accessible (and I considered it non-sensitive), real names of institutions or people have been retained – for example, in some cases presented in Chapters 2 and 6. In these examples, using pseudonyms might also decrease the relevance of the material or make it difficult to understand. Following these clarifications, I will now recapitulate the research itself and its objects.

Outline of the thesis: Following the circulation of trust as an anthropological object in private banking in times of social change

My research is an anthropological study of international private banking elites and the population of wealthy elites with whom they are in contact, using as its main concept the value I identified as being crucial to them: trust, and its opposite, mistrust. In addition to a desire to extend significantly the knowledge of the elite populations in question, my main theoretical objective was to enrich the existing theory on trust in the social sciences. I aim to do this by focusing on the process of the social construction of trust and mistrust based on habitus and forms of capital – social, symbolic, cultural and economic – as defined by Bourdieu in his theory of symbolic power (Bourdieu 2000). In particular, I have examined trust as an anthropological object and tried to clarify the larger function it has in our society, especially in times of social change and transition periods. My thesis is organised into six chapters.

Chapter 1 is dedicated to a review of the existing theory in social sciences. The first sections touch on the theoretical and conceptual framing of trust mistrust, habitus and capital, and on the anthropological study of elite populations, specifically private banking front-office staff and wealthy elites. The last two sections are dedicated to a partial review of the theory on the anthropology of networks and corruption, and to a review of the existing works on

communication practices connected to technology and trust. Both of these areas are very crucial to the global understanding of private banking elites. Focus was given to the theories most relevant for my specific analysis. My hypothesis in this chapter is that, following my study, the global analysis of trust as an anthropological concept could be enriched by considering the innovative concept of trust as a 'circulating anthropological object', based on habitus and what I call 'extended agencies', enabling the production of forms of capital by human agents, summed up in total capital volume. Moreover, I claim that the social practices of trust and mistrust generation play a crucial role in the organisation of banking and wealthy elite networks. My study of private banking and wealthy elites, which as I will demonstrate is so far unique, will help to confirm my hypothesis both on this specific level and also on a larger scale.

In all chapters, I analyse both populations primarily through the lens of trust, but also through several other prisms: capital reconversions, distribution of resources, power struggles or domination strategies. Chapter 2 is the most ethnographic section, concerning the environment and identity of international private bankers. I first describe who private bankers and the people around them are, giving special attention to the networks in private banking and their trust dynamics. The second part of this chapter deals with trust, capital and space through what I call a 'geography of private banking'. This facilitates understanding of the global context of the industry, its history, and the way trust is built and forms of capital function, transitioning from the global to the local level using the concept of 'mobility'. My hypothesis here is that, because of all the changes that have recently occurred in the sector, a huge social transformation has impacted the population of private bankers, significantly influencing the long-established ways in which trust and mistrust were known to function in the industry.

The remaining chapters of my thesis are dedicated to the topic of trust, the way it is built concretely, and how habitus enters into play to produce cultural, symbolic, social and economic capital. This is based on examples from the two populations analysed to enrich the anthropological knowledge about them. In Chapter 3, I claim that trust is an 'anthropological object' that is based on the employment of 'extended agencies'. I suggest that these agencies can be invisible or visible, and that they can be used to legitimise certain power positions

of elites, who often use them for this purpose and to maintain powerful taxonomies, with reproduction strategies such as legitimation of authority.

In Chapter 4, I extend the definition of trust and capital-building elements to include more material forms of agency reproducing the habitus of human agents or aiming to unconsciously or consciously build up a certain capital form, via activities or specific objects. I examine these types of agencies and illustrate the ways in which they can be used to create trust or its opposite, mistrust, and to legitimise or delegitimise authority of individuals or networks. I further argue that efforts to build up trust and engagement can bring ethical concerns into a relationship, since it raises issues of reciprocity and exchange. As I will show, the impact of social changes on private banking and wealthy elites has also raised this sensitive issue – particularly with regard to corruption – thereby influencing ethical standards.

In Chapter 5, I focus on how the building of trust and forms of capital can be transposed into the digital social space and built up via technology. I see the agency of technology as being one of the most influential factors for the circulation of trust in the current climate. Dogged by anxiety about modernity, international private bankers, private banks and their clients have been making a huge leap in this area, especially in 2020 due to the coronavirus pandemic, in an environment of constantly changing conditions. I claim that trust and capital can be built up personally but also via digital technology and communication tools, making trust a private-banking capital good that forms the basis of many transactions and ultimately brings profits to participants.

In Chapter 6, I concentrate on network analysis within the circles of the wealthy elites, specifically the wealthiest individuals in the Czech and Slovak Republics. Based on a historical review, I will show the evolution of the wealthy elite in this territory, and the reconversion of trust and capital into economic capital within a changed political space. I will also examine the construction of new wealthy elites after the fall of communism, considering the leading role of the state as a broker of opportunities in the privatization space. Based on my interpretation using the tools of networks analysis, I claim that trust and mistrust are part of the wealthy's strategy to defend their power positions.

In the same way, in the private banking industry, the exclusive access to services and to investment opportunities brings economic capital to wealthy elites – which, however, in the absence of sharing, taxes or philanthropy, helps to create and maintain inequalities.

Having outlined my book, I will now embark on the main chapters, which will explore finance through the lenses of trust, mistrust, agency, habitus and forms of capital.

1

Trust, mistrust, capital and the anthropology of private banking elites

For many years, international private bankers and the wealthy elites whom they serve operated in an environment of banking secrecy, which made these populations difficult to scrutinise. As a result, when I began to interact with these two communities at the beginning of the economic and financial crisis in 2008, I was surprised by the complexity of their social organisation and relationships, and by how important these were for the wealth management sector as a whole. I wanted to understand the social processes that shaped these relationships and how they were evolving in response to changes in the regulatory environment and the dilution of Swiss banking secrecy. Due to the nature of my work as a private banker for Russia and central and eastern Europe (RCEE), I was able to access bankers and wealthy individuals who could help me understand the power struggles and fascinating history of the region. My decision to focus on these two populations was also informed by the fact that both have undergone profound changes in the 30 years between 1989 and 2020. Foremost among these were the emergence of new wealthy elites in RCEE after the end of communism in 1989, the financial crisis of 2008 and the regulatory changes that followed from it – notably the exchange of banking information between Switzerland and OECD countries – and the increased digitalisation of private banking, which has been accelerated by the Covid-19 crisis. Following a 2009 seminar in Fribourg, Switzerland, led by Professor Christian Giordano, who was using the anthropological concept of trust in his research, I identified the abstract notions of trust and mistrust as key driving factors for both populations. After collecting field data over several years, I supplemented this framing with Bourdieu's conceptual framework of capital, fields and habitus. The two approaches are connected by the concept of interpersonal trust, as Bourdieu's relational social theory presents 'habitus', a social factor creating familiarity, as one of the bases

of interpersonal trust. I will return to these concepts later.

Two main difficulties arise when we try to analyse the circulation of trust and mistrust in private banking and within the networks of the wealthy elite. The first is the difficulty of accessing information and collecting relevant data. The second is identifying the essence of the problem and seeking to explain it scientifically, within the framework of anthropological and sociological theory. This kind of exercise has been rare so far in the field of private banking, so literature on the subject is limited. The anthropology and sociology of wealthy elites have been studied from various angles, but little of this work has focused on central and eastern Europe. In this chapter, I will outline the theoretical framework for my study, exploring some key concepts and existing theories that will inform my analysis in subsequent chapters. I will begin with a critical analysis of the terms 'trust' and 'mistrust' and their social functions. Next, I will review existing studies of financial and wealthy elites from an anthropological perspective. Finally, I will discuss the anthropology of social networks and corruption, briefly introduce the anthropological literature on technology and trust, and show how my work on the anthropology of trust and capital in private banking adds value to the literature that has been published on the subject to date.

Trust, mistrust and Bourdieu's theory of capital

In the Oxford English Dictionary, trust is defined as 'n. 1. firm belief in the reliability, truth, or strength etc. of a person or a thing. 2. Confident expectation, etc.' (Hawker and Cowley 1996: 685). Mistrust is defined as 'n. lack of trust, v. feel no trust in' (Hawker and Cowley 1996: 399). These definitions demonstrate well the variety of expressions used to discuss trust in sociological and anthropological literature, where academic authors generally use two different terms: 'trust' and 'confidence'. For example, Niklas Luhmann (2000), one of the best-known social theorists of trust, claims that 'Familiarity, confidence, and trust are different modes of asserting expectations' and that 'Trust […] requires a previous engagement on your part. It presupposes a situation of risk' (Luhmann 2000: 99, 97).

My understanding of the difference between confidence and trust is similar to that of Barbara Misztal, who writes:

> Without going into the debate about the criteria for the distinction between trust and confidence […] it can be accepted that trust is a matter of individual determination and involves choosing between alternatives (I decide to take a risk and trust my new colleague), while confidence is more habitual expectation ([…] my milkmen will deliver milk […])'. (Misztal 1996: 16)

In this study, therefore, I will use the word 'trust' with reference to individual choices. More specifically, I will explore the flows of trust 'given' and 'received' by persons engaged in private banking relationships, on the basis of reflexive actions, individual choices and the participants' involvement in an environment of risk.

There have been fewer discussions of the word 'mistrust', meaning a lack of trust in someone or something or a feeling of unfamiliarity. Typically, the word is used to denote the opposite of both 'trust' and 'confidence'. However, mistrust plays an important role in social relations, helping to shape 'circles of trust' by exclusion, as my fieldwork demonstrates.

Interest in the analysis of trust has slowly been growing in the social sciences over the past 40 years. Some of the most important recent discussions of the topic have been by Piotr Sztompka. For Sztompka, 'trust can be directed towards persons ("dyadic") and abstract entities, such as institutions organisations and the state ("embedded")' (Sztompka 2001, cited in Torsello 2003: 12). Sztompka provides a useful historical review of the development of the concept of trust in modern sociology between 1979 and 2000:

> In 1979 Niklas Luhmann related the phenomenon of trust to the growing complexity, uncertainty and risk characterizing contemporary society. For the first time, there is a suggestion that trust is not an obsolete resource typical of traditional society, but just the reverse, it gains in importance with the development of modernity. In 1983 Bernard Barber reviewed the manifestations of trust in various institutional and professional settings introducing the insightful category of 'fiduciary trust'. In 1984 Shmuel Eisenstadt and Louis

> Roniger identified trust as a core ingredient in the patron-client relations, as they appear in various guises from antiquity to modernity. In 1988 Diego Gambetta brought together a number of authors looking at trust and distrust in various domains, from various perspectives, and later himself presented the analysis of trust in closed, exclusive communities, like mafia (1993). In 1990 James Coleman provided the exemplary analysis of trust as a purely rational transaction, within the framework of rational-choice theory. This avenue was followed in a number of contributions in the nineties by Russell Hardin (Hardin 1991, 1993). From a macro-sociological perspective Anthony Giddens approached trust as the characteristic feature of late modernity, elaborating on Luhmannian themes of complexity, uncertainty and risk. In 1995 Francis Fukuyama provided the comprehensive exposition of trust as indispensable ingredient of viable economic systems, basing his argument on the experience of China, Japan and other South-East Asian societies. In 1997 Adam Seligman presented an interpretation of trust as a specifically modern phenomenon linked with the division of labor, differentiation and pluralization of roles and the consequent indeterminacy and negotiability of role expectations. In 1999 Piotr Sztompka offered a synthetic treatment of trust as a cultural resource necessary for viable functioning of society, illustrating his argument with the vicissitudes of trust in post-communist societies of Eastern Europe. (Sztompka 2003: 47-48)

After 2000, following two major economic crises and increased research in post-communist eastern Europe, several social scientists, including anthropologists (Strathern 2004 and Torsello 2003) began to use the concept of trust as part of their framework for field analysis. For Torsello, ‘Trust has an object and a domain, is variable in time, entails obligations and expectations, [and] is constructed on both subjective and objective levels’ (Torsello 2003: 12). I will come back to these authors later. However, Alberto Corsín Jiménez, one of the most recent theorists writing on the concept of trust, argues that trust needs to be approached as an anthropological object:

> As mysterious as the concept of trust may be (cf. Möellering 2001), the question today is not what trust is, but what kind of work the notion does. […] It is as much an anthropological object (of theory) as an object of social knowledge. The question of trust therefore calls for a kind of theory that elucidates not its place in the sustenance of (robust/social) knowledge but its very qualities as an anthropological concept. (Corsín Jiménez 2011: 177)

One of the objectives of this study is to enrich our understanding of trust along the lines suggested by Corsín Jiménez. I would categorise trust as a 'circulating' anthropological object, based on different agencies [2] Allan Hanson, whose definition of agency I will use as a frame here, writes of agencies, 'They are in play whenever one withdraws cash from an ATM, makes a telephone call, communicates by email, visits web sites, purchases something on the Internet' (Hanson 2004: 472). Initially, I defined trust as an anthropological object that is *materialised or non-materialised* in particular circumstances. Trust is developed by relations, between people, objects and symbols, and can serve as an object of exchange that dynamically evolves and develops with those relations.[3] In the course of my research, my definition of trust evolved. Now I understand it as a dynamically constructed agency and circulating anthropological object that is based on the different forms of capital identified by Bourdieu: cultural, economic, symbolic and social. Together, these constitute total capital volume. The forms of capital are resources for trust and are themselves based on agencies, through which an individual is 'defined in a more expansive and dynamic manner' (Hanson 2004: 470). The question of the circulation of trust is even more relevant in the context of the important social changes that have been happening since the financial crisis in Switzerland and central and eastern Europe.

In the literature on trust, we find several different categories of the concept. A distinction is often drawn between institutional trust (trust within organisations, sometimes called political trust, systemic trust or impersonal trust) and interpersonal (or personal) trust:

> Interpersonal trust […] can be defined as a psychological state

[2] For a full discussion, see Chapters 2 and 3, which focus on the lives of private bankers.
[3] See Chapters 2, 3 and 4 for an analysis of the elements that create trust based on capital for bankers and wealthy individuals.

> comprising the intention to accept vulnerability to the actions of another individual (a trustee), based upon the expectation that the other will perform a particular action that is important to the trustor. (Semerciöz, Hassan and Aldemir 2010: 2)

Recently, some of these categories have been put to use within the framework of theories of organisations. Indeed, organisational studies have added the category of organisational trust, defined 'as the positive expectations individuals have about the competence, reliability and benevolence of organizational members, as well as the institutional trust within the organization' (Semerciöz, Hassan and Aldemir 2010: 3).

In the classical sociological literature on trust as the basis of order, authors often choose between one type of trust or another. For example, 'For Weber, one of the preconditions for the success of modern capitalism was the transition from personal trust to impersonal trust' (Misztal 1996: 55). For Tönnies, 'relationships based on trust can only exist in Gemeinschaft', which he considers to be 'like an extended family group' (Misztal 1996: 39). In society more generally (Gesellschaft), by contrast, 'people enter into relationships with others only for purely instrumental reasons because the quest for profit and power is inherent in modern man' (Misztal 1996: 39). Some recent authors claim that cooperation is possible when trust is fragile or even completely absent. Julie Froud, Sarah Green and Karel Williams (2012), writing about private equity elites, use the category of 'brittle trust': '[…] deep, yet brittle, mutual trust amongst senior PE partners reflects a different, more context-specific, approach' (Froud, Green and Williams 2012: 3). Karen Cook, Russell Hardin and Margaret Levi (2007) 'argue that a society can function well in the absence of trust. Though trust is a useful element in many kinds of relationships, […] mutually beneficial cooperative relationships can take place without it' (Cook, Hardin and Levi 2007). They also argue 'that a lack of trust – or even outright distrust – may in many circumstances be more beneficial in creating cooperation' (Cook, Hardin and Levy 2007). Based on my analysis of the circulation of trust in private banking, I would agree with this last statement only in part. In my view, we do not need to be so radical when judging the types of trust used to ensure social order in society. We can perceive the concept of trust and its social role as dynamic with respect to time, such that

different types can play a complementary role and form part of an evolving process. Our trust in a brand or institution can increase when it is underpinned by personal relationships or recommendations, but a certain level of trust needs to be maintained at any given point in time to support this cooperation. The form, final balance and, potentially, type of social order produced is dictated by whichever type of trust is most prevalent, as well as by the sum of all of the forms of trust present, expressed as 'total trust'.

To more precisely evaluate the impact on general trust of the trust circulating between different actors in private banking, I will use Jan Delhey's, Kenneth Newton's and Christian Welzel's (2011) theory of the radius of trust (see Chapter 2). Here the term 'radius' denotes the width of a circle of trust among individuals. The authors distinguish between 'particular trust' among family and close acquaintances, and 'general trust' in those who are unfamiliar. They also use one of the last categories of trust that I will mention, generalised trust. In different types of research, the evaluation and measurement of generalised trust mostly relies on replies to the standard question, 'Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?' (Delhey, Newton and Welzel 2011). According to Luhmann, 'Trust is necessary to reduce the complexity of the social reality' (Luhmann 2006: 25). More specifically, trust helps individuals to react to unknown situations, apply stereotypes to model complex settings, and make or sustain contact with others. As the American sociologist Erving Goffman (1922-1982) said in his book *The Presentation of Self in Everyday Life*,

> Observers can glean clues from [a person's] conduct and appearance which allow them to apply their previous experiences with individuals roughly similar to the one before them or, more important, to apply untested stereotypes to him. (Goffman 1959: 1-2)

Goffman was interested in interpersonal trust, the type of trust that is my main focus in this study. He saw social interactions as key to understanding how trust and mistrust are created. Goffman argues that every social interaction is a show, in which each person is a performer who collaborates with other actors to maintain the illusion of a particular reality in front of an audience. Most of the time, this means acting in a polite, consensual, carefully defined way, in accordance

with social etiquette and the social status of those involved in the interaction. Goffman's 'team' analysis can be usefully applied to the way in which meetings with clients are structured by banking teams and how people position themselves within those teams, as we will see in Chapter 2. Similarly, Pierre Bourdieu's theory of capital, which will be introduced shortly, can help us to understand how 'social actors' gain trust or produce mistrust and how, by recognising and classifying others as particular types of social actors, they are able to adapt their own behaviour to match those characteristics.

The day-to-day interactions of private bankers and wealthy elites can also be examined through the lens of symbolic analysis. Symbolic and interpretative anthropology emerged in the second half of the twentieth century and was an influential response to a new concern within the discipline: understanding the systematic character of cultural meaning. By this time, the limitations of structuralism and structural functionalism as analytical approaches had become apparent. As Erickson and Murphy note,

> For many anthropologists, […] the static nature of structural analysis seemed increasingly a fatal flaw, as did overall lack of focus on the flexible character of social and cultural meaning and its central role in social and political change cross-culturally. (Erickson and Murphy 2017: 125)

In their works *The Death and Rebirth of the Seneca* (1972), on the history of the Iroquois, and *The Trumpet Shall Sound* (1968), on cargo cults in Indonesia and New Guinea, Anthony F.C. Wallace and Peter Worsley highlighted the socially transformative potential of human agency. Both authors drew heavily on Weber's idea that, during periods of cultural dissonance or crisis, it is the charismatic prophet who rationalises a new and more satisfying religious view for the members of a society (Erickson and Murphy 2017: 125-126). I will apply these insights in Chapter 2, where we will see how private banks, with their own 'prophets' and symbols, reacted during times of crisis, notably the recent Covid-19 crisis, to create trust and fight mistrust.

Symbolic anthropology analyses symbols and various cultural processes, such as myth and ritual, through which social order is supported or reproduced. The most influential symbolic anthropologist was Victor Turner (1920-1983). Turner

focused on the Durkheimian idea that social solidarity is a function of the system of symbolic logic that connects people. Consequently, his symbolic anthropology had much in common with Levi-Strauss's structuralism, which was also inspired by Durkheim:

> Because symbols are the primary vehicles […], they are instruments, or tools, employed by people to achieve a particular end – the reproduction of social order. Turner explored ways in which various objects and actions of ritual are deployed as complex instrumental symbols that are 'means to the ends' of any given ritual. (Erickson and Murphy 2017: 128)

In the same period, Clifford Geertz, the founder of interpretative anthropology, developed his own anthropological school,

> espousing the view that culture is lived experience integrated into a coherent, public system of symbols that renders the world intelligible […] [Geertz's] semiotic, cognition-focused, perspective depended on the social circulation and ritual performance of symbols. (Erickson and Murphy 2017: 130)

These theories will help to frame Chapters 2, 3 and 4, where I will discuss how private bankers and clients create and break trust relationships, and use various symbols in order to perform their social strategies. I will propose the concept of 'materialised trust' as a means of better understanding how trust (or mistrust) is created and the 'circulation' of trust is facilitated. This can help us to unlock how trust functions as a form of capital.

Social scientists often describe trust as a form of capital or a basis for the creation of capital. In this book, it will be presented as both: a social construct based on cultural, economic, social and symbolic capital, a sort of 'aggregated total trust or total capital', but also a source for capital, a basis for transactions. As early as the fourth century B.C., the Greek statesman and orator Demosthenes praised trust as a form of capital:

> Of all the types of capital in business, trust is the most productive. And if you do not know it, you do not know anything. (Demosthenes in

> Harach 2008: 33; my translation)

However, the question remains: for whom is this trust productive? Authors like Francis Fukuyama (1996) and Alain Peyrefitte (1995), in *La société de confiance*, suggest that trust serves as the basis for economic prosperity. Trust is therefore generally considered to be part of a community's social capital. In my view, this may be the case for generalised trust, but not for trust in general. As I will show, a small community can use trust in order to defend, increase or protect a specific capital power, which may not be obviously beneficial for other members of the community. This hypothesis will be discussed in detail in Chapter 6, which provides a network analysis of the 30 wealthiest individuals in a specific region.

Christian Giordano (2006) has a slightly more nuanced view of trust as social capital. Giordano focuses on 'existing societies in which trust, especially in the public sphere, is a commodity in short supply and as such regarded as an alien and unattainable article' (Giordano 2006: 2). Other authors have recently questioned the value of different types of trust. For example, Alberto Corsín Jiménez (2011) contrasts 'classic and contemporary anthropological work on cultures of suspicion, culpability and spiritual ambiguity with the new vocabulary of capitalist corporate ethics', and questions the role of 'public trust as a political epistemology' (Corsín Jiménez 2011: 1 and 2010):

> The value of trust is often described in relation to its role as capital and the different forms that this can take. Sztompka distinguishes between 'reliability capital, which is received from others who trust the individual' and 'trustfulness capital, which can be given to another person who an individual trusts'. (Sztompka 2007: 246-247, cited in Grudzewski, Hejduk, Sankowska and Wantuchowic 2008: 20)

Thus, Sztompka sees trust capital as an object that 'circulates'. Other scholars have highlighted the financial value of capital trust and trustworthiness. Iris Bohnet, Benedikt Herrmann and Richard Zeckhauser (2010) analysed the cross-regional differences in trust between Gulf and Western countries in order to establish why private investment is so low in the Gulf region and what the consequences of this might be. In their view, 'The relation based production of trust in Gulf induces higher level of trustworthiness, albeit within groups, than the rule-based interactions prevalent in the West' (Bohnet, Herrmann and

Zeckhauser 2010). As a consequence, 'Gulf citizens pay much more than Westerners to avoid trusting' (Bohnet, Hermann and Zeckhauser, 2010: 811). This analysis has important implications for Chapters 3, 4 and 5 of my study, where I look at how regulatory changes and their financial impact have affected the circulation of trust and communication practices in private banking. Could those changes also make a difference to the 'price' of trust and related transactions under the new rules?

If we accept that trust is a form of social capital, how specifically is this social trust or social capital created, and what are the implications for power? The French sociologist Pierre Bourdieu (1930-2002) devoted a significant part of his research to analysing precisely how communities – specifically, certain types of elites – consciously or unconsciously use cultural means to protect their power positions between different social classes. Bourdieu sought to develop a theory that placed the individual at the centre of social processes. He saw people as *human agents* who assemble their cultures through *practice or praxis*. In this way, they create, reproduce and change various *taxonomies*. According to Bourdieu, taxonomies are 'internalized symbolic representations that make the social world what it is for people who live in it. Individuals are powerful to the extent that they can impose on others taxonomies that reproduce their own power and authority' (Erickson and Murphy 2017: 163). Bourdieu regards cultures and societies not as machines or organisms, like Durkheim and other structuralists, but as systems of *relationships* or *fields*. He defines fields as fluid, open-ended 'networks' of 'objective relations between positions'. In Bourdieu's view, complex societies are composed of any number of fields (artistic, intellectual, economic, religious, etc.) that coexist spatially and temporally, but remain discrete and operate on the basis of their own internal logics. Within those fields, 'the total imposition of one group's set of taxonomies upon another's results in the production of a 'natural' order, or *doxa,* in which the essentially arbitrary character of the powerful taxonomies is obscured (Erickson and Murphy 2017: 164). As a consequence, for both powerful and powerless, the impression is created that certain thoughts, feelings and actions are part of the external objective world, while others – those of the dominated group – are made to seem unnatural. The social relations that might appear as given are in fact the result of 'symbolic domination' by an interest group. What is presented and seen as real within a society will therefore reflect the point

of view of a person whose interests are advantaged by this reality. For Bourdieu, the society's model stipulates that the system is 'characterized by individual social actors participating in a pervasive *economy of symbols* in which autonomous individuals and groups attempt to accrue and distribute *symbolic capital,* or symbols of prosperity and prestige, with differing degrees of success' (Erickson and Murphy 2017: 164). It is important to note that in Bourdieu's thought the members of the dominated class within an economic system are sometimes able to transform the character of what is seen as socially prestigious or valuable by creating new or alternative taxonomies that resist those imposed by the powerful. Bourdieu calls the capacity to perform this *individual agency* effectively 'habitus', which can be defined as 'the way in which personal history and social positioning allow individuals to improvise and innovate' (Erickson and Murphy 2017: 164).

For Bourdieu, capital can take a number of different forms, depending on the field in which it functions. It may present itself as symbolic capital, but also

> As economic capital*,* which is immediately and directly convertible into money and may be institutionalized in the forms of property rights; as cultural capital, which is convertible, on certain conditions, into economic capital and may be institutionalized in the forms of educational qualifications; and as social capital, made up of social obligations ('connections'), which is convertible, in certain conditions, into economic capital and may be institutionalized in the forms of a title of nobility (Bourdieu 1986: 242, 243).

The efficacy of the capital within a specific field is conditioned by more or less expensive *transformations* in the field in question.

Economic capital is constituted from income, wealth, material goods, means of production and other financial resources, which give wealthy elites the power to *dominate* other groups within a society. However, Bourdieu, as previously mentioned, does not see this domination as based solely on economic wealth, which would be a Marxist perception. Rather, he also stresses the importance of cultural capital. Cultural capital consists of knowledge, diplomas, 'savoir-faire', language, general culture, ways of learning, cultural goods or ways of behaving.

They give an individual knowledge of how to present him or herself in the world, how to think, how to act. In Bourdieu's own words:

> Cultural capital can exist in three forms: in the '*embodied state'*. i.e., in the form of long-lasting dispositions of the mind and body; in the *objectified* state, in the form of cultural goods (pictures, books, dictionaries, instruments, machines, etc.), which are the trace or the realization of theories or critiques of these theories, problematics, etc.; and in the *institutionalized* state, a form of objectification which must be set apart because, as we will be seen in case of educational qualifications, it confers entirely original properties on the cultural capital which it is presumed to guarantee (Bourdieu 1986: 243).

The third form of capital, social capital, is based on network structure and the degree of utility of these relationships. The quality of the network is measured both by its size (the number of people who can be mobilised) and by its importance (economic dominance, presence of experts and specialists).

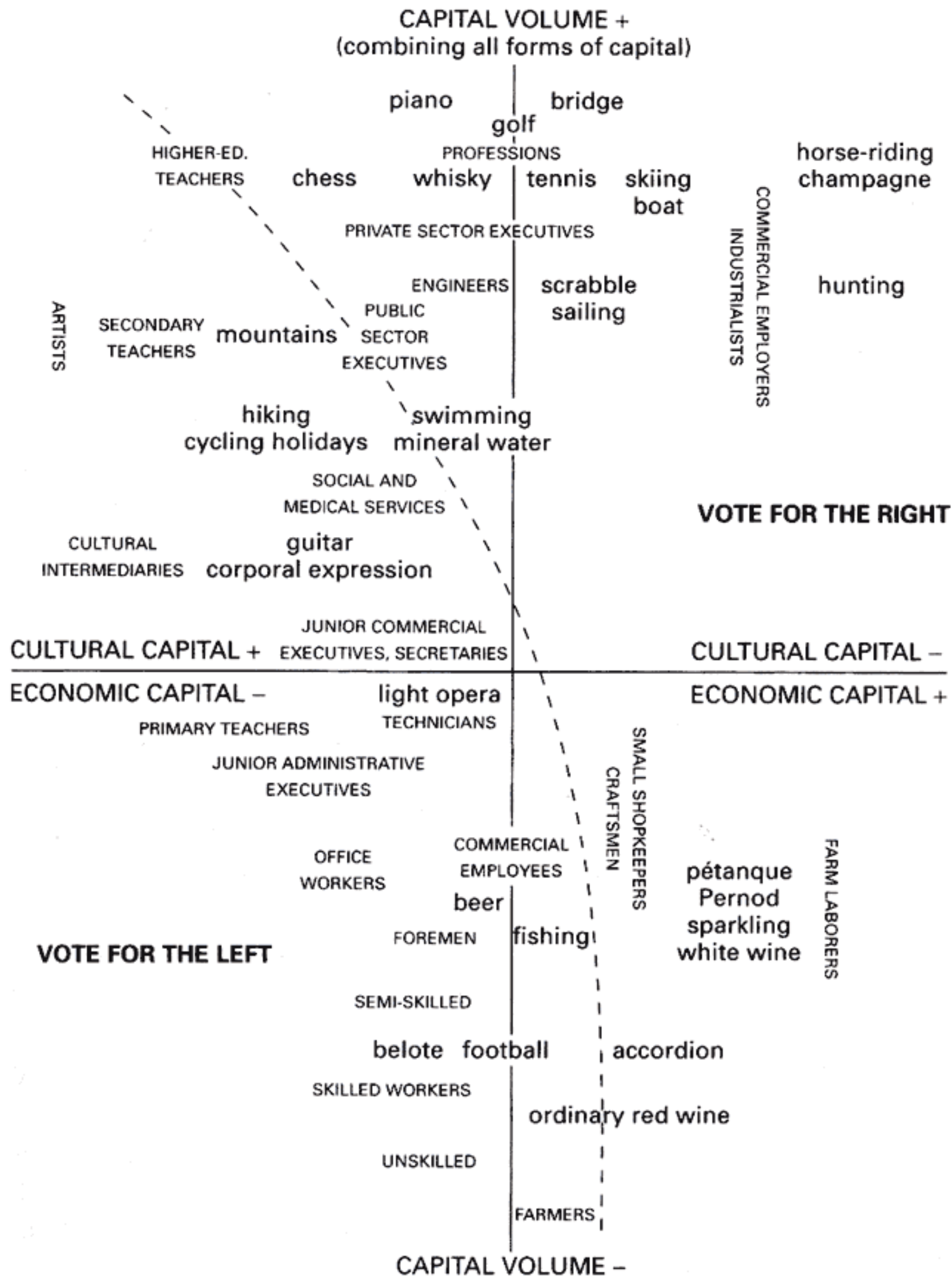
Finally, symbolic capital helps the individual to gain social recognition and marks of prestige within his environment, via specific prizes, distinctions (medals) or honorific systems (titles).

Capital can be acquired by means of work on oneself (self-improvement) or received (through birth, social environment or family circle). The inheritance of material wealth and of the culture necessary to enable one to use that wealth effectively (for example, the ability not only to have art, but to consume art) appear to be the main drivers of the reproduction of social hierarchies. For example, an elite school system will not help to tackle inequalities but will entrench the social status quo by applying rules defined and mastered by the dominant class (values, norms, attitudes or behaviours). In this way, the system helps to consolidate the social position of the dominating class. It enables the dominant agents to use *distinction*, a fundamental concept of Bourdieu, to confirm their own distinctive identity, as well as a specific vision of the world (Meier 2020).

Bourdieu's major work on this subject, entitled *La Distinction: Critique sociale du jugement*, was published first in France in 1979 and then in English in 1984 (as *Distinction: A Social Critique of the Judgement of Taste*). The book is divided into three parts: A Social Critique of the Judgement of Taste (I); The Economy of

Practices (II); and Class Tastes and Lifestyles (III). Bourdieu tries to demonstrate, on the one hand, that taste is a social construct of aesthetic and ethical considerations, and on the other hand, that this social construct serves as a tool in the struggle between the different social groups that he is studying. Bourdieu states that products and cultural consumption each have a specific social identity and that taste varies in accordance with socio-economic conditions. Within any particular domain, such as music, food, furniture or body care, the taste of different social groups varies, and consequently taste may act as a social marker. For example, lower social classes may prefer the accordion, while upper classes prefer the piano. Social practices are classified by *social agents* in hierarchies, going from the most to the least *legitimate*. The domains classified as more legitimate are those considered more socially elevated, such as classical theatre, sculpture, literature, golf and so on, while crime novels or football are regarded as more vulgar. To support this hypothesis, Bourdieu created a typology or social morphology that correlated factors such as income, demography/age, gender, profession and educational qualifications with the distribution of taste types among French people. From the data that he collected, Bourdieu was able to delineate the 'social space' occupied by particular social groups within the social hierarchy, as illustrated in the Figure 4 below (Recollecting Philosophy 2014). On the vertical axis, the volume of *total capital* that the human agent possesses, based on his social group, is indicated. This is an aggregation of *economic capital*, *cultural capital, social capital* and *symbolic capital*. The horizontal axis shows the economic and cultural capital associated with particular social groups and taste preferences.

Figure 4: Cultural and economic capital according to Bourdieu



Source: Recollecting Philosophy 2014

One of Bourdieu's influencers was Thorstein Veblen (1857-1929), an American economist and sociologist, born to Norwegian immigrants. Veblen drew attention to how wealthy elites, whom he calls the 'leisure class', had been creating trust and differentiating themselves, and identified the factors that motivated their consumption, the kind of capital that they needed to display in order to be a part of circles of trust of the wealthy and powerful, and the ways in which they benefited from this social capital. After receiving his doctorate from Yale in 1884, Veblen spent the next six years back on his family farm with his

Figure 5: John D. Rockefeller, a leading figure of the Gilded Age (left), and his son, John Jr.

Source: historycollection.com

wife, unable to find work teaching (Veblen 1994). Later, he was offered positions at the University of Chicago, Stanford and the University of Missouri, where he wrote some of his most important works, the best-known of which is *The Theory of the Leisure Class*. First published in 1899, it is an examination and a critique of the wealthy class of Americans and those members of the working class who aspired to be part of it. The book was written in the 'Gilded Age', a period of rapid change in America that affected all elements of American life and enabled the creation of big family fortunes (the Rockefellers, Carnegies, Vanderbilts, etc).[4]

[4] https://historycollection.com/this-is-what-life-was-like-during-the-american-gilded-age/

Veblen identified the forces behind consumerism as *conspicuous consumption* and *pecuniary emulation*. Pecuniary emulation refers to the struggle to acquire and exhibit wealth in order to gain status and surpass others. Veblen made frequent use of the term *distinction* in his work, defining it as a 'distinction of a personal kind – of superiority and inferiority' (Veblen 1899-1994: 5). He defined a leisure class as a wasteful and exploitative class, based on financial aptitudes, which does not contribute to industrial and economic progress but merely profits from others' work and sustains other classes admiration for elites. Industrial classes are all those who help the economy to move forward, people who work and contribute to general human progress. Veblen was extremely critical of the leisure class, which he saw as having a very aggressive character, shared only with lower class-delinquents. This was expressed through admiration for martial activities, nationalism, an interest in gambling and devotion to all kinds of sports, especially fishing and hunting. While those characteristics apply to all people to some degree, only the leisure class has done everything to maintain them. In ordinary times, the industrial classes are relatively uninterested in war. The worker favours purposeful action, whereas the leisure class's canons demand waste and futility. Veblen notes that in ethnically homogenous countries or states where the leisure class is 'younger', this trait is weaker than in the old hereditary aristocracy. Specific characteristics of the leisure class include *conspicuous leisure,* which requires abstention from productive work. Veblen compares this outlook with the barbarian stage of culture, when 'labour comes to be associated in men's habits of thought with weakness and subjection to a master' (Veblen 1994: 24). Another observed phenomenon is *conspicuous consumption* of valuable goods, which serve to enhance the reputation of the gentleman of leisure:

> As wealth accumulates in his hands his own unaided effort will not avail to sufficiently put his opulence in evidence by this method. The aid of friends and competitors is therefore brought in by resorting to the giving of valuable presents and expensive feasts and

> entertainments. […] Costly entertainments such as the potlatch[5] or the ball, are peculiarly adapted to serve to the end (Veblen 1994: 47).

Veblen also highlights the gendered aspect of conspicuous consumption, describing its evolution from a peaceable stage, with no notion of status and no distinction between roles, to a predatory state in which male and female roles make their appearance. Where sufficient material goods are available, this gives way to a quasi-peaceable stage of industry, characterised by the emergence of the leisure class in the modern period. Although Veblen's book is an anthropological essay based on observations, rather than objective, fact-based study, some of his findings remain relevant to contemporary society, and he was an important influence on Bourdieu's theory of capital. This raises the question of how our society has changed since Veblen's time. Is it possible that a new type of *inconspicuous* consumption and distinction, based on elite circles of trust, has evolved? In this study, I will apply the theoretical insights of Veblen and Bourdieu to the world of private banking elites in order to show where it conforms to and diverges from their models.

While researching how trust and mistrust function within private banking, I identified various material, immaterial, inherited, self-acquired, unconscious and conscious means by which they are transacted. These means are used by private banking elites both to increase trust within a community and, potentially, to increase mistrust, as what I call a power tool. They can be directed towards other communities in order to protect elites' power positions through the use of various forms of capital that are present within private banking. Bourdieu's theory of capital, which connects interpersonal trust and habitus, frames my findings and provides an excellent theoretical template for the analysis of private banking elites. Conversely, my study will enrich and develop Bourdieu's theory by applying it to the field of private banking between 2006 and 2020, a highly disruptive period for the industry.

When we combine a Bourdieusian framework with an analysis of interpersonal trust and its functions – a theory of trust as an anthropological object – conceptual linkages emerge between cultural aspects of trust otherwise treated separately

[5] Barnett defines a potlatch as 'a congregation of people, ceremoniously and often individually invited to witness a demonstration of family prerogative. Nominally, the entire kin or local group acts as host to the visitors' (Barnett 1938). See the discussion below.

in trust research. At this point, it is important to mention the role of gifts in Bourdieu's theory and to highlight the social phenomenon of potlatch, referred to above in connection with Veblen's works. These will be relevant to my analysis of trust and capital in private banking in Chapter 4, which deals with 'materialised trust'.

The ritual of potlatch, which can a be classified as a ritual involving wealthy elites or people of higher status, has been analysed by many anthropologists. The *Encyclopaedia Britannica* describes it as follows:

> Potlatch, ceremonial distribution of property and gifts to affirm or reaffirm social status, was uniquely institutionalized by the American Indians of the Northwest Pacific coast. The potlatch reached its most elaborate development among the southern Kwakiutl from 1849 to 1925. Although each group had its characteristic version, the potlatch had certain general features. Ceremonial formalities were observed in inviting guests, in speechmaking, and in the distribution of goods by the donor according to the social rank of the recipients. The size of the gatherings reflected the rank of the donor. Great feasts and generous hospitality accompanied the potlatch, and the efforts of the kin group of the host were exerted to maximize the generosity. The proceedings gave wide publicity to the social status of donor and recipients because there were many witnesses. A potlatch was given by an heir or successor to assert and validate his newly assumed social position. Important events such as marriages, births, deaths, and initiations into secret societies were also occasions for potlatches; but trivial events were used just as often, because the main purpose of a potlatch was not the occasion itself but the validation of claims to social rank. The potlatch was also used as a face-saving device by individuals who had suffered public embarrassment and as a means of competition between rivals in social rank (Encyclopaedia Britannica 2020).

Authors who have published on the topic include Marcel Mauss (1872-1950), with his book *The Gift*, Claude Lévi Strauss (1908-2009), in *The Principle of Reciprocity*, and Franz Boas (1858-1942). According to Boas, the potlatch promoted social cohesion, hospitality and competition. For less wealthy

community members, gifts and feasts provided a means of survival and served as an inducement to support certain leaders (Native American Potlatch Ceremony: Definition & Overview 2015).

Boas's studies were a basis for cultural relativism: the theory that each culture should be understood on its own terms, rather than compared with Western habits and customs. For our purposes, the potlatch is best understood as a way of maintaining, building or restoring trust and social capital within a family or tribe, between tribes or between rivals, in order to validate a social position.

The social processes described by Bourdieu, Veblen and Boas are about status and trust building, and relate in the main to wealthy elites and leaders. Can some of them be observed within private banking and among contemporary wealthy elites? In this study, I will show that trust as capital can been constructed in various ways, and that potlatch can take place within a private bank, too, if needed.

In his study *The Power Elite* (1956), C. Wright Mills analyses American elites and the power structure that they have put in place. He claims that

> within American society, major national power now resides in the economic, the political and the military domains. Religious, educational, and family institutions are not autonomous centres of national power but are being shaped by the big three. (Mills 1956: 6)

The power elite, as he calls it, has been evolving over time. What Mills calls 'the higher circles' bring about a centralisation of power and information:

> […] some men come to occupy positions in American society from which they can look down upon, so to speak, and by their decisions mightily affect, the everyday worlds of ordinary men and women. They are not made by their jobs, they set up and break down jobs for thousands of others; they are not confined by simple family responsibilities; they can escape. […] They rule the big corporations. They rule the machinery of the state and claim its prerogatives. They direct military establishment. They occupy the strategic command posts of the social structure, in which are now centered the effective means of the power and the wealth and the celebrity which they enjoy. (Mills 1956: 3, 4)

According to Mills, the members of the power elite were born into the same upper class, attend the same preparatory schools, are members of the same clubs and marry within the same group. Their coordination is facilitated by the easy interchange of roles between the three elite hierarchies. The most powerful of these is the corporate sector, but we have to understand the power elite as a combination of all three hierarchies: economic, political and military.

What is the relationship between corporate, political and military elites in Switzerland and within the private banking sector? Have Slovak and Czech power elites also created a triangular partnership of this type? In Chapters 3 and 4, we will see that 20 years ago in Switzerland there was an overlap between private banking elites and military elites, and that a parallel military career was a must for private bankers. The trust built up during bankers' years in the military had significant value, both within a corporation and within military 'circles of trust'. Is that still the case now, in a very international and increasingly digitalised and 'flexible' world?

In Chapter 6, on Czech and Slovak wealthy elites, I will show that connections of this kind are more 'secret', and how the capital trust of some secret police officers has been converted into financial capital.

The study of financial and wealthy elites in anthropology

Only a relatively small number of anthropological studies of financial and wealthy elites have been published to date. Before discussing this research, which has helped to frame my analysis, I will briefly review how the concept of 'studying up' has evolved within anthropology and sociology.

The concept was first formulated by the American anthropologist Laura Nader (1969), who in her article 'Up the Anthropologist: Perspectives Gained from Studying Up' urged anthropologists to focus more on the 'study of the colonizers rather than the colonized, the culture of power rather than the culture of the powerless, the culture of affluence rather than the culture of poverty' (Starn 1994). Nader asserts:

> Most members of complex societies and certainly most Americans do not know enough about, nor do they know how to cope with, the people, institutions, and organizations which most affect their lives. I believe that anthropologists would be surprisingly good at applying their descriptive and analytical tools to a major problem: How can a citizenry function in a democracy when that citizenry is woefully ignorant of how the society works and doesn't work, of how a citizen can 'plug in' as a citizen, of what would happen should citizens begin to exercise rights other than voting as a way to make the "system" work for them? (Nader 1969, cited in Hebdon 2014: 2)

George Marcus and Michael Fischer (1986) renewed the call to study up in their book *Anthropology as Cultural Critique: An Experimental Moment in the Human Sciences*, but elites are still an understudied group within anthropology. Two of the main reasons for this were identified by Nader herself: 'the problems of access and methodology inherent in studying elites' (Nader in Gusterson 1997: 115).

When I began my research into financial and wealthy elites in 2008, I had difficulty finding a comprehensive methodological tool that would guide me through an analysis of this sensitive topic. In recent years, more works on the subject have been published in the fields of anthropology, sociology, organisation, finance and political science. These include a number of monographs on the study of African chiefs and more classical analyses of elites in educational institutions, government elites, elites in administrative institutions such as the EU and the United Nations, and landowner elites. Two theoretical studies have been particularly influential in my research: Seamus Khan's (2012) article 'The Sociology of Elites' and *The Wizards of Oz: Towards an Institutional Approach to Elites, Expertise and Command Posts* by Mayer Zald and Michael Lounsbury (2010).

In his article, Khan identifies two schools of thought that have undertaken the challenging task of defining the object of study, elites:

> […] in general there are two schools: Those who, following a kind of Weberian definition of class, generally think of elites relative to the

> power and resources they possess, and others who, following a more Marxist line of thought, think of elites as those who occupy a dominant position within social relations. In both instances, elites are those with power and resources, and the disagreement is whether one looks at the individual control over these properties or instead explores the structure of relations that empowers or enriches particular position-takers. I will try to have my cake and eat it too by defining elites as those who have vastly disproportionate control over or access to a resource. (Khan 2012: 362)

In my book, I consider two populations of elites. The first is the financial elite, specifically private bankers. From Khan's resource and Bourdieu's capital perspective, these elites have access to certain types of information resources. For example, they can offer exclusive investment opportunities to wealthy elites, mainly thanks to social networks within the area of finance. Their position is bolstered by the economic capital in the hands of the best private banks, as the large volume of assets that they manage enhances their purchasing power. Bankers also have social capital that derives from their relationships with the wealthy elite. I see the Marxist position as subsumed within the Weberian definition of 'elite', as the words 'power' and 'resources' include the ownership of capital and trust – for Marx, specifically social capital – that comes from elites' dominant or central position in society. Swiss private bankers in the biggest banks possess resources corresponding to all forms of Bourdieu's capital: social capital, in terms of access to people and information; economic capital, thanks to the economic stability of the financial institutions they work for, which gives them the capacity to protect capital; symbolic capital, because of the perception of Switzerland, despite challenges, as a leading financial centre; and cultural capital, which enables them to interpret the needs of wealthy elites. The wealthy, too, possess resources in the form of capital and access thanks to their dominant position within the circle of their social relations, as I will show in Chapter 6. Thus, both populations participate in the construction of power and power networks.

Zald and Lounsbury (2010), both sociologists working in the area of organisational studies,

> call for the development of an institutional approach to the study of elites and command posts that draws on contemporary theories of power and culture to inform the creation of a new body of knowledge to inform our understanding of policy making and implementation. (Zald and Lounsbury 2010: 963)

I regard my study as a contribution to this body of knowledge on elites, power and culture.

Another publication worth mentioning at this point is Tijo Salverda's (2010) paper 'In defence: elite power', on the white former colonial elite of Mauritius, which examines

> elite power and argues that for a better theoretical understanding of elite power we have to take into consideration that elites often do not initiate power struggles but apply their power 'defensively'. (Salverda 2010: 385)

In Chapter 6, I will use the frame of defensive power to develop Salverda's analysis in the European context. As an extension to his work, in 2013 Salverda co-edited, with Jon Abbink, *The Anthropology of Elites: Power, Culture, and the Complexities of Distinction*. This work contains 10 ethnographic studies of various elites, two of which – those by Horazio Ortiz and France Bourguoin – concern finance and financial professionals. Ortiz's study looks at the front-office professionals who can be found in brokerage houses, fund management companies and the like (Ortiz 2013). He claims that finance professionals constitute an elite because of the power role that they have in the distribution of resources and that they are partly responsible for the production and reproduction of social inequalities – a question I perceive as important in the analysis of private banking elites, too.

Before turning to works that focus on the analysis of financial elites, I should note the contribution of those authors who have analysed financial elites as part of a larger social picture. In her work *Shadow Elites: How the World's New Power Brokers Undermine Democracy, Government, and the Free Market* (2009), Janine R. Wedel combines experience acquired while analysing post-communist countries in eastern Europe with her American fieldwork to create a picture of new global power networks. Wedel uses the term 'flexians' to denote people who

use their different social roles, past or present, in order to derive personal benefit and increase their influence in some way (Wedel 2009: 5). She argues that this also happens on a global level, as a systemic change, and that 'passive acceptance and the entrenching system encourage recurrence' (Wedel 2009: 12). According to Wedel, some examples of flexians include Henry Paulson, former CEO of Goldman Sachs; Gerhard Schroeder, former Chancellor of Germany; and Barry R. McCaffrey, former US Army general. The term flexian and the notion of passive acceptance are interesting aids to analysis in parts of this study.

Two other authors who have worked on the anthropology of finance are Bill Maurer, most recently in his book *Money at the Margins* (Maurer 2018), and Keith Hart, in *Money in a Human Economy* (Hart 2017). Their focus is on the anthropology of money, finance and economy, so their works are slightly less relevant to the theoretical framework of trust and capital that I use here.

There are a number of important works by social scientists on the anthropology of corporate elites. This area of study is especially concerned with top managers and boards, and their relationships with shareholders, corporate governance in general, corruption and so on. It is exemplified by Carol MacLennan's (2005) essay 'Corruption in Corporate America: Enron –Before and After'. However, such studies are less relevant to the theoretical basis of my research than those dealing purely with financial corporate elites, a topic that has tended to attract increased interest during or after periods of financial crisis.

One of the first anthropologists to create an ethnography of 'investors', following the call of her mentor Laura Nader, was Ellen Hertz. Hertz's 1998 book *The Trading Crowd: An Ethnography of the Shanghai Stock Market* 'tells the moral of the stock market, the ways in which its main characters and important moments were constructed into moral storyline by Shanghainese investors and governments officials' (Hertz 1998: 1). The work analyses different actors/players in the market and their 'imaginary struggle for control over the market dominating stock market discourse' (Hertz 1998: 2). The understanding of different actors and their roles will also be important in my analysis of the private banking environment and its internal struggles in Chapter 2, where I will show how those struggles were triggered by government regulations.

Another important early work in the field was *The Sociology of Financial Markets* (2006), edited by Karin Knorr Cetina and Alex Preda. This volume

contains 14 articles by various authors, grouped in three sections: 'Inside Financial Markets', 'The Age of the Investor' and 'Finance and Governance' (Knorr Cetina and Preda 2006: 2-3). They cover a wide range of financial topics, mainly connected to trading rooms' research on their trading elites and research on corporate elites. However, none of the articles touches on the topic of private banking elites. This book was published following another period of crisis, the recession years of the early 2000s, which mainly affected Europe and the United States.

During the same period, a work focusing specifically on a group of bankers was published by Junko Sakai (2000). Sakai's book, entitled *Japanese Bankers in the City of London: Language, Culture and Identity in the Japanese Diaspora*, describes 'the contrasting cultural identities of Japanese and English male and female employees of Japanese banks in London in the early 1990s' and is based not on 'participant observation within a single Japanese bank over many months, but rather wide-ranging interviews with over 100 employees of different Japanese banks in London' (Mathews 2001: 164). According to the book's reviewer, Gordon Mathews, 'What we gain from this approach is breadth, a number of different voices that enable her to generalise about Japanese banks in London; what we lose is depth, for Sakai can report on what she is told but not on what she herself saw in the corporate world' (Mathews 2001: 164). As Mathews' review illustrates, methodology is often an important issue in the anthropology of financial elites.

The next set of works on financial elites appeared around the beginning of the 2008 financial crisis, which lasted until at least 2012. One of the major contributors to this wave of interest in the anthropology of financial elites is Gillian Tett. Trained as a social anthropologist, Tett has worked for many years as a markets and finance commentator and an assistant editor of the *Financial Times*. She was named Columnist of the Year at the British Press Awards in 2014. Her 2009 book *Fool's Gold: The Inside Story of J.P. Morgan and How Wall St. Greed Corrupted Its Bold Dream and Created a Financial Catastrophe* is based on an ethnographic study of J.P. Morgan. The book details how the finance world and its bankers – especially, though not exclusively, those at J.P. Morgan – produced the recent crisis, through the development of complex credit tools and various institutional attitudes. In her preface, Tett asks, 'Were the bankers mad? Blind? Evil? Or were they simply grotesquely greedy?' (Tett 2009: 43). Tett's book and

FT columns[6] have helped anthropologists to access and bring their insights to bear on the world of financial elites.

Another important author is Karen Ho, whose book *Liquidated: An Ethnography of Wall Street*, also published in 2009, has become a key point of reference for the anthropology of financial elites. Ho's study, which is based on research carried out mainly within the environment of American investment banks, is an analysis of the influence of power that also discusses the failures of a shareholder value-based system. It describes how investment bankers construct their identity through their job insecurity. Most of the data are based on participant observation and prearranged interviews. Inspired by other authors and her own fieldwork, Ho discusses important issues using a range of different anthropological concepts, such as the idea of 'legitimate' and 'delegitimate', the basic values of 'high finance', abstract versus concrete social problems and family economies, whiteness as a racial construct and the art of performing smartness (Ho 2009: 30, 32, 33-34, 37, 52). Similar concepts can be applied to the analysis of private bankers, although the principles and way of working of private bankers differ from those of investment bankers in a number of respects.

In October 2010, I was able to meet Ho and a number of other social scientists at a workshop in London to which I had been invited. This workshop, on the subject of anthropology and finance, was organised by Manchester University's Centre for Research on Socio-Cultural Change (CRESC). Among the participants were Karen Ho, Gillian Tett and Bill Maurer, whom I have already mentioned, as well as Olivier Godechot, Keir Martin and Sarah Green, whose research I will discuss below. At the same time, I was attending two days' training in London with my former bank's international private banking university. Both seminars were composed of small groups of around 15 people, so, even if I tried to be discreet, my comings and goings were quite visible. I was moving between two different buildings, under the surprised gaze of both groups. Fortunately, the conferences were located only 10 minutes' walking distance apart, in the heart of the City. Because my certifying trainer for the university module, a French lawyer specialising in asset management, was a former professor with an interest in behavioural finance, he was happy to tolerate my periods of absence.

[6] Tett's work for the *Financial Times* can be found at: http://www.ft.com/intl/cms/s/0/924ceca0-c568-11dc-811a-0000779fd2ac.html#axzz3A0owFZUH

In one of the breaks during the CRESC seminar, I spoke briefly with Olivier Godechot, whom I had met for the first time. After a short introduction, he said straight away:

> So you are a banker? And did they already get you? Partly? Or completely? Did you already get your bonus? If they did not get you, it will come.

I did not know how to reply. Even when working in a senior position in private banking, I had never found myself in an incredible financial situation. However, when I read Karen Ho's chapter on investment banking bonuses on Wall Street and investigated the salaries of the top traders and investment bankers, I understood better what Godechot meant. The number of people who receive very high bonuses within big banking structures is relatively small, but, in addition to those huge bonuses, they get a lot of academic and public attention.

In works such as 'The Trading Room as a Field of Calculation: Bringing Bourdieu into a Trading Room' (2010) and 'Is finance responsible for the rise in wage inequality in France?' (2012), Godechot focuses on the rising inequalities in the salaries of top-paid elites, with a specific emphasis on the finance industry. He has carried out detailed research on pay packages in the finance sector by analysing the budgets allocated to bonuses and salaries on trading floors. Another anthropological work on finance is Alexandra Ouroussoff's (2010) *Wall Street at War: The Secret Struggle for the Global Economy*, whose analysis of the financial crisis is based on fieldwork carried out in one of the biggest corporations and credit rating agencies on Wall Street.

In 2011, the journalist and writer Joris Luyendijk created the 'experimental Banking Blog, which looks at the world of finance from an anthropological perspective' (Luyendijk 2011) on the *Guardian* web page. The blog lasted two years. In 2012, within the framework of organisational studies, Ron Kerr and Sarah Robinson analysed corporate elites in Scottish banking, particularly retail banking. They argued for 'critical sociological approaches, […] for example, Bourdieu's concept of field, and for studies of elites in contexts outside North America' (Kerr and Robinson 2012: PAGE). Kerr and Robinson apply 'Bourdieusian concepts such as forms of violence' and focus 'on changing enactments of violence within that field, from symbolic violence to economic

violence' (Kerr and Robinson 2012: PAGE) They also specify how the 'elite field can operate in the field of power within their own organisation and at the same time within a trans organisational field of peer competitors, thus illustrating how a specific national elite has been affected by neoliberal globalisation and its crisis' (Kerr, Robinson 2012: 247). Bourdieu's concept of the field is very relevant to my own analysis of private banking in Switzerland and CEE wealthy elites, which is also a partial answer to Kerr's and Robinson's call for research focusing on financial elites outside North America. My hypothesis is that the field of private banking can be perceived and analysed as a social field of powers evolving over time. This field has changed a great deal during periods of crisis, especially in 2008 and 2020, and is dynamically evolving towards a new 'balance' and power positioning, as I will show in Chapter 2.

Among the first social scientists to take an interest in the private equity business were Julie Froud, Sarah Green and Karel Williams (2012), who analysed the industry's financial elites in their article 'Private equity and the concept of brittle trust'. Although their reflections are based on only a limited number of interviews, they are of relevance to my own work. Froud, Green and Williams note that the way in which trust is created can differ across parts of the finance sector, each of which has its own characteristics and needs. They characterise trust between private equity elites as brittle and context specific. Their research adds to studies looking at diverse forms of trust in different contexts, such as the apparent 'rise of 'impersonal trust in the retailing of financial services' (Froud, Green and Williams 2012: 3) and is a supplement to 'studies of "new capitalism" in general and the financial sector in particular, many of which argue that there has been an epochal change towards more transactional relations' (Froud, Green and Williams 2012: 3). In Chapters 2, 5 and 6, I will discuss the social change that has taken place within private banking between 2008 and 2020. Has international private banking embraced the 'new capitalism', with the digitalisation of services, and does this mean that it is becoming transactional and based on impersonal trust? By looking at this question through the lens of people, we can begin to get an answer.

The anthropology of financial elites within private banking is, of course, closely connected to the anthropology of wealthy elites and private banking clients. Only a relatively small number of anthropological studies focused solely on people's

wealth, regardless of their sector of activity, were available prior to 2013, when the bulk of the research for this study was completed. In the field of international studies, George Holmes (2011) and Marja Spierenburg and Harry Wels (2010) have written on the role of wealthy individuals active in the area of nature conservation, with an ‘entry ticket’ of around USD 1 million (Spierenburg and Wels 2008), looking at these individuals’ motivations and the issues that their wealth brings with it.

In their 2008 article ‘Elites: remembered in capitalism and forgotten by social sciences’, Mike Savage and Karel Williams emphasise the importance of studying wealthy groups. Savage and Williams argue that recent decades have seen ‘the most rapid and dramatic shift of income, assets and resources in favour of the very rich that has ever taken place in human history’, claiming that ‘there is no historical precedent for such a regressive redistribution within one generation without either change in legal title or economic disaster such as hyper-inflation’ (Williams and Savage 2008: 1). However, this phenomenon remains poorly understood due to a lack of interest from social scientists:

> Where […] are the social theorists who focus on these processes as central to understanding the contemporary dynamics of social change? (Williams and Savage 2008: 1)

One scholar who has addressed the subject is the American anthropologist George Emanuel Marcus. Building on his early-career project in Tonga, Marcus has focused his research on the anthropology of elites – specifically, capitalist dynasties. He advocates the use of multi-sited ethnography, to add perspectives on elites and institutions and to provide a more complete picture, and the application of this methodology to other types of anthropological studies. Marcus presents the multi-sited mode of research as one that, ‘associated with the wave of intellectual capital labelled postmodern, moves out from the single sites and local situations of conventional ethnographic research designs to examine the circulation of cultural meanings, objects and identities in diffuse time-space’ (Marcus 1995: 96). According to Marcus, multi-sited ethnographies use a number of different modes or techniques to define their objects of study. These can be understood as practices of construction through movement. They involve tracking complex cultural phenomena through different settings, in a process that reveals

the identity given to those phenomena to be contingent and malleable. Marcus suggests the following techniques: 'follow the people', 'follow the thing', 'follow the metaphor', 'follow the plot, story or allegory', 'follow the life or biography' and 'follow the conflict' (Marcus 1995: 106-110). In this study, which I consider to be a multi-sited ethnography, a modified version of this scheme is deployed: 'follow the bankers', 'follow the wealthy', 'follow the money', 'follow the trust', 'follow the network', 'follow the capital', 'follow the bank secrecy' and 'follow the fraud'.

Applying the same principle, in his book *Codes of Finance* (2011) Vincent Antonin Lépinay tracked a derivative instrument's journey through a bank's front, middle, and back office. Lépinay documents how a disruptive new product, the capital guarantee product, introduced by a bank that he calls General Bank, not only left the regulators confused, as it was difficult to understand the risks generated by the product, but created issues for the bank itself, which was expecting to be able to exploit the innovation. Throughout my research, the role of regulators for private banks has been a recurring theme. Like Lépinay, I will provide an example of how complex products can affect trust in a private bank and between clients and bankers, and of how they can be 'material' vehicles for circulation or transmission of trust and mistrust.

For this reason, Donald MacKenzie argues in his book *Material Markets*, published after the financial crisis of 2008-2009, that economic agents and markets need to be analysed in their full materiality: their physicality, their corporeality, their technicality. In MacKenzie's view,

> Economic agents such as Chicago option traders are not just 'naked' human beings, nor simply human beings embedded in social networks. Their 'equipment' matters. A trader equipped with Black's sheets was a different economic agent from one trading on the basis of intuition and experience alone. (MacKenzie 2009: 4)

MacKenzie's book is part of a field called social studies of finance and technology, which also provides the framework for my own study.

MacKenzie bases his research on Michel Callon's idea of treating economic actors as made up of 'agencements', combinations of human beings, material objects, technical systems, technical devices, texts, algorithms and so on:

> In Callon's analysis, […] an economic actor is not an individual human

> being, nor even a human being 'embedded in institutions, conventions, personal relationships or groups' (as economical sociology posits). (Callon 2005, cited in MacKenzie 2009)

My research has highlighted the importance of material agency within private banking. In Chapters 3, 4 and 5, I will show that the agency of various objects, systems and devices is a crucial part of the trust and mistrust capital of an economic actor, banker or wealthy individual, and that its importance has been enhanced by digitalisation and, especially, the Covid-19 crisis. Nevertheless, I will argue that each human being's economic agency is defined by personal factors – his or her personal relationships, groups, circles, institutions, history, networks and so on – as well as these technical 'add-ons'. Together, they create a person's total trust capital.

Fabian Muniesa, Yuval Millo and Michel Callon propose the notion of the 'market device' as a 'a simple way of referring to the material and discursive assemblages that intervene in the construction of markets'. They list various examples of market devices, including analytical techniques, pricing models, purchasing settings, merchandising tools, trading protocols and aggregate indicators (Muniesa, Millo and Callon 2007). For Muniesa, Millo and Callon, whose work integrates economic sociology and science and technology studies, such devices can be regarded as objects with agency. One of their features is the importance of display and material composition in the achievement of purchases or transactions. In this study, I will identify which market devices have proved helpful or counterproductive in creating trust and mistrust in private banking. As agency of private bankers, within private banks and at the interface between bankers and clients, market devices have an impact on trust creation and the achievement of purchases or transactions, as I will show in Chapter 5.

Another important work on market devices is *Out of the Pits: Traders and Technology from Chicago to London* (2006) by the American anthropologist Caitlin Zaloom. Zaloom, who wrote her study after having worked for several years on trading floors, evaluates technological and market changes in the trading of futures and options, highlighting the shift from the 'open outcry', or face-to-face transacting, to computer-augmented commerce. One reason for this change was difficulty in handling an increase in the volume of transactions,

because of physical limitations to do with space and personnel. Another factor was the limit to the pool of capital that could be provided by market makers. In Chapters 4 and 5, I will show the impact that an increasing number of transactions can have in the private banking sector, especially in times of crisis, and describe the changes that can bring about.

This book is in part an attempt to answer the call of Nader and other anthropologists for better understanding of wealthy and powerful elites. As I have noted, there are almost no anthropological studies of wealthy clients in the private banking sector. Anthropological analysis of financial elites within private banking is also extremely limited, on both the international and the local level. For the Czech and Slovak Republics, which, along with Switzerland, are the geographical focus of my research, there is very little academic literature analysing wealthy elites from an anthropological perspective, so this study has the potential to enrich our understanding of the subject. Interestingly, in the business sphere I have observed a willingness on the part of consultants to make use of anthropological tools in order that they may 'understand the anthropology of the wealthy client' (Stammers 2012) and better meet their needs.

Anthropology of social networks and corruption

The anthropological literature on networks, including the topic of corruption, is relatively large.

Max Gluckman's Manchester School, whose luminaries included John Barnes, Elizabeth Bott and Clyde Mitchell, was particularly influential in the development of social network analysis. Mitchell was 'particularly interested in the biographic dimensions of networks analysis – the way it enabled the exploration of the construction of ego-centred relations and their changing import by focusing on the movement of particular individuals through a variety of contexts' (Kapferer 2006: 145). This approach informs the present study, in which I trace the evolution of the different actors and the inherent conflicts identified in my fieldwork in order to understand the character of the partial social network created by those actors and to illustrate the social changes that are occurring in private banking. I argue that the conflict sparked by the external crisis of sub-primes in 2008 and

aggravated by subsequent regulatory changes created tensions in the society of private bankers and clients that were often invisible to external observers, and accelerated long-term trends in the industry, such as the weakening of bank secrecy. The Covid-19 crisis has had a similar impact with regard to digitalisation.

Mitchell recognised 'single-stranded', 'multi-stranded' and 'directed' relations, which involved transaction or exchange (Scott 2000: 31), but he did not take the view that every relation involved a transaction. On this point, it is instructive to compare Mitchell's position with that of another specialist on social networks, Jeremy Boissevain. In his 1974 book *Friends of Friends: Networks, Manipulators and Coalitions*, Boissevain argued that networks are in a 'constant state of flux. Sometimes the changes are brought about by factors beyond [an individual's] control, and sometimes as a result of their transactions' (Boissevain 1974: 141). Circumstances are factors that 'influence network structure which are more or less beyond a person's control' (Boissevain 1974: 142). Unlike Mitchell, Boissevain claims that 'each interaction is a transaction and that the relations between two people are thus continually being reassessed' (Boissevain 1974: 144). I identify structural crisis, state interventions or the unexpected appearance of a virus as 'circumstances' of the field, external to the network of private bankers and clients, that influence their relationships or transactions and that either cause (Mitchell) or intensify (Boissevain) the reassessment of those relationships.

Historically, studies on the anthropology of trust, mistrust and social networks have tended to focus on Italy, with its mafia issues. In recent years, anthropologists with an interest in these subjects have also done a significant amount of work on central and eastern Europe, including Russia. This region has a long history of mistrust, but it has seen radical changes since the end of the communist period. Numerous works have been published on the region, notably Alena Ledeneva's (1998*) Russia's Economy of Favours: Blat, Networking and Informal Exchange*, the volume *Baltic Biographies at Historical Crossroads*, edited by Aili Aarelaid-Tart and Li Bennich-Björkman (2012), and Davide Torsello's (2011) article 'The ethnography of corruption: research themes in political anthropology'. Torsello is one of the few authors who has studied the topic of trust and social networks in Slovakia. In his 2003 book *Trust, Property and Social Changes in a Southern Slovakia Village*, he 'examines the course of the decollectivisation process in a village of the large Hungarian minority of the

southern region, about 60 kilometres from the capital Bratislava' (Torsello 2003b). Torsello's work is part of a larger group of studies of rural societies that focuses on the decollectivisation process in the agrarian sphere in CEE. These include the volume *Soziale Netzwerke und soziales Vertrauen in den Transformationsländern (Social Networks and Social Trust in the Transformation Countries)*, edited by Klaus Roth (2007), which contains several articles on social networks and trust in transformation countries. The volume focuses on family and friendship relations, trust and corruption in the rural world, and the environment of institutions and enterprises, looking at the subject from the perspective of all parts of the social spectrum. My research complements these studies by focusing specifically on the network of wealthy elites in the region.

Finally, it is important to mention the work of Christian Giordano. For many years, Giordano has been interested in the topics of trust and mistrust and has supported anthropologists, myself included, who wish to make them a focus of study. Giordano's main contributions to the field are his 2003 chapter 'Beziehungspflege und Schmiermittel: Die Grauzone zwischen Freundschaft, Klientelismus und Korruption in Gesellschaften des öffentlichen Misstrauens', his chapter 'Privates Vertrauen und informelle Netzwerke' (in Roth 2007) and his 2004 article 'Appropriating the Common Good by Personalizing Social Relationships – Acquaintances, Clientele System and Corruption in "Low Trust Societies"'. In this last work, Giordano discusses the perception and role of trust and mistrust in what Fukuyama has called 'low trust societies', such as southern Italy and Bulgaria (Giordano 2004: 8). Other transition countries of CEE, including the Czech Republic and Slovakia, have also been perceived as low-trust countries by anthropologists. For Giordano,

> Low trust countries are permeated by a deep-seated culture of concealment. In such a context, informal networks of social relationships and concealed organizations, which conjure up favoritism, nepotism and corruption for the occidental observer, take on an essential role. Members of low trust societies might consider these relationships or practices, together with related action strategies, as immoral, abhorrent, and illegal. However, such strategies are used as both socially and culturally legitimate because they represent the

> best way for the parties involved to protect themselves from the dangers and traps scattered over the entire public sphere. (Giordano 2004: 3)

Giordano also criticises functionalist tendencies in anthropology, which mean that informality tends to be associated with societies classified as pre-modern, non-Western and unable to organise themselves properly. He sees this construction of a dichotomy between Western societies based on formality and non-Western societies based on informality as ideological and as designed to legitimise the superiority of the Western model over all other forms of social organisation (Giordano 2013: 28). Informal power networks also play a crucial role within the private banking sector. My analysis of the organisation of private banking organisation, in Chapter 2, and wealthy eastern Europe elites, in Chapter 6, therefore draws on recent interdisciplinary scholarship on informality in eastern Europe, especially the 2013 volume introduced and edited by Giordano and Hayoz, which looks at informal institutions and practices in countries ruled by hybrid political regimes. For Giordano, the social production of informality is linked to a variety of relationships, networks and coalitions, mostly based on personalised trust, that can help to make a collectivity run efficiently, especially when the state and its institutions are unable to perform their duties or meet their commitments, including their commitments to their citizens (Giordano 2013: 29). Even in the field of Western private banking, which is seen as consisting of highly structured and formally organised institutions, the social networks are, as Giordano claims, based on relationships, networks and 'long and short term' coalitions, dynamically changing in response to the dynamic flow of personalised trust and mistrust. These networks are continuously producing informality, which plays an important role as a facilitator, especially in cases of process malfunction. Informality cannot be perceived without its opposite, formality. Giordano points out, that in Weberian terms, the clear-cut separation and market contrast between formality and informality is distinctively ideal-typical (Giordano 2013: 29). In reality, the two phenomena coexist in modern societies and will usually overlap, merge and combine. In pre-modern societies – rightly or wrongly regarded as such – the distinction is even less well perceived (Giordano 2013:29).

In this study, I analyse the 'milieu' of international Swiss private banking, which has gone through different periods of trust and mistrust in recent decades, as well as the circulation of trust within wealthy elite circles in CEE, especially those in the Czech and Slovak Republics. In every case, I question the status of a network as 'low trust' or 'high trust'. My hypothesis is that both of these populations are interconnected and have undergone a significant evolution between 2008 and 2020, which is not yet fully complete, due to both external and internal factors. This evolution has slowly begun to delegitimate the use of illegal practices or concealed organisations. As a result, it has influenced what I call 'the composition of total trust' in a network, which is necessary for its good functioning. Because the role of some of the interpersonal trust-creation strategies employed in these networks was more defensive than protective, they have begun to be seen as less legitimate, while some protective strategies have been revealed to be useless, increasing the need for and importance of institutional trust. As social control and regulatory influence increases in transition countries, low-trust countries may move in the direction of higher trust, just as other countries may see trust decrease. I would therefore challenge the black-or-white classification of countries as 'low trust' and 'high trust', based on the concept of general trust. Instead, I suggest that we use the concept of 'total trust'.

As this review of the anthropology of trust and mistrust in social networks has shown, no existing anthropological work has used the framework of trust and mistrust to analyse the environment of international private banking in Switzerland, especially in connection with circles of wealthy individuals in CEE countries. Prior to now, the main contributors to this field have been business researchers, who have tried to use social science skills to analyse the business environment. A good example is the 2011 work *Behavioral Finance for Private Banking* by Kremena Bachmann and Thorsten Hens, who pursue this approach with the objective of better understanding how to satisfy clients.

Technology and trust: the anthropology of modern communication practices

An important aspect of trust in private banking is the relationship between trust and communication practices. Communication practices have a huge impact on

the way in which trust is created and have been a key aspect of social change within the industry. This is attributable not only to the general IT communication boom, which has impacted a lot of businesses, but also to regulatory changes in the finance industry following the 2008 financial crisis and the digital disruption that private banking has experienced, especially because of the Covid-19 crisis. Although some studies on market devices have analysed the relationships between financial elites and material or objectified subjects such as products, analytical tools and algorithms, no proper anthropological work has been done on the communication practices of financial elites. In their article ‘Privacy versus willingness to disclose in e-commerce exchanges: The effect of risk awareness on the relative role of trust and control’, the psychologists Nadia Olivero and Peter Lunt (2004) touch on these practices, but their analysis focuses on a different subject: customers’ unwillingness to trust companies because of the possibility of data mining.

One of the most interesting works published on the issue to date is *eTrust: Forming Relationships in the Online World*, edited by the sociologists and information specialists Karen Cook, Chris Snijders, Vincent Buskens and Coye Cheshire (2009), which tries to answer the question of how trust is established between strangers on the Internet. As Piotr Sztompka writes in his review of the volume, ‘This book is a self-exemplifying case of its main claim: that the reputation and reputation systems are central mechanisms in producing trust and encouraging trustworthiness in case of anonymous transactions done online’ (Sztompka 2010). In Chapters 2, 3 and 5, I will expand on these findings, based on my research into private banking and its specific circumstances. I will argue that for a number of years international and, in particular, Swiss private banking found itself in a situation where, because of regulatory constraints, bankers were unable to use new ‘tools’ to create trust remotely or online, while older tools were becoming increasingly ineffective. This created a communication vacuum, which resulted in frustration and loss of competitiveness. At the time, only a few business consultants – notably, Robert Stammers (2012) in his article ‘The Future of Private Wealth Management is Digital’ – saw the potential for future evolution, but in recent years the picture has changed and private banks have had to embrace new media in order to survive.

Conclusion

The main theoretical and practical challenge that I faced when I began working on the anthropology of private banking was to 'penser la thèse en dehors des lieux' ('to formulate the thesis independently from the space' (Giordano 2010, personal communication; my translation). As the main focus of my research was the circulation of trust and the anthropology of private banking, my fieldwork was very dynamic, mobile and international, which made its findings difficult to interpret and localise. I started my analysis on a more global level, but ultimately I focused on Swiss private banking, particularly as it involved elites from the Czech and Slovak Republics. Bourdieu's capital and field theory provided me with an interpretative framework and some of the key concepts that informed my research. These include the concept of trust and mistrust as circulating anthropological objects, based on agencies; social, economic, cultural and symbolic capital as resources for the creation of both trust and mistrust; and the Bourdieusian notions of habitus and field.

In this chapter, I have reviewed the existing literature on trust, mistrust, the anthropology of financial elites and social networks, and have shown how an anthropological analysis of private banking elites can add value to the field. It is now time to look more closely at the individuals involved in the private banking industry. Who are international private bankers? Where are they based, and how does trust circulate there?

2

Circles of trust: Private bankers' fields, group trust dynamics and the global geography of private banking

In Chapter 1, I reviewed the existing literature on trust, mistrust, the anthropology of financial and wealthy elites, the relationship between trust and technology within the finance industry, and the anthropology of social networks, corruption and market devices. We have seen that the anthropological study of private banking and wealthy elites (defined as people with a minimum of CHF 1 million in assets under management (AUM)) has been relatively limited to date and that there has been no systematic analysis of private bankers as a 'population'.

In this chapter, I will use the theoretical framework set out in Chapter 1 – in particular, Bourdieu's concepts of distinction, field, power, habitus and capital, Goffman's emphasis on 'performance' as a means of creating interpersonal trust, and Boas's analysis of the potlatch, which has equivalents even within the walls of private banks – to examine the environment in which private bankers and their associates operate. Who are private banking elites? With whom do they cooperate? How are they organised? My focus will be on the essence of private bankers' business, 'trust', as a 'circulating anthropological object', based on the different types of capital defined by Bourdieu: cultural, economic, social and symbolic. The parameters for constructing trust, and for creating the types of capital necessary to gain trust and acquire a power position within a field, vary in accordance with the 'field of power' (Bourdieu 1993) where the trust is created. We can identify a number of fields within which these power plays take place: a field for competition between private banking team managers; a field of private bankers, in which they compete for success and recognition; a field of private banking assistants; a field of investment advisory executives; and a field of wealthy elites in a specific industry.

As I have already outlined, for Bourdieu, culture and society are systems of relationships, or fields. He defines fields as fluid, open-ended networks of ‘objective relations between positions’, within which the power position of one group’s set of taxonomies or habits acts upon another’s to produce a ‘natural’ order, or *doxa*. Actors within the field, both powerful and powerless, tend to accept this order as ‘natural’, forgetting or not questioning the arbitrary character of the taxonomies on which it is based. As a consequence, the dominant group’s way of living and acting comes to be perceived as natural, while that of the dominated group is seen as unnatural. Thus, the social relations that appear as given are in fact a result of ‘symbolic domination’ by an interest group. My research identifies various types of doxas within private banking, based on working group relationships and the geography of private banking. Trust is an inherent part of these fields, both in its positive form and in its negative form, ‘mistrust’.

In what follows, I will look first at bankers’ identities and their reactions to the evolving environment within private banking. Next, I will describe how groups within the private banking population, such as teams of bankers, bankers within specific banks and bankers within one country, are organised, illuminating their inside/outside networks and their interconnections. I will finish by using a ‘geography of private banking’ to describe the circulation of trust within the sector. This will involve mapping the private banking population on an international, city and office level, with particular reference to the financial district of Zürich. All of this information carries the imprint of the financial crisis of 2007-2012 and the health and financial crisis of 2020, which have had a significant impact on the private banking industry and the people who work in it.

Group factor: networks and trust dynamics

In order to understand how trust functions in banking groups, it is important to have a sense of how banking institutions are organised. On a global level, banking institutions are generally made up of several parts or types of banking businesses, called ‘business lines’. Most often, these include retail banking, investment banking, corporate banking, specialised financial services, custody

services and private banking. In some banks, business lines are separated; in others, they are united in larger sections. The regrouping and organisation of these businesses vary from bank to bank. Banks that have several business lines are called 'universal banks'. There are also banks that offer private banking only, which is often called 'pure private banking'. A private bank typically consists of top management, front officers (heads of private banking teams, private bankers and private banking assistants), investment teams (asset managers, advisors, product specialists), a middle office (credit risk analysis, reporting, etc.) and a back office (settlements, regulatory compliance, accounting, etc.)

Trust and mistrust between clients and bankers, and within the bank itself, circulates through the agency of all 'client-facing' or 'front' roles: private bankers, private banking assistants and investment advisors (if such advisors work directly with the client). I will call this the 'internal extended agency' of the private banking group. However, people are not the only trust vehicle; products and devices are also vectors of trust and of people's extended agency, creating capital trust. The way in which trust circulates within a bank can have effects on bankers' business performance, their job satisfaction and their trust relationships with clients. To understand how the system operates, we need to look at what private bankers do, how the bank employee-client relationship works and who private bankers, as units of private banking groups, really are.

Relationships: bank, private banker, client

Bank employees who are in direct contact with clients are called '*the front'*. These are the staff whom frontline clients see and meet most often. Typically, they are private bankers, who are also called 'wealth managers' or 'relationship managers' (RMs). They are supported in their daily work by private bankers' assistants, who do a large part of the daily work for clients, helping them with payments, credit renewals and opening accounts, for example. Banking assistants may also support RMs with investment proposals, portfolio transfers and client communication. Private bankers whose role is to acquire clients actively are sometimes called 'hunters' in banking jargon. In some structures, there may also be managers who focus more on day-to-day contact with existing clients, rather than acquiring new ones. They are known informally as 'farmers'. The boundaries

between these two groups can be blurred, as often when a private banker joins a new bank he or she has to acquire new clients and build what is called a 'portfolio' or 'book' of clients. With time, the focus shifts to taking care of existing clients.

A banker's portfolio is actually a group of clients representing a certain volume of 'assets under management' (AUM). This portfolio brings revenue to the bank, which is one of the parameters for the evaluation of wealth managers' performance. Revenue as a percentage of assets under management provides a metric for 'profitability' of the portfolio. Private bankers do not generally have targets relating to the *performance* of clients' portfolios, as the type of strategy pursued and, hence, the results achieved are often dependent on the client's wishes. One client may be happy with 1% performance, while another may aim for 6%. The extent to which a client does or does not cooperate with the bank is the best measure of his or her satisfaction with the service provided. The bank's own risk controls are designed to check whether the 'risk profile' signed by clients has been respected and whether too much, or not enough, risk is being taken. Bankers often have combined objectives relating to assets under management, profitability and *net new money* (NNM) – the volume of new assets that they need to 'bring' to the bank during the year or over a period of time. Other 'soft targets', such as risk management and behaviour, may be part of their remuneration.

When private bankers decide to join a new bank, they undertake to bring in a certain quantity of assets (NNM), revenues and, hence, relationships. These numbers can vary from bank to bank, depending on the 'business plan'. For 'hunters' they are generally higher, while for 'farmers' they are lower. Some relationship managers simply join a bank and 'receive' a portfolio of clients to take care of (for example, if the previous relationship manager left, retired or was promoted). Others may receive some existing clients, but also be required to bring some additional clients to the bank. Receiving a portfolio may be a great opportunity for some bankers, and even for assistants who aspire to become bankers. Therefore, front-office employees aware of this option may try, unconsciously or consciously, to increase their chances of receiving clients. Others, especially bankers as the beginning of their career, who lack this awareness and are instead focusing on their own results, may simply overlook it. In some instances, the relationship and portfolio transfer can be connected. This

was the case for Gunter, a German private banker working with non-European clients at the biggest Swiss private bank, when one of his colleagues retired. Because Gunter had a good relationship with this colleague and the trust of the bank itself, he 'inherited' the colleague's portfolio of clients, which was worth more than CHF 2 billion. The trust that Gunter enjoyed, based on his personal and professional qualities, can be described from Bourdieu's perspective as social and cultural capital. This was 'reconverted' into economic capital for Gunter, increasing his client's asset base and revenues, and, probably, his own remuneration. In the private banking sector, it is said that after a while a private banker's clients tend to reflect his personality. Therefore, if two bankers have a good relationship, it is likely that they will also be a good fit with each other's clients, as they have similar values. We can see here a clear *reconversion of social and cultural capital into economic capital*, as receiving a portfolio has significant economic value.

There are a number of ways in which bankers, managers and assistants seeking to become bankers can put themselves in a good position to receive clients. These include having good personal relationships with an existing banker; being a support person for the banker and their clients; having good relationships with a manager; being a manager themselves, and thus in a power position to keep or distribute clients; and having the right profile and skills at a particular time to replace an outgoing banker. However, a portfolio can also be a difficult gift – for example, when the relationship manager who has resigned had very good relationships with their clients and is likely to take some of them to a different bank with him. Preventing the departure of clients with a banker once that person has resigned is called client 'retention'.

As the environment of private banking is highly competitive, private banking elites utilise various 'reproduction strategies' in order to gain, defend or improve their positions. One *ideal type* that I have observed repeatedly is that of the manager who joins a new bank to lead a team of one or more bankers and an assistant or investment advisor. The manager would play a more political role and also start to oversee additional bankers and assets of the team that he or she led, who may have been there before him. If some of these bankers left, the banker who was most trusted by the manager was best placed to receive their clients, if the manager thought that it was potentially in his or her interests and in

the interests of the team. When this manager and their team decided to leave the bank, they did so with bigger 'social capital' than when they arrived, in terms of the number of clients included within their circle. By using the same trusted investment advisor for existing clients of the team, the manager could make sure that those clients did not get in touch with 'new' people they could attach to within the bank. This could facilitate the transfer of clients, if the manager took up a position at a different bank. The investment advisor, if advising directly, could also access new clients of the bank. This social capital advantage was converted into economic capital when the manager was negotiating with a new employer years later or when they created their own 'family office', an independent asset management unit where bankers manage client's wealth on several bank platforms at the same time and act as entrepreneurs. In this way, they were able to use as a power tool the trust that they had accumulated as social (and symbolic) capital connected to their hierarchical position.

Not all bankers' teams act in such a self-focused way. This mode of operation may also be in a bank's interest, if the period of a team's activity within the institution is long enough. From interviews that I have conducted, it is clear that even individual bankers can have these types of strategies. *Cyrill*, a banker in his 40s who was currently working for a Swiss bank but had been employed by banks in several different countries, made the point:

> At the beginning, you will actually change banks quite often. In every bank, you take the contacts and then you eventually go to another bank.

It looked like a very logical strategy to him. However, not everyone in the industry thinks in this way. My interviews showed that, for some bankers who were less career oriented, the priority was stability or being at a bank they were happy to work for. As one private banking manager noted, there was a risk of being classified by a new employer as a 'grasshopper'. It is therefore important that these strategies strike a fine balance between change and stability if they are to benefit bankers, banks and their clients.

How does the relationship between bank employees and clients work?

The relationship with new clients often starts before the client becomes a client, when he or she is considered a 'prospect'. There are numerous ways for a banker to get to know a prospect: via a friend, via a family member, during a conference, based on a recommendation from an existing client, by taking over an existing client from an outgoing banker, or if the client contacts the bank themselves. The banker may receive a recommendation from a colleague at the bank (for example, a manager or a banker focused on a different market). The contact can also come from other departments, such as investment banking (in universal banks), retail (for less wealthy clients with assets of <CHF 500,000) and local branches, potentially in countries other than Switzerland. In most countries, it is illegal to do 'cold calls' (to call a prospect who does not know the banker and has not requested a contact directly) in order to 'acquire' a client. There are also strict 'cross-border rules' that prevent bankers from seeking active acquisitions.

These rules ensure that in most cases relationships between bankers and clients are initiated at the client's request. Some 'reconversion of capital' is therefore necessary for a banker to acquire a client. This may take the form of reconversion of social capital (for example, a recommendation based on an existing relationship) or reconversion of symbolic capital (if the client is attracted by the fact that the bank or banker has received an award, etc.). This social or symbolic capital is ultimately converted into economic capital for the bank, in the form of revenue. Potentially, it may translate into symbolic capital, if the bank increases in size relative to its competitors. It is also reconverted into additional social capital, as a new client brings with him his own relationships and further potential clients or contacts. In acquiring a new client, a banker may also deploy his or her own cultural capital to motivate the client to enter into a relationship with the bank. These different types of capital combine to create ultimate trust capital.

When the client decides to start working with the bank, there is a process of *account opening*, which involves signing of documents and securing approval for the 'Know Your Customer' (KYC) information from management and the compliance department. Once this process is complete, the middle office can send the client their new account number for use with various currencies (IBAN).

In KYC, the front teams need to state information about the client, their past activities, the source of their assets, their current activities and the purpose of the account.

The client's cultural, economic, social and symbolic capital are very important for these internal 'trust processes', to enable the banker to present the client to the bank in an objective way and to demonstrate that the client is 'acceptable' to the bank. If he or she is successful, the KYC is approved by the banking institution.

'Negative social capital', such as a social connection to individuals with a poor reputation, can create mistrust towards a potential client. For this reason, the quality of family connections is closely scrutinised. If, for example, the potential client has a parent who is a 'PEP' (politically exposed person), the application will be subject to much stricter examination. If a client is the manager of a state-owned or co-owned company, he will often be classified as a politically exposed person, with higher 'cost of risk' for the bank. Being a PEP is therefore a sort of ideal type, where relationships or type of work give a certain 'character' to the client. The same applies to his or her business partners. If one of them is a PEP, the client can be classified as a 'PEP by association'. The mistrust from the bank is therefore greater, and often that comes with higher costs of analysis and control for the bank. Client's relationships therefore have 'agency' in the eyes of bankers and clients, and this is part of their extended mistrust and trust capital. In the account opening process, a further *reconversion of capital* takes place. For example, if the potential client is already a prospect of a big Swiss bank, it is likely that they will be 'acceptable', based on sector standards. This is part of the *symbolic capital* that individuals acquire when they become the client of a reputable bank, which is itself part of their trust 'resources'. Clients may also have *cultural capital* that they can bring into their compliance profile, such as having studied at a top business school (INSEAD, Chicago, etc.) or having an MBA. This is part of their material agency, which I will discuss in more detail in Chapter 4.

Even before the account is opened, the banker will initiate a discussion of how the client would like to invest, to see whether the client has expectations that the bank can fulfil. This discussion continues after the client has been accepted by the bank. Bankers can offer investment advice to clients either at their request or proactively, within the framework of *advisory mandates*, if the client is willing to take decisions independently. If the client delegates this power fully to the bank,

management of their assets comes under the so-called ‘discretionary mandate’, where the bank’s asset managers invest the client’s money in accordance with their ‘investment profile’, without seeking specific approval for each investment. Bankers have to trust that asset managers will make the right decisions in the best interest of the client. To reduce the risk of deviation, automatic controls have gradually been put in place in private banks to check whether mandates are being carried out in accordance with the bank’s official investment strategy.

Bankers answer their clients’ questions on investments, as well as on macro and microeconomic issues, on a daily basis. If they have advisory mandates, they also advise their clients on how to invest. The *investment product* becomes an *extended agency* of the banker, while the product itself becomes a type of *market device, transacting trust between the banker and the client*. If the investment is poor, the client’s trust may be eroded in the long term, even if there are macroeconomic reasons for products not performing well. Conversely, with good performance, trust will increase. Raimond, a senior private banking manager who liked to speak from the heart, summed up how this dynamic operates in a speech at a general staff meeting of one of the major private banks following a good year on the financial markets, in which most investments had performed well:

> Now, after this good year, we all look intelligent. It might not last. Prepare for that.

In fact, the *macroeconomic environment* can become an extended agency of the bankers, part of their trust fields, impacting on bankers’ minds and even their bodies. In 2015, Borch, Hansen and Lange published a rhythm analysis of financial markets, from open-outcry trading to high-frequency trading. They showed that in 1920s and ‘30s market observers began to respond to a widely perceived problem: that market rhythms might be contagious and that some form of separation between bodily and market rhythms might be therefore be needed. However, even though today’s high-frequency trading (HFT), which in 2014 represented ‘according to some estimates, 48.5% of all US equity trading’ (Cheplick 2014, cited in Borch, Hansen and Lange 2015: 2), is purely algorithmic, it does not render the traders’ bodies irrelevant. Now high-frequency traders seek to calibrate their bodies to their algorithms, rather than to the market. The analysis carried out by Borch, Hansen and Lange suggests that, although high-frequency

trading produces new types of market rhythms that do not revolve around traders' bodies, even this 'apparently non-bodily type of trading is in fact concerned with the calibration of bodies to rhythms' (Borch, Hansen and Lange 2015: 9). Their study shows that one consequence of market extension is the pervasiveness of algorithms within financial markets nowadays and that periods of high and low algorithmic activity are characterised by particular cyclical rhythms. For example, HFTs suspend their algorithms around the announcement of key economic numbers, as that can often produce unpredictable market activity. Based on the fact that it is considered 'too risky to program HFT algorithms to try to profit from such patterns, traders instead prefer to pause trading until they have other types of data (namely orders) that provide a better basis on which to predict market trends' (Borch, Hansen and Lange 2015: 18).

At the start of the Covid-19 crisis in early 2020, the speed of the market downturn was such that 30% of market valuation vanished in six weeks. The S&P 500 Index, which is a market-capitalisation-weighted index of 500 of the largest publicly traded companies in the US, went from 3386 on 19 February 2020 to 2237.40 on 23 March 2020, an unprecedented fall of 33.9% in only 33 days. However, within six months, the index had recovered these losses and was back at an all-time high.

It is likely that one reason for the sharp downturn was the lack of readable data for algorithms and algorithmic traders, as this was the first big financial crisis to be caused by a virus. This led them to 'withdraw' temporarily from the market, especially after the Covid-19 outbreak was officially designated as a 'pandemic'. As it is estimated that algorithms account for about half of the trade on US equity markets (Cheplick 2014, cited above), their withdrawal had huge consequences, leaving 'human' traders surprised, even though they, too, have rapid access to the market. From interviews that I conducted with private bankers after the financial market downturn in March and April 2020, it was clear that the speed of developments within the market had forced them to become more detached from it in a physical sense.

Another complicating factor for 'human' traders is the fact that the financial markets are now open 24/7. Within 24/7 markets, there are further rhythms, structured around Asian, European and US market openings, that form part of bankers' extended agency. Several private bankers suggested to me that their

'suffering' was less severe during the Covid-19 crisis than during the more sustained financial crisis of 2008 to 2012, as the speed and violence of market movements were such that they felt 'disconnected from it'. When questioned about his reaction to the Covid-19 crisis, *Urs*, a private bank manager whose clients are independent asset managers (IAMs) working for individuals with accounts at the bank, replied:

> It was not very stressful for me. It would have been much worse if I had been more invested in equities myself. Here, I remained quite serene.

Urs's partner was able to flesh out his comments when I put the same question to her:

> Sure, he was stressed when the markets got crazy. There are so many transactions to process and check, you have to place the orders very quickly … without counting margin calls and communication with the client to try to calm them down. Then, personally, Urs also watched the evolution of the markets for his own investments. Every day he was asking himself whether he had to invest or not. What was very strange was that we did not understand the evolution of the markets, the 'rationale' behind it. Hence, he didn't invest, and afterwards he was angry as he had missed the opportunity.

A 'margin call' is an official request from the bank to the client to send the bank new assets or to sell some of his existing ones, where the client has a loan – a credit – and the decrease in value of his investments means that the 'loan to value' (LTV) does not cover the amount of guarantee requested by the bank. When assets drastically decrease in value, there are a lot of margin calls in the banking sector, and these forced sales may exacerbate the downturn in the market. The Covid-19 crisis created a lot of *operational risks* (mostly risk of loss by execution of buy or sell orders), both because of the speed of the downturn and because of a lack of so-called 'liquidity'. The volume of buy and sell orders, which are representative of the mood of investors and their trust or mistrust in the markets, declined extremely quickly. People and their 'market devices or machines' no longer wanted to buy securities and *bid-ask spreads* – the difference between buying and selling prices – widened considerably. Urs's

remarks suggest that investors tend to be less bodily connected to markets that are moved by algorithmic traders. They would rather invest in indexes copying trend,[7] or gradually increase the 'private markets' part of the investment by investing in companies that are not yet 'public', meaning that they have not yet been through an IPO (initial public offering) and are not listed on the stock exchange. For the moment, the impact of frequent trading on this type of investment is less tangible. The rhythm of private equity may correspond more to the bodily rhythm of regular human investors.

The Covid-19 crisis has also affected bankers' body rhythms in another way. Fifteen or 20 years ago, most bankers were based in separate offices, partly to ensure banking secrecy. In the last decade, cost cutting and regulatory changes requiring exchange of information and greater transparency within the bank have triggered a massive move towards 'open plan' offices, with increased interaction and bigger teams. However, as a result of the restrictions imposed by the Covid-19 crisis, bankers have switched to working from 'home offices', which provide a calmer environment similar to their old separate offices at the bank. According to staff I spoke to about the change at three of the biggest Swiss banks, the switch to home working has been extremely successful for the most part, thanks to effective IT support and the availability of software-based tools to empower the front office and other employees (IT-based trading platforms, product structuring applications, analytical tools, etc). Major clients have not been adversely affected and bankers have been able to pursue all their usual activities, apart from face-to-face meetings with clients. However, for several middle-sized and smaller banks, which manage fewer assets and therefore have fewer financial and human resources for IT, 'emergency digitalisation' has been more challenging. In 2019, a report on private banks by KPMG, in cooperation with the University of St Gallen, concluded that 'Bigger is better in the quest for success' (KPMG 2019: 3).

What kind of tasks do private bankers perform in their work? The role of private bankers is to fructify a client's financial assets in a way that corresponds to the client's risk profile (more or less risky), which is itself based on the client's

[7] 'An index is a method to track the performance of a group of assets in a standardized way. Indexes typically measure the performance of a basket of securities intended to replicate a certain area of the market.' (Investopedia 2021)

expectations with regard to matters such as performance, volatility (deviations) and preferred types of investment. Bankers advise clients, or arrange advice for them, on financial securities (cash, shares and bonds, either direct or in the form of funds), private equity ('PE', or investments in non-public companies, which are not listed on the stock exchange), structured products and commodities such as gold and silver. Their role is also to execute 'buy' and 'sell' orders for clients without discretionary or managed mandates, if these are not executed by clients themselves via electronic banking, often called e-banking. During the Covid-19 crisis, most of the Swiss banks have seen their volumes of trading increase significantly. As more and more clients require immediate execution, the volume of trades processed via e-banking, rather than via bankers by telephone or email, has also risen. The quality of e-banking is therefore an increasingly important component of clients' total trust capital, as e-banking is an extended agency of the banker and the banking institution. For smaller clients without a dedicated banker, it can replace the banker completely. E-banking and trading platforms help to transform trust into financial profit and create economic capital for both the client and the bank.

Private bankers, along with other specialists, can also assist with what is called *wealth planning*. Wealth planners help with inheritance planning, draft pre-nuptial agreements, set up family holdings in safe jurisdictions, and prepare the sale of companies and family assets. They often cooperate with lawyers, external tax specialists or fiduciary companies. The role of wealth planning is not to advise on how to hide accounts and illegally evade taxes, but there may be legal ways of optimising a client's tax obligations through the use of bilateral tax agreements between different countries. This may be part of the advice officially provided by the bank, in cooperation with external specialists in tax matters such as the 'big four', four consulting companies known as Big 4, PricewaterhouseCoopers, KPMG, Deloitte and Ernst & Young.

For reasons such as asset protection, political stability, inheritance planning, tax optimisation and so on, clients may choose to place their holdings in a country with a beneficial tax regime – for example, Luxembourg, Cyprus, the Netherlands, Ireland or Monaco. Different types of clients can input their assets in other legal forms such as insurance wrappers, which enable them to do inheritance planning but also optimise taxes in the long term, while respecting local and international

tax legislation. Countries compete for holdings by creating stable and beneficial tax regimes for companies to encourage them to 'stay' in the country where the owner of the assets lives. In Switzerland, this competition extends even to the local level, with some Swiss cantons having more beneficial tax regimes than others. Clients may use specific financial products to benefit from the tax rules of the country in which they are domiciled. For example, in a country where an investment in a security that has the potential to increase in value, such as a fund, can be sold after three years without incurring capital gains tax, clients may prefer to hold securities rather than bonds with coupons (regular payouts taxed as capital income). They will expect their banker to have some knowledge of this area, although bankers are prohibited from providing tax advice themselves.

In recent years, Swiss bank secrecy has become a less critical issue for clients because of the OECD's work on tax transparency, which means that there is now automatic exchange of information about their accounts between the states in which they have tax residency. This has had an impact on the banker-client relationship. Before 2008, part of the banker's role was to be extremely discreet about the existence of the account. This is still the case to some extent, as Swiss bank secrecy still exists, but clients from central and eastern Europe have themselves become more comfortable with communicating about their accounts. Prior to the full introduction of automatic exchange of information, clients were already paying taxes on their income (interest, coupons, dividends) to their states, albeit on an anonymous basis. Their relationship with bankers was therefore based not just on the banker's competencies, but on trust in his or her discretion with regard to the account's existence and mistrust towards their own state. The situation has now changed radically in Europe, as tax reports are now exchanged every year between the bank and the tax authorities in the client's home country (for details, see below). These have become a 'new' object of trust for the state and, after some years of adaptation, an object of transparency between bankers and clients, facilitating communication between the two groups, as clients are now less concerned about privacy.

The final service that private bankers provide is credit facilitation, to finance the purchase of real estate, boats, planes, shares and so on.

Bankers meet their clients either in Switzerland or in their country of domicile. However, private bankers' activities outside Switzerland are rather limited

because of strict ‘cross-border’ rules, which govern what bankers can or cannot do in a specific country. For a long time, those rules varied from country to country, but increasingly they are being harmonised at EU level. Private bankers have to pass many ‘cross-border’ tests to assure the bank that they are capable of adhering to the rules. However, many of my interviewees made the point that cross-border rules are difficult to follow and that sometimes they have had to breach them during their career. Private bankers make contact with their clients face to face, by email, by telephone and, latterly, via chat services such as WhatsApp. Most wealthy clients are entrepreneurs, heirs of entrepreneurs or top corporate managers, along with their families. The way in which bankers communicate with these clients is therefore adapted to their needs and lifestyles. All the devices that I have mentioned complement bankers’ agency and are important for trust circulation. I will come back to this topic in more detail in Chapter 5.

Who are private bankers?

In the next few chapters, I will look at the experiences of some financial professionals working within the sphere of international private banking, mostly in Switzerland but also in other countries. By observing the way in which bankers behave and act, we will be able to identify the resources that they use to extend their personal agency and the types of capital that equip them to perform well within the field of private banking and to create ‘trust’.

When I first started working in private banking in Zürich in early 2008, I was initially surprised to discover that most of the bankers were men. At that time, there were more than 20 bankers working in our organisation, the private banking branch of a big universal bank, but only two of them – Barbara and Lena – were women. Barbara was a young woman with no children in the ‘emerging markets’ department. Lena, who was a little older and had a grown-up child, was part of a western European team. When I joined the organisation, I became the third woman banker.

When the financial crisis deepened in 2009, Lena was dismissed, after more than 20 years in the company. By that time, there were more women in the organisation, but all of them were in assistant positions. Coming from CEE, where

there were many women in local banking positions, and having previously worked in a gender-balanced environment at the same institution but in France, in international audit, I was taken aback by this situation and wanted to understand why the gender balance in my new workplace was so uneven. However, five years later, things were beginning to change within the organisation, as more women took up positions as bankers. This change was replicated across the sector as a whole, and by 2020 the number of women bankers had increased significantly, although women continue to be underrepresented in management positions.

The following short profiles provide an insight into the types of people who make up the 'population of private bankers':

1. *Anastasia* is Russian and originally studied at the faculty of philosophy. She joined the banking industry as a corporate banker in Moscow and has been in banking for 17 years, working at a number of private banks, both large and small. When I last met her, Anastasia was living on Lake Zürich and was working for one of Zürich's smaller private banks. She liked to play golf and was a self-confident mom with one child.

2. *Dorina* is from Bulgaria and studied economics. She has worked for several of the larger Swiss private banks in the Bulgarian market. She is active in sports and attends fitness clubs in downtown Zürich. She is in her 40s and has no children.

3. *David*, from the Czech Republic, is a private banker and asset manager who co-owns an asset management company. He studied economics and enjoys martial arts, car racing, reading and writing. When I first got to know him, he was in his early 30s and unmarried. Later, he married an artist.

4. *Robert* was for a time a good friend of mine in Zürich. I met him 13 years ago in a Migros restaurant, one of several places where bankers go for lunch, as only the biggest banks have company restaurants. At the time, he was working for the foreign private banking branch of a CEE bank, which has since had to close. Robert is from Slovakia, but he has not lived there

for more than 20 years. He came to Switzerland in order to study nuclear physics at the Swiss Federal Institute of Technology in Zürich (ETHZ), one of the best schools for technology worldwide. Since finishing his PhD, he has been working in private banking. He has been in the industry for 11 years and has worked at three institutions, one foreign branch and two Swiss banks. He is a joyful person who used to like going out with friends and socialising with clients.

5. *Dery* is an older Swiss private banker who, following his retirement from the bank, joined a family office as a partner. This is a common pattern among retired bankers – people seem to find it difficult to stop being a banker just because they have reached retirement age. I know of one co-owner of a small private bank branch who was still coming into the office at the age of 90. Dery obtained an undergraduate degree in finance and, starting as an apprentice, worked his way through the different departments of a big Swiss bank. He subsequently worked at other private banks as both an institutional and a private banking asset manager. He joined his last private bank with a colleague, who played the 'hunter' role, while Dery, as an asset manager, took care of existing accounts and investments. After the unfortunate death of his banking partner, he took over the latter's portfolio and became the banker for those clients himself. In this way, Dery's social capital was converted into economic capital following his partner's death. Dery liked to ski and, in addition to his banking job, had a company in a different line of business. The pattern of bankers starting as apprentices, without having to attend highly ranked universities, is very common in Switzerland, where several private bank CEOs have followed this path (see below).

6. As previously mentioned, in international private banking there are bankers who stay at one bank for a long time and there are what one manager I worked with termed *sauterelles* (grasshoppers). One such 'grasshopper' was *Przemysł,* a Polish private banker who was formerly based in Switzerland but now lives in a different country. Przemysł studied at the faculty of philosophy and did a master's in project management. When I

met him for the first time 12 years ago, he was a private banker in his 40s, working with CEE clients. He joined a bank in Zürich after being headhunted from Luxembourg. He was always very well dressed and liked expensive things. He was not a hard worker. After being fired by the private bank where he was working when I first met him, he tried working at three other banks in different cities, and even different states. He was changing jobs every one or two years. Przemysł then stopped working for banks and was engaged by a wealthy friend living in a small village outside Switzerland. When I met him again years later, he was still representing this client and had become relatively wealthy due to a good investment in an apartment that he later sold. Having found it impossible to meet the requirements of the private banks that employed him previously, Przemysł had adapted by changing course and carving out a new niche for himself.

7. *Cyrill* was from one of the RCEE countries. He started his career as a private banker in London. He then moved to Zürich, as several bankers I encountered have done. Many of them continued to commute between Zürich and London, with their families and partners often staying in London initially or even permanently. Not every relocation was a success. I have witnessed several cases of bankers having to move countries again because their job did not work out. Cyrill studied economics, liked combat sports and was a rather solitary type, focused – like many foreign bankers – on side projects in his home country.

From these profiles, it is clear that international private bankers are a diverse group from the point of view of age, education, culture and interests, and that their culture and nationality are connected to the regions that they cover. Social capital, involving a knowledge of local networks, and cultural capital, based on familiarity with the local habitus, are among the resources that bankers need in order to gain a client's trust. These are then reconverted into economic capital, in the form of salaries and bonuses. That economic capital is often reinvested in local projects in order to gain symbolic capital, support a cause or further enlarge a banker's financial resources. Through life stories, we can start to discern some ideal types in the private banking field. Next, I will describe how teams of bankers

live and work together with their extended interbank ‘families’, as well as other people.

Private bankers’ teams

During my early years in the banking sphere, I was based in Paris, where I worked in quality control and then in international internal audit and organisation. The teams I worked with were relatively young, and most of the time we were working towards common goals: to improve a company’s processes, to find potential fraud and to suggest improvements to the company that we were auditing. Although we all had slightly different tasks, these were often complementary, so we had intense discussions about our work all the time. No secrets. Our position with respect to the teams that we audited was also clear: we had a mission from top management to check their work and to help them to improve, and they were obliged to cooperate. Of course, we did our job with assertiveness, even though the teams that we audited were made up of colleagues, many of whom were much older and more experienced than we were. We worked very long hours and had a lot of tough times, but we also had a lot of laughs together. We felt that we were in good company and on the same wavelength.

It was a huge change for me to move from this atmosphere to a private banking branch in Zürich, as a complete newcomer to the business of private banking. An international private banking team is composed of a team head, a number of private bankers and some private banking assistants. In some banks or teams, investment advisors are not grouped with other investment team members but are invited to join the bankers’ team directly, although in practice this simply means that they are located in the same office as the private bankers. From the perspective of the Covid-19 crisis, when everyone was working from home, this may not seem particularly relevant, but what is important here is the relationships created by people working in close proximity with one another. Investment advisors can become part of a team’s dynamics and agency, as I showed when discussing strategies for internal client acquisition. This point will be further underlined when we come to look at team moves.

In 2009, my first impression of private banking teams in Switzerland was that, in reality, a private banker was a team on his own, together with his clients and, potentially, his assistants and advisors. Most of the hours that bankers worked, and sometimes some of their private time, were spent with clients. Very often the private banker was a client's only contact within the bank. Help was provided by the private banking assistants, who were familiar with the bankers' clients and their accounts.

From a trust circulation point of view, this initially appeared to be an excellent way of creating a real trust relationship with the client, but I was surprised by the lack of cooperation amongst the team members themselves. Each private banker knew a lot about his or her clients, both professionally and personally, but the information communicated to the rest of the team was limited. Since the internal organisation of the team was not particularly important, the circulation of trust and mistrust within the team remained a secondary consideration, and the private bankers kept much of their clients' information to themselves. Occasionally, clients were introduced to team heads, but bankers tended to keep the relationships exclusive, as this was part of their social capital, which could be reconverted into economic capital as income or when negotiating with a new bank. The exclusive relationship that the private bankers had with their clients also provided them with a 'safety cushion', making it difficult for banks to replace experienced and trusted bankers when errors were made or they were looking to cut costs.

This approach worked well until important structural changes started to take place after 2009. There were several reasons for these changes, which have had a profound impact on the organisation of private bankers' teams and, hence, the circulation of trust within these fields, as well as between teams and their clients.

In its 2013 Global Private Banking Survey, McKinsey described how the financial crisis had affected the sector:

> Over many years private banking has been one of the most attractive segments within the financial services industry. Private banks have combined strong asset growth and rising profitability with low capital requirements and ample liquidity. Since 2008, however, the industry has faced a series of challenges related to the sharp increase in the

> volatility of capital markets, the low-rates environment and the increasing scope of regulation in the US, Europe and elsewhere. The impact of these factors means that the profitability of most private banks worldwide is far below the levels before the financial crisis. What some industry observers were describing as cyclical changes have now become structural, hence requiring significant changes to traditional business models. (McKinsey & Company 2013: 7)

The first important factor was changes in regulation. Before the 2007-2012 crisis, most of the clients who came to Switzerland and other international private banking havens did so because they were looking for a bank that offered protection and a discreet approach. The services that they sought were mostly limited to investments, and bankers were in contact with their clients not on a daily basis, but just two or three times a year. This was the situation not only for most 'older' markets, but also, in part, for 'emerging' markets. However, even before the crisis, there was a trend in emerging markets towards more interactive banking.

During the decades before the 2008 crisis, there was no exchange of information between Swiss banks and those in other countries, as Swiss banking secrecy has applied since the Swiss Banking Act of 1934. Since the beginning of the millennium, however, European countries have started to request compensation for taxes that their residents should be paying in their home countries more frequently and, as a result, have demanded more transparency. Switzerland and other countries with strong financial secrecy regimes, such as Belgium, Austria and Luxembourg, wanted to uphold the principle of bank secrecy, as the priority for them was to protect their clients. In order to guarantee the maintenance of privacy and secrecy for EU residents with accounts in territories with a policy of bank secrecy, clients were offered the choice between sharing their information with their country of origin and paying a withholding tax, deducted on payment, on the interest from deposits and coupons on bonds. Since this withholding tax was introduced, the rate has increased from 15% (from 1 July 2005) to 20% (from 30 June 2008) and, finally, to 35% (from 1 July 2011). States applying this rule have been transferring 75% of the revenue from the tax to the investor's country of residence (European Commission 2014). Since 2011, the

‘price to pay’ for discretion, in terms of taxes on interest and coupons, has been much higher than the tax rate that clients from CEE would pay in their own countries (from 10% to 25%), and higher even than the rate that some western European clients would pay domestically. Once the automatic exchange of information was implemented, the option of sending taxes on income and profits anonymously to a client’s country of domicile for nominative accounts disappeared. The Swiss banks stopped deducting withholding taxes anonymously and these taxes started to be paid directly in the beneficial owner’s (BO’s) country of tax domicile, based on supporting documentation received from the banks and the client’s tax declaration.

The second factor was improvements in the quality of services offered by the banking system in CEE and other EU countries. These have led to ‘onshoring’ of services in the countries concerned. Major international banking groups, such as Reiffeisen, Erste and Société Générale, have invested heavily in their human capital and systems in order to offer the best possible service to their local private banking clients.

Why, then, do clients continue to go to ‘offshore’ banking centres or insist on banking secrecy? According to service providers, there are a number of reasons for clients to stay. These include diversification of investments, access to investment specialists with long-term international expertise, a secure legal framework, trusted systems, tradition, bank secrecy, reliability and concentration of knowledge. As taxes are low in CEE, the international private bankers working in this market already have vast experience of working with clients who declare their income locally and are aware of the advantages of international over local banking. However, the changes that I have outlined have posed a challenge to bankers, requiring them to offer new types of expertise in order to attract and retain clients. The demands of many wealthy clients have also increased. They now expect their bankers to have a deep understanding of local issues, to be able to communicate with them in their own language and to provide them with information about local regulations, just as a local bank would. At the same time, however, they demand the scale of services offered by an international bank. When it comes to creating trust, the agency of expertise is now more important for international bankers than the agency of secrecy.

As knowledge has become an extended agency of private bankers, there has been increased emphasis on how that is symbolically expressed. Major Swiss banks now require their bankers to gain certification from an independent organisation, the Swiss Banking Association, as CWMAs (certified wealth management advisors). This provides bankers with improved, refreshed skills and a symbolic confirmation of their quality as professionals. In this way, knowledge and title have become part of bankers' cultural and symbolic capital. They have also become part of the profession's initiation 'rituals'. When a new banker joins a bank, he or she usually has six to 12 months to complete the certification process, which has both written and oral components. Even very experienced bankers have to do this. Gaining certification is difficult and requires a lot of effort. Urs, the private bank manager I mentioned earlier, who is an experienced team head at one of the two biggest Swiss banks, had to repeat the oral part twice, and many other bankers have had similar experiences. I had to repeat two tests myself. This new Swiss private banking 'practice' has driven social change in the banking sector and elevated the status of knowledge as a key resource for successfully building trust with clients. According to the Swiss Banking Association online magazine in 2016,

> Numerous banks and banking groups already certify their client advisors according to SAQ standards. These include UBS, Credit Suisse, Julius Baer as well as the group Banques Cantonales Latines (cantonal banks from the cantons of Ticino, Fribourg, Geneva, Jura, Valais, Neuchâtel and Vaud). (SwissBanking 2016)

By investing in the skills of their staff, the banks are improving bankers' technical competence and creating a narrative of excellence.

What have these changes meant for private banking teams and bankers themselves? With less secrecy, clients are anxious to be contacted much more often than before. They want their bankers to be 'far away', but also very 'close by'! It has become physically impossible for a private banker to serve as many clients singlehandedly as before. For the banks, working with clients with assets of less than CHF 1 million has become unprofitable, due to increasing costs. For some bigger Swiss banks, even CHF 3 million accounts are at the profitability threshold. In 2013, Dorina (see above) and I met briefly on the tram and had a

conversation about these changes. She was extremely upset and nearly cried:

> I am now the only one left from the team. I have to manage all these clients. And now they have decided to close all clients under CHF 3 million. I have to call all these clients I've known for years and tell them to go. It's breaking my heart.

Some other banks adopted a different strategy, creating 'desks' of junior bankers to provide a standardised service for affluent clients under certain thresholds. In 2020, the Covid-19 crisis accelerated some of these trends at the biggest Swiss banks. Digitalisation was enhanced, increasing bankers' capacity to serve clients remotely and from their 'home office'. By adding new tools, asset management has also begun to standardise its offering for clients worth <CHF 0.5 million.

Due to increased specialisation in how teams are organised within private banks, having a long-term focus on a specific region has become an asset when it comes to gaining clients' trust. Bankers' cultural capital has become more important in this context. It has become an acquisition argument for some bankers to point out to a prospective client that their existing private bank does not have a strategic interest in the client's home country, meaning that the client's account can be closed at any time, and that the client would therefore be well advised to switch to their bank, which has had long-term engagement with the region. How a bank classifies a country – as 'core' (well served), 'non-core' (less well served) or 'discontinued' – has become part of a banker's direct agency, influencing how he or she competes for business in that country. This tactic has been used not only for attracting clients, but also for hiring new bankers, by giving them space to continue to work with clients from 'discontinued' countries. These changes may be temporary, however, as country lists have begun to stabilise. The main criteria on which they were based were size and whether a country was on the 'blacklists' of states currently not exchanging information within the OECD framework.

Because of regulatory changes and growing pressure on fees, the focus of private banking has increasingly been on larger clients, worth at least CHF 3 million (depending on the type of private bank), and, especially, ultra-high-net-worth individuals (UHNWI), with CHF 30 million or more. Some banks were unable to adapt to these changes and had to close, were sold or merged.

According to PwC's most recent market update on private banking in Switzerland, the number of banks active in the sector is still declining, although the trend has slowed since 2017:

> Over the last five years, the 13% decline in the total number of banks primarily operating in wealth management (stock-exchange- and foreign-controlled banks and private bankers) has been significantly more pronounced than the 8% decrease in the total number of Swiss banks. This can be attributed to the fact that many smaller private banks with less than CHF 2 billion of AuM do not reach their critical size to operate profitably and are thus sold. These types of bank have been the most prominent group on our transaction list for the last few years. Moreover, we observe that the number of transactions each year has tended to be lower since the tax disputes ended in 2017. 2019 confirmed this trend as the private banking sector in Switzerland continued its consolidation, albeit at a slower speed. (PwC 2020)

For the population of bankers in international private banking centres, it has been a challenging period of their professional lives.

Another change in working styles was triggered by the Covid-19 crisis, starting with the market collapse in late February 2020. With the support of IT, bankers had to shift to remote forms of communication, while banks were obliged to 'trust' their employees by permitting them to work from home. This has been a disruptive change, as data that were once stored physically, behind a locked door in the middle office, now have to be accessible from a home office.

What has been the impact of these changes on private banking teams and their members? In light of the increasing focus on regulatory compliance, banks' monitoring obligations and improved service, private bankers are now obliged to provide greater transparency on their clients, both to management and to their colleagues. This has created a lot of new tasks for them to perform. Before 2008, it was not uncommon for the banker to be the only person with up-to-date contact details for the client. As greater weight has been placed on transparency, checks to ensure that banks have the correct data have become more frequent. Bankers now have to be both more transparent and more tightly controlled. Whereas in

the past they were completely trusted, both by their clients and by the bank, since 2008 they have begun to be viewed more from a risk perspective. Cooperation between private bankers and their bank is thus increasingly based on formalised controls, as opposed to a corporate-human trust relationship. The circulation of trust between the bank and the banker has become more proof-based than people-based. This has been frustrating for many bankers, especially 'old school' ones. Bankers unable to adapt to the changed environment have chosen – or been forced – to leave. Przemysł, the Polish banker whom I profiled earlier, was one of them.

Stefan, a Swiss national who left after working at one of Zürich's private bank for more than 15 years, was another. Stefan was regarded as one of the most important people in his branch. He managed a large amount of assets. He was very reserved, talking to his colleagues only briefly, if at all. He often left work early, as he lived outside Zürich. During staff meetings, he was quite aggressive and was therefore perceived as very competent.

With all the changes happening in the industry, Stefan started to feel uncomfortable. When faced with the demand for greater external and internal transparency, which was accompanied by a requirement for improved formalisation of client contacts, he resigned. Stefan was not the only person to react in this way, as we shall see.

After his departure, Stefan's clients were distributed among different bankers, but most of them went to his assistant *Emilie*, a Swiss woman who was around 27 years old at the time. Gradually, it emerged that Stefan's client files had often been badly managed, that his clients had not been contacted very frequently and that he had sometimes been verbally abusive to Julie. The myth of his competence began to unravel, giving way to mistrust.

Stefan left his job in part because of increased pressure from the bank to share data. While this move towards transparency worried many bankers, it was to prove beneficial for the banks themselves. Indeed, confidential bank data show that the increased control to which bankers are now subject has helped to bring down the number of frauds in recent years. It is evident that placing too much trust in bankers and having too little oversight of their actions had some severe negative impacts, such as an extremely possessive attitude towards clients, poor management of files and failure to stay in regular contact with clients.

Around 2010, I met *Julia*, a private banker from CEE in her early 30s who was relatively new to the field. She spoke to me about the strategies that some of her colleagues were pursuing, which were not described in any book about private banking at that time. Julia was working as a 'hunter' in a small branch of a foreign bank. During her early years at the company, she was in the same team as *Barbara*, a slightly older banker from CEE. Barbara was unpleasant to Julia and spread false personal information about her, prompting Julia to complain to management. Years later, in 2018, Julia learned that her former colleague had been convicted of fraud on a massive scale. Barbara had stolen around CHF 1.5 from clients' accounts, using the money to pay for expensive furniture, travel and even plastic surgery. Her motivation was not just material: by showing off her success to her close circle, she hoped to gain appreciation and love. Barbara spoke a language that few people at the bank knew at the time, and her approach to client acquisition was based on family ties. She presented these relationships as very privileged and, because of her self-confident demeanour, no one dared to bother her. For instructions received by email, a banker was supposed to do a 'call-back', to confirm the client's identity and that they wished to transfer the funds. According to Julia, who did not know all the details, Barbara said that she had to do all the call-backs because her clients did not speak English. She also discouraged the use of e-banking by her clients, which would have allowed them to have continuous access to their accounts. Barbara's clients were prepared to accept her approach because she told them that it was designed to protect banking secrecy. The case provides an illustration of the risk associated with having only one banker who covers a specific region and speaks the language of the clients based there. It shows how a banker's behaviour can damage both interpersonal and organisational trust, and highlights the incapacity of a bank operating on the basis of 'blind trust' to protect its clients from fraud.

In 2020, following the introduction of automatic information exchange and massive digitalisation, the situation is very different, especially in the big private banks. E-banking, in particular, offers a means of protection for both the bank and the client, serving as an extended agency of both parties.

This new approach to information sharing provoked a variety of reactions from stakeholders. Bankers like Stefan, who were unhappy with the new regime, left their positions – some on their own initiative, and others on the initiative of the

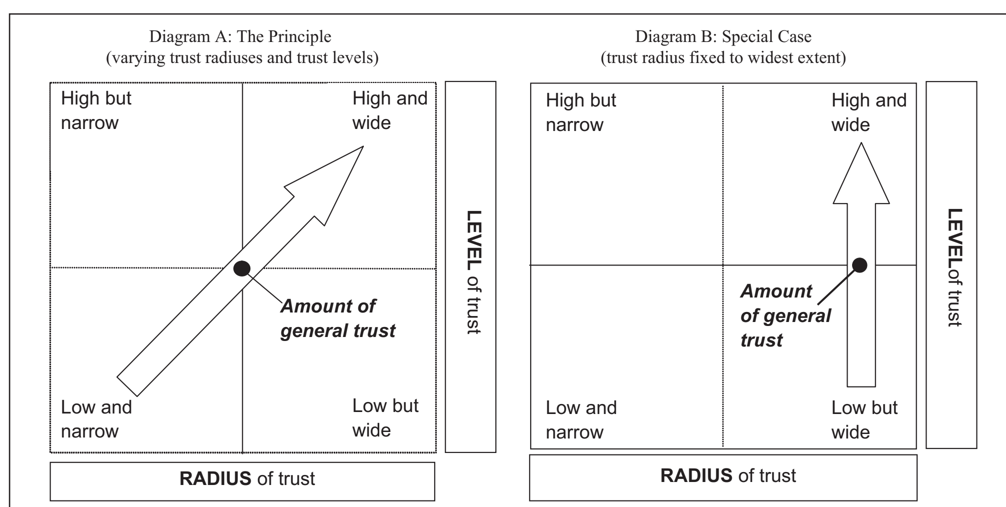
bank. During the transition process, the mistrust displayed by the banks also created mistrust in the minds of bankers and clients, with the latter not knowing what to expect when their information was transmitted to their local tax authorities by Swiss banks. The situation has gradually normalised in CEE over time, with some regional disparities, and trust has gradually been rebuilt. Clients have been able to reconcile their bank, OECD and local tax statements, and local tax authorities now accept that income has been transparently declared.

Between 2008 and 2013, however, it was still unclear that the automatic exchange of information would become a universal obligation. During this period, many bankers transferred to smaller banks or to independent asset management companies (IAMs), taking their clients with them where possible.[8] They did so in the belief that the Know Your Customer rules, requiring information about the client, would be less tough there than in the big banks. To facilitate the transfer of clients, it was in the bankers' interests not to give too much information about their clients to the bank, as this would create a stronger trust relationship with themselves as individuals and make it more difficult for new bankers to contact their clients when they left. Their contacts were their 'capital', their trust capital, held within a closed network of clients and close co-workers.

In theoretical terms, these bankers were functioning within a very small 'trust radius'. In their article 'How General Is Trust in '"Most People"'? Solving the Radius of Trust Problem', Delhey, Newton and Welzel (2011) use this term to denote the width of different circles of trust. The authors distinguish between particular trust, among family and close acquaintances, and general trust, in those with whom we are less familiar. They also 'present a conceptual framework to illustrate how differences in the radius of trust vary general trust' (Delhey, Newton and Welzel 2011: 788). If the radius of trust widens, the level of general trust will increase correspondingly, as shown in the graphic below:

[8] IAMs are companies without banking licences that partner with private banks in order to provide services and independent banking advice.

Figure 6: Conceptualisation of general trust



Source: Delhey, Newton and Welzel 2011: 788

The fact that private bankers have long worked in a very small groups, with a very small radius of trust, may explain why general trust within private banks, as institutions, and between the people who work in them has in the past been limited.

According to this theory, widening the radius of trust should have positive effects on global trust. Based on my observations, this has begun to be the case following the recent changes. Julia, the banker whose testimony I cited earlier, has now moved to a bigger bank, where she works with a larger and more important team. She reports that the success of the team and the increased trust that that has generated has had a positive impact on staff as a whole, raising the level of general trust. The increased size of the team has also forced management to continuously improve its communication practices. These have functioned as a set of *rituals* to maintain levels of trust. Transparency about group and individual results – a recognition of individual and group achievements – has been part of the ritualisation of the trust-building process.

These changes have had both good and bad effects on the circulation of trust within private banking teams. After 2008, in an environment of crisis and to prevent their bankers leaving with clients, private banks began to put more pressure on their bankers to share information about clients with their teams. Banks were increasingly mistrustful of their bankers. As clients began to demand more regular contact, bankers had to spend more time on meetings and travel.

This, combined with the increased quantity of regulatory tasks, meant that the amount of work for private bankers skyrocketed. In 2012 and early 2013, the number of burnouts increased in many private banks in Switzerland. After the implementation of information exchange in most of the OECD countries, the Covid-19 crisis provided the final push for digitalisation, forcing bankers to stop travelling and to work from home, where they now have access to all client data.

Intra-team trust

The regulatory changes introduced in 2010 have begun to transform how bankers work together within teams. Sharing information about clients in order to serve them better requires trusting that the other people in the team – the investment advisors, wealth planners and managers – will also be of excellent quality in servicing the clients. It also means that the banker need not fear having 'his' client stolen by another banker or badly served. Viewed from the outside, it might seem as if the banker has lost his 'security cushion'. In fact, private bankers used to spend a great deal of time worrying about losing control over contact with their clients. At the very beginning of my private banking career, I wanted to help my office colleague, an older Swiss banker, with some services for a client during his absence, and assisted the client successfully with a specific task. Afterwards, another banker came up to me and angrily asked why I had not transferred the client to her, as only she was to contact my colleague's clients while he was away. I was shocked – we were in the same team! I did not quite understand this banker's behaviour at the time, but later I realised that it was a protection strategy, to make her exclusive contacts more valuable and to prepare a potential 'takeover' of the other banker's client base. In this environment, shared contact was perceived as 'less valuable' than an exclusive contact, even if this was not always best for the client.

But sometimes bankers did not cooperate for another reason: the fact that their remuneration was individual and not based formally on the team's results. This meant that it was better to be a good individual 'performer'. The new regulations to facilitate information sharing within teams have improved the situation, but even 10 years later few banks appear to be giving staff real common ownership of team targets. The models I have observed and heard about from bankers

involve smaller teams, with one senior banker or manager, a few other bankers, investment advisors and assistants working on the same 'book' of clients. In bigger teams, team performance has direct financial implications for team heads, but is also important for a team's symbolic capital, trust and cooperation. These can then be reconverted into financial revenues and profit for the bank, clients and team members.

Clear HR policy changes and a policy of remuneration based partly on team results, as well as individual results, would enable a team approach, but my interviews on this topic with more than 10 private bankers, from five different banks and teams, suggest that these policies have been difficult to implement and have been pursued only sporadically. For this reason, family offices have remained a popular option for well-functioning team groups. Setting up a family office allows a team to decide how to split its work and revenues. Typically, family offices take care of a group of clients and their assets in various banks. The team's AUMs – assets that clients have entrusted to it – are sufficient to cover its costs. The sum of individual trust levels within the team gives a global level of team trust. However, the team's trust capital can be enhanced or diminished by the symbolic capital of the banking institutions it works with, so it is important for family offices to work on good banking platforms.

The change in mindset brought on by the crisis was brought home to me in 2013, when the bank where I was working sought to encourage cooperation through space redesign. Offices were reorganised and teams were put together in small, open spaces. A partial glass partition was installed between managers' offices and open spaces. Four years later, when I was interim team head, I worked alongside the rest of the team in an open-plan space, rather than from my own office, so as to improve efficiency, encourage teamwork and exercise informal control. This was a big change in how Swiss private banking functions and is perceived. It meant that information could be shared more easily between the members of the team. Although Covid-19 has reversed the trend towards shared office space by requiring staff to work from home, the use of digitalised groups and devices has enabled teams to remain connected.

As I have demonstrated, building trust between the members of private banking teams is crucial if they are to work effectively, but the organisation of

those teams is also important. How are teams structured? Of whom are they composed?

In international private banking centres, private banking teams are generally organised by geographical region (Asia, Africa, Europe, Middle East, CEE, CIS, etc). Before 2008, bankers had relationships and friendships with members of other teams, but, on a professional level, trust was relatively limited and cooperation quite narrow. Every regional team was a little bank within a bank. The degree of separation varied from bank to bank. Each team might have its own distinct culture – its own *habitus* – which often prevailed over the company culture. In interviews with private bankers, I observed a strategic tendency, especially in bigger banks, to push for greater cooperation between teams and to elevate the bank's values over personal differences. There was less space for 'star' bankers, and a certain degree of consistency had been achieved. However, small sub-teams servicing a client together remain a key circle of trust within private banking teams. To understand how trust creation works within private banking, we still need to 'follow the client'.

Circulation of trust within teams is also about building trust capital over time and about individual agency. Trust capital consists of the cultural, economic, symbolic and social capital of bankers, team heads and assistants, and of the people they work with, as seen by members of the team and other people within and outside the organisation. Within teams, trust is constructed around legitimacy; which also involves symbolic power, and is based primarily on individual affinities. Because banking is a competitive environment, people appreciate it when colleagues wish them well and support their endeavours.

Cooperation can take place between teams, as well as bankers in the same team, but without common goals and shared remuneration it remains limited. Since staff lack the time and resources to develop cooperative working practices and are not formally incentivised to do so, teams typically do not communicate their shared experience with other teams. In the past, clients from the same geographic zone were often spread over a number of different teams, even though unofficial policy was for those clients to be handled by only one team. However, there is an increasing tendency within private banks to seek 'market purity'. Individual bankers are not supposed to have clients from different zones; instead, they are expected to refer new clients to the bankers working in the

relevant zone. With the increased regulatory and business complexity that has arisen in recent years, it has become impossible for bankers to cover the same number of markets as before. With Covid-19, bankers' ability to travel has also been limited, although this has been compensated for in part by the increased availability of digital cooperation tools.

In the private banking sphere, one material sign of the circulation of trust between and within teams – of a professional willingness to cooperate and create friendships – is for one team to invite another team to a breakfast 'Znüni' (Swiss German) or a Friday afternoon social event to celebrate the team's success, to introduce a new team member and so on. Towards the end of the financial crisis, the number of these invitations increased, probably as a way of boosting morale and promoting cooperation between members of staff. With the advent of Covid-19, this 'ritual' has become much less common, as individuals are now either prohibited from attending social gatherings or required to wear masks.

The circulation of trust is necessary not only within and between teams, but also between clients, private bankers, managers and other investment or legal specialists. However, the benefits of greater cooperation and larger networks are mixed. Theoretically, larger networks can create a greater degree of trust between the organisation and the client more quickly, but they can also raise the level of mistrust if things start to go wrong.

Managers, assistants and specialists

A team's main team representative in the bank is its team manager. Team managers are an important category of people within the structure of a private bank. Their precise role varies from bank to bank, but generally there is a tendency – supported by regulators, with the aim of reducing conflicts of interest – for managers to have a less active role in client management and to focus more on supporting and managing private bankers' work with clients. They are also responsible for ensuring that bank rules are applied correctly and that various projects, mostly regulatory in nature, are proceeding to plan. As private wealth management is based on relationships and senior staff enjoy their role as bankers, taking up a managerial role is often a career choice that involves some sacrifice. In family offices, the division is less strict, and the CEO can combine the roles of

manager and banker.

In terms of power relationships and legitimacy within the structure of the institution, the manager’s role is an interesting one. It frees managers from the obligation to deliver results based on their own performance, but they are accountable for the performance of their team. This makes them more vulnerable, as they are less connected to clients and easier to dismiss if a bank wishes to reduce its staff complement. At the same time, it turns them into something of an ‘upper class’ within private banking, as they are not required to meet performance targets or work with clients on a day-to-day basis. Symbolically, these are the characteristics of a ‘leisure class’, as described by Veblen (see Chapter 1). Whereas private bankers are required to be at their clients’ disposal around the clock, managers enjoy shorter working hours, which can be understood as a form of ‘conspicuous leisure’. This privilege enables managers to exercise a kind of *symbolic domination* within their *team field* and within the *power field* of the bank.

Still, some managers like to stay in touch with clients, as it gives them additional power and they remain present in the *field of bankers*. When promoted to the position of team head, some bankers give their clients to trusted junior bankers. Although officially clients’ accounts may be managed by a banker, the manager may stay in touch with these clients in order to retain more power within the organisation, which can protect them from being fired, or in order to be able to take clients’ trust and assets with them if they change companies. At the same time, when a junior banker receives accounts from a manager, it is a sort of ‘gift’, in the form of relationships, assets and revenues. This evokes a feeling of gratitude from the banker and reinforces their loyalty to the manager. The banker is therefore engaged in an act of *reciprocity* towards the manager that strengthens their mutual trust and the manager’s power position within the organisation, and adds to their own capital on the *field of bankers*. In short, it is a win-win situation. This dynamic also explains why, when managers change positions, they often take their existing team with them.

The status of managers, and thus their power position, within a private banking institution can evolve over time. An increasing number of women are now working as private bankers, although the picture varies both between regional teams and between banks. In some banking teams, women are now the majority. However, progress has been slower at management level, where the percentage of women

in senior roles remains low. It seems to be relatively difficult for women to access these positions. At this level, political strategies and informal internal networks play an important role, and historically these networks have been made up almost exclusively of men. Women themselves have also been reluctant to seek promotion for various reasons. These include a lack of ambition or opportunities, fear of not being able to integrate into mostly male networks, and a wish to prioritise family over career advancement. As the number of women bankers increases, this may begin to change.

Managerial networks are supported by a number of symbolic 'rituals'. Some managers go for lunch or for a smoke with their peers. They may exchange messages via informal channels or take part in other ‘bonding’ activities specific to their particular ‘circle of trust’. In order to retain power and legitimacy, managers also need to know whom to contact at higher levels of the bank when they require assistance and to have enough capital trust within the institution to be able successfully to represent their team’s interests.

Managers must be able to command and mobilise their team’s trust, so that if they move institutions the team’s members are willing to accompany them. This requires a manager to ‘perform’ their role, as described by Erving Goffman in *The Presentation of Self in Everyday Life* (for a fuller discussion, see Chapter 1). When a bank understands how a manager’s team works, it can more easily assess the manager’s value for its business, as well as his or her capacity to bring in assets. Having a trusted team is symbolic of the ‘trustworthiness’ of a manager, and this symbolic capital can help the manager to negotiate good conditions for themselves and their team. The size and asset potential of the team can also increase the manager’s value. In some cases, private banking managers may use team members to increase their own value during the transition phase, even if they do not have much faith in their colleagues’ abilities and subsequently fire them, to show that they are able to do cost-cutting in their own team. This is a pattern that I have observed repeatedly within private banking teams. As managers can only appear powerful when accompanied by their teams, their total trust is dependent on the interpersonal trust that they are able to create within their teams and on having good relationships with colleagues, which reinforces their authority. Within private banks, the same pattern and ideal type can be identified among chief investment officers, compliance officers and other types of

managers, all of whom can move between different banks with smaller teams. The team is therefore an extended agency of the manager. Some very successful private bankers, who manage a lot of assets and generate large amounts of revenue, have ‘key client’ bankers status and are subject to less managerial oversight than other bankers. Symbolically, their status is visible and designates them as an ‘upper class’ within the banking hierarchy, situated above the geographic teams.

When a banker leaves, a manager may have to initiate what is known in private bank as a *retention*. This means coordinating a ‘fight’ for clients, to stop the departing banker taking his existing clients with him to another bank. Because of the potential for conflict, the bank, its managers and the bankers themselves must at all times seek a healthy equilibrium between trust and mistrust, having regard to their ‘circles of trust’ on various private banking *fields.*

The rituals performed on those fields include various ‘potlatch’-like events, notably the Friday afternoon ‘apéro’ (a light meal, served with alcohol, at the end of the working day). Inviting team members or other staff to an apéro is mainly a social act, signalling generosity and a willingness to meet in an informal setting, but it also has strategic importance for a manager’s relationships within their field of influence. Employees are aware of this dimension. As I have observed, staff may react negatively if a senior banker tries to organise an apéro soon after their appointment, before they have achieved any results, as this can be regarded as a sign of excessive self-confidence. At another apéro that I attended, several managers congratulated one another in front of their teams, using the event to reinforce their power position against potential ‘rivals’ and to show mutual support in front of their assembled team members.

When new teams join an institution, it is customary for them to organise an apéro. For example, when Adam joined a small private bank with his team, he immediately invited all the top managers and people on the floor to celebrate and wish the team luck. Apéros may also be arranged to introduce a new colleague, potentially strengthening the team, a banker or the manager’s position. These rituals are a way of showing off a manager’s social capital. They are symbols of self-confidence and demonstrations of the resources and influence that the manager commands within the bank. Since the Covid-19 crisis began, it has been impossible to hold events of this type. In some banks, they have been ‘replaced’

by a different kind of event, video conferences for teams or on a specific topic. Here the focus is on the content of bankers' work, investment analysis. As we will see, this shift reflects a shift in power within private banks, where the 'elite position' has slowly been transferred from bankers to investment specialist teams.

Private bankers' assistants are another important component of bank teams. They provide bankers with support on a day-to-day basis and are in frequent contact with clients. As the complexity of services increases, their role has become more challenging. This has provided them with opportunities to develop their skills without the pressure of having to meet financial targets. Most of assistants' work is 'farming' activity. It includes loan and deposit renewals, executing buy and sell orders, entering payments, communicating with clients, preparing investment proposals in cooperation with specialists, helping to open accounts, KYC reviews, anti-money-laundering (AML), dealing with compliance (why clients received money and from whom, where they are sending money to and why, etc.), IT issues and various other tasks.

Assistants are an important source of support for private bankers, helping them to avoid errors and playing a critical role in operational risk management. Bankers draw heavily on their assistants' knowledge (cultural capital) in order to serve the clients, so it can be a problem for both the banker and their clients if an assistant is not competent. *Galina*, a successful banker, described in an interview with me how her work had been hampered by having three different assistants over the previous two years. Assistants are also important for team 'harmony', as they can either add value or be disruptive.

Some banks opt for 'pools' of assistants, shared by clients. Robert (see above) has been working for one of the major Swiss banks since 2017. He told me that the bank has been experimenting with various approaches, including a pool of bankers' assistants. When a banker needed help, whichever assistant was available would step in. They then had to rate the assistant's performance. When clients called, they were never able to speak to the same person, which was making them angry and leading to a lot of complaints. The new rating process was also creating tensions between assistants and bankers. Private banking is not only about tasks and executions – it is also a set of relationships. In this case, established relationships that were valued by clients were being disrupted, leading to what I call trust dilution.

In the 'new world' of extended international private banking services, bankers have to rely on the support of different specialists, both within and outside the banks, more than ever before in order to provide the best possible service to their clients. Such specialists include asset managers, investment advisors, structured products specialists, real estate financing specialists and hedge fund specialists. Interactions with these professionals are very sensitive, as a good trust relationship can be improved but also destroyed by an 'internal provider' who acts poorly. In the past, these providers acted primarily in support of private bankers. Most were asset managers, who managed assets on a daily basis and did not meet clients. In the increasingly connected and transparent world of private banking, where services have to be competitive and sophisticated, the importance of other kinds of specialists has increased and many now meet clients directly, if needed. The banker now has to act not just as a financial specialist but as an 'orchestra conductor', coordinating a variety of services for the client. He or she sometimes has to introduce the specialist to the client and to leave the 'ownership' of the investment advice relationship to the client.

The challenge for a banker is to overcome his mistrust of the investment specialists. This includes the fear that the specialist will make a poor decision for the client, make a bad impression or 'take over' the relationship. The bankers whom I interviewed highlighted several cases where a specialist interacted poorly with a client. Julia (see above) mentioned her colleague *Oliver,* a junior banker from CEE, who had just acquired a couple of new clients after changing banks. At their request, he introduced them to an investment advisor, via a video call. The call went badly, and could have led to the clients terminating their relationship with the bank if they had not already opened accounts there. The clients were unimpressed by the content of the advisor's presentation, and were put off by his accent, appearance and way of speaking. In this case, the issue seems to have been inadequate preparation and failure to make a culturally appropriate choice of advisor for the clients concerned. The Covid-19 crisis has exacerbated such problems, as new staff have been unable to meet colleagues 'physically', making it difficult to build trust. Some bankers have never really come to terms with working alongside internal specialists. Sharing clients makes the banker-client relationship less exclusive and has the potential to decrease a banker's 'trust capital value' within the bank, as it allows more people to get to know their clients

and means that the organisation is less reliant on the banker to retain them. Bankers may also worry that specialists, as newcomers to the relationship, will discover poor decisions that they have made in the past.

However, many bankers view their colleagues' skills in a positive light and are proud to introduce them to clients. They use specialists to increase clients' trust in them personally and in the institution by widening the radius of trust for the client within the bank. In so doing, they also increase their own social capital in the eyes of the client. According to Robert, the asset managers with whom he worked posed no threat to his relationship with clients:

> I have always controlled them anyway. They just do their job until five and go away. They never meet the clients, so they do not really care.

As banal as it sounds, the main consideration for most bankers, is to make sure that internal specialists have their clients' interests at heart and have the competence to take care of them properly. If there is a problem, as in Oliver's case, it is the banker who will have to manage it, and he may also lose a client's trust. In the past, the issue was that internal specialists did not always have good communication skills or did not understand a client's needs, even if they were well qualified technically. The role of the banker is to make sure that any shortcomings in this area are remedied and that communication with clients is effective. Creating and maintaining trust is increasingly a group effort.

Early in my career, I had a terrible experience when I entrusted a client to an internal specialist and the client was poorly advised. This experience haunted me for several years. During one of the worst moments of the crisis, I was unable to answer a call from the client, as I was in a meeting. I told him to call his advisor. They discussed the issue and, following that call, the client sold all of his shares – 60% of the portfolio – at a 35% loss. When I called the advisor, he told me that the client had requested this course of action. When I called the client, he said that the advisor had recommended it to him. It took years to recover most of the losses. I was never again able to put my trust in the investment advisor concerned, but I did eventually learn to trust advisors again when a new professional, *Festr*, joined the bank to build a team of advisors. Festr was always quick to react and good with client contact. He also made it clear that he saw his role as being to provide support, telling me, 'Don't worry, I will not try to steal your clients.' For this

reason, I was not on my guard; I even encouraged Festr to play golf with one of the big clients whom he advised. Because of Festr's dedication, honesty and professionalism, we were able to establish a relationship of trust. The client in question also received better, quicker and more in-depth service than if I had tried to keep the relationship exclusive. When I left the bank, Festr was able to use his existing relationship with the client to retain them at the bank. For advisors as well as bankers, client relationships are a valuable resource that can serve as the basis for promotion or enhanced remuneration.

Private bankers are required to cooperate with a number of external specialists. These include family offices, agents, external client advisors, external asset managers, fiduciary offices, insurance experts and credit card providers. They are part of a banker's cooperation network, as the providers are chosen by the client or appear on official bank lists. While private bankers have only a limited influence on the way in which external services are provided, clients often see them as being responsible for the impact of those services. They are therefore part of bankers' extended agency. The choice of providers is determined more by symbolic and cultural capital (brand and reputation) than by economic capital (e.g. price of service).

International private bankers manage the flow of competencies, information and services between clients, bankers, and internal and external service providers. Trust has to flow as there is a lot of risk involved in this process. The use of professional third-party contacts can help to diffuse this risk and delimit responsibilities.

I will provide an example from my own experience. One of our long-term clients needed to set up a corporate trading company for commodities, specifically cacao. As the bank I was working for did not have an official list of providers at the time, I asked Robert whether he knew of a specialist who was reliable. He recommended someone, but our assistant, who knew this individual from before, was unhappy with the recommendation and would not support it. As there was no readily available alternative, we set up the first meeting, which the client found very useful. However, the relationship then deteriorated, leading the client to transfer to another specialist. Later, he asked me whether I had really known the first man. As he had seen us exchange business cards, he realised that it must have been a new relationship for me, too, so fortunately he did not blame me for

the problems that had arisen. However, this could have become a case of what I call ‘trust dilution’ (reduction of acquired trust in an individual or a company). A poor choice of external partner, who created mistrust, could have resulted in the loss of previously acquired social, economic and symbolic trust capital by the bank. For this reason, there is a tendency for bigger banks to make use only of contacts with an established brand and reputation, such as the ‘big four’, where external expertise is needed and the client requests it.

When it goes well, working with internal or external specialists can be very positive for clients’ and bankers’ trust level, as it increases the radius of trust and, consequently, general trust. The client is often satisfied when a group of people are working together for him efficiently. Dery, the older Swiss banker whose main concern was privacy, once exclaimed:

> Oh, my client is so happy now! Four people are working for him. They are calling him and telling him, ‘Yes, I was in contact with the others. We are checking everything for you.’ He feels so important now! Oh, these clients…

Trust dilution

Bourdieu uses the word ‘dilution’ to describe the weakening of existing cultural monopolies (Fyfe 2004: 63) or cultural hierarchies based on habitus and characterised by strategies of distinction. As I have already indicated, I use the term ‘trust dilution’ to indicate how trust built up over years, and the symbolic and economic capital with which it is associated, can be destroyed through the actions of third parties. Introducing another actor into a relationship inevitably involves a certain loss of control and, therefore, some risk. That is why the choice of partners is key.

A very tricky part of the trust creation process in any client relationship is deciding when to introduce the client to other people from the team without losing or ‘diluting’ their trust if the experience is not good. I have always been very supportive of cooperation, but experience shows that introducing other colleagues can create mistrust if it is done too soon. This is especially true of

ultra-high net worth (UHNW) clients, who often find it difficult to trust someone and for whom trusting one individual is already a big step. This was brought home to me when I was introduced to Raphael F., a major potential client. All went well during the first meeting, and the client opened the account. During the second meeting, I brought along two colleagues, a specialist and a manager, as we wanted to discuss other subjects. At this point, Raphael started to hesitate. The next time we met, I brought along another colleague, a specialist in another investment topic, as I still believed that this was in the best interests of the client. As Raphael was a client with high potential, everyone was eager to see him and show off their skills. However, in the end Raphael broke off communication with me and the relationship was terminated. When I asked the people who had introduced him to me about the reason for his sudden loss of interest, they told me they did not know, although it is possible that they had discouraged him from proceeding. To this day, I still do not know what really happened. I never heard from Raphael F. again.

Clearly, collaboration between bankers and other professionals carries with it the risk of dilution of trust. Nevertheless, cooperation is vital to the future of top international private banking centres. The key is to find the right balance. McKinsey sums up the challenge confronting banks in its private banking survey for 2013:

> Private banks face several challenges in attracting entrepreneurs. One of them is: Organizational silos and a lack of trust and collaboration between the private banking business unit and the SME/corporate banking unit as well as concerns about customer ownership and revenue recognition. (McKinsey & Company 2013: 40)

Back and middle office

Most of the time when private banking is discussed in the media, we hear only about private bankers or investment advisors. However, a private bank is made up of much more than that. Indeed, a banker would not be very effective without all of the people working in the back office, as what occurs there can determine how they themselves are perceived by clients.

The client never sees the people in the back office, but their work is vital to his portfolio. If they make a mistake, the client may end up with a different security – a different investment – in his portfolio. The private banker has to trust that the individuals who work in the back office will do a good job and are willing to help the client. The materialisation of trust between back-office workers and the banker is visible mostly through the quality of information transmitted to clients, which appears in their client reports and is of great significance. In his book *Material Markets*, Donald MacKenzie argues that economic agents and markets need to be analysed in their full materiality, and that agents' 'equipment' matters (see Chapter 1). In the same way, the portfolio reports given by bankers to a client are part of their extended agency. They show clients the content of their 'portfolio' of securities or cash and the results of bankers' work. They can thus make a banker stronger or weaker, depending on the banker's performance and the report's quality.

Client reports are a medium through which trust circulates in a materialised way between the back office, bankers and clients. In one case, a client transferring securities had not seen his securities in his report for a while. This made him anxious, as he worried that his money had been stolen. The securities appeared to have 'disappeared into thin air', but that was true only on paper. In reality, the securities that were being transferred had been booked out from portfolios in one bank and not yet booked in at another bank. However, the client's fear was understandable from his perspective. Until this incident occurred, bankers had not been aware of this 'blackout' zone in a specific bank. The back-office workers needed to be able to reassure the bankers, so that the bankers could reassure the clients. In another case, also during securities transfer, a security was wrongly evaluated in the receiving bank because of its complex structure. This created an artificial loss for the client, which was visible in his report. The client was surprised and considered pursuing a legal case against the transferring bank. It was difficult to regain his trust until the problem was fixed. The transfer of trust and mistrust between bank employees in all parts of the organisation – front, back, and middle office – and the client via material devices is thus an important phenomenon with embedded symbolic, cultural and, in the end, economic capital.

Another trust and cooperation exercise between the client, the bankers and other banking teams – in this case, compliance teams – takes place when an account is opened and a so-called Know Your Customer form (KYC) is prepared. KYC requires private bankers to present a prospective client to compliance officers and to show that he or she is trustworthy and an acceptable partner for the bank. In the KYC, the banker has to supply information on the client's cultural capital (education), economic capital (wealth) and social capital (family and other connections). If the client has problematic connections (family or business partners), this can be an obstacle to opening the account. The KYC is usually submitted to management and the compliance team for approval. In more complex cases – for example, if a client is from a high-risk country – it may be necessary to secure the approval of the head of compliance and top management. In the past, this was quite a straightforward process, but since the beginning of the financial crisis it has become a more challenging exercise for private banks and their bankers, as now clients have to share very detailed and concrete information about themselves that banks must then verify. Bankers are also obliged to perform searches on both specialised platforms, such as WorldCheck, and on Google for negative information on potential clients. Banks in Switzerland and Luxembourg have adopted a particularly tough approach to KYC, often applying stricter controls than local banks in the countries where the clients live. It can therefore come as a surprise to wealthy individuals banking internationally when a bank 'dares' to investigate them in such detail and raises direct questions about their wealth sources. These investigations are often tricky for private bankers to navigate, making them one of the key moments in the trust and mistrust creation process. I will have more to say on this point in later chapters.

Trust issues between banking units

As we have seen, private banking in international centres has historically been a one-man show – and this one man was the private banker. Nowadays, with increasing expectations on the part of the client and increasing pressure from the bank to produce results, it is more difficult for bankers to work alone. As I have already mentioned, exclusive relationships are part of bankers' trust capital.

Therefore, it is a challenge for bankers to present a client to a banker from another division who may offer slightly different banking services but is also 'on the front line'. I will illustrate this point with some concrete examples.

In universal banks, the investment and corporate bankers and local bankers are supposed to introduce their clients to private bankers if those clients require international private banking services. However, it is clear from my fieldwork that corporate and investment bankers in CEE countries often fear the 'cannibalisation' of their businesses if their relationship with a private bank goes wrong. Local bankers are afraid that the assets that they manage will flow away to international banking centres.

As we have already seen, international private bankers may need the expertise of colleagues to present some aspects of the business (a specific investment strategy, information on the macroeconomic outlook, real estate financing capabilities, etc.). This has been difficult for some bankers, as it means sharing trust capital with other employees, losing the exclusivity of the client relationship and taking the risk that something may go wrong. 'Sharing' a client is the clearest evidence of trust circulation within an institution. How, then, can banks motivate their employees to share trust capital?

From an economic perspective, it is important that the additional people who are introduced to clients increase the banker's own trust capital in the eyes of the banker's clients or colleagues, to offset the risk that the banker is taking by bringing them into contact with their clients. This can be done by increasing the circulation of global trust, defined as the sum of institutional and interpersonal trust within an organisation. Any colleague introduced to a client needs to contribute one or more types of capital (social, cultural, symbolic or economic) to the relationship. Conversely, when a banker decides to introduce a client to a colleague, they often do so based on the recommendations of people who trust that colleague or their superiors. This serves as a kind of guarantee for the contact. Sometimes their decision will be based not on interpersonal trust, but on the expectation that any banker working at the bank will provide high-quality services. The fact that all the relationships created in this way will be framed by internal contracts or rules provides an additional element of institutional trust. In each case, the upside needs to be maximised and the downside minimised. There should be personal trust between the colleagues involved and a regulatory

framework to formalise the new relationship within the bank. This can be an agreement in which part of the profit from the new business goes to the banker who effected the introduction.

For example, Dery (see above) once introduced a client doing business in Asia to another private banking entity in Singapore. Later, he complained that he had not received his retrocessions. Since then, he has never recommended a client to another unit. When I asked him whether he had specifically requested that a retrocession be paid to him, he said no. However, the fact that the contractual framework was not respected, in a situation where there was no personal relationship that he could count on to handle the issue, completely broke his trust. If the regulatory framework had worked as intended, Dery's personal relationship with bankers in other units would have been a secondary consideration and their cooperation could have continued. For his part, Dery had not demanded that the 'rule' be adhered to, as it would have been too time consuming to pursue the case. His claim was not supported by management, either.

Respect for internal rules and the existence of internal political support have become a precondition for trust circulation in private banking between banking units, creating space for cooperative relationships between employees. Once this framework has been created, trust relationships between bankers, on the human level, need to be continually reaffirmed. If the framework does not work, or bankers' expectations of service are not the same, the formal system for making recommendations may give way to an informal approach.

Formality and informality

When procedures are failing within an institution, this can create a need for greater informality. Giordano (2013) argues that informality can act as a lubricant, rather than a brake, in society, and my research suggests that this is certainly the case within banking institutions. *Paulina*, a senior banker working in the Swiss market at one of the major Swiss banks, explained:

> When the processes stop working, get inefficient or too slow for some reason, you try to call people in the bank you know, to get a sense of the situation, to move things forward. It is useful to have trusted

> contacts in the bank in this situation. Or contacts of your managers. Sometimes, new contacts are created around a specific client need, or an internal subject, or it is a mix. It does not mean you want to do something wrong, it is just to try to make things easier or make sure they are getting done on time.
>
> Good contacts give you more power to achieve things in the bank. Two months ago, I wanted to open an account for a complex client. As it was still a manual process, I needed eight signatures: various management levels, compliance, risk, market head. At one point, we almost couldn't find out who the file was with. When Terezia, my colleague, called the senior compliance officer to tell them it was urgent, she was told that time pressure is not a good strategy. It only got better when one of the senior managers who knew the person called the officer. It is all supposed to work perfectly without that, but it does not. In the end, the fact that the process was manual enabled us to have some interesting discussions and influenced the case for the better. We created a temporary small team to fight the case. We managed to open the account. A human interaction still has value, I think, especially when things are not standard.

In a Western private bank, when things become less standard or more urgent, informal contacts, friendships and trust built up over the years can help staff to cooperate, achieve their objectives and increase profit within the institution. As I will show in my analysis of how relationships, networks and coalitions are constructed in private banks, Bourdieu's theory of practice provides a useful framework for understanding how informality operates within this setting.

Managing mistrust

In private banking, one of the biggest challenges is to manage the mistrust different institutions have towards the client, as well as the mistrust that private bankers may encounter from different market actors. In fact, as my discussion of the compliance process has shown, mistrust is really the starting point for the relationship between the bank and prospective clients.

This was made especially clear to me in one of my conversations with Robert, who observed:

> In our private bank, you might not get fired quickly for lack of results, but you will get fired immediately if there is a big compliance scandal. They will need a scapegoat, and it will most probably be you. There was one lady in our bank, when she brought this big client, everybody was happy and compliance didn't say anything. When the problem came, they said it was her fault and she had to go …

In recent years, I have observed that mistrust towards clients has increased significantly and compliance criteria have become even stricter. The KYC process now requires private bankers to provide extremely detailed information on prospective clients. The banker's role is to acquire this information respectfully, without making the client feel like he is being interrogated by the police. It is not unusual for clients to feel mistrust when being interviewed in this way. Clients who are proud of the origins of their wealth and live in friendly jurisdictions are often cooperative. The same is true of those who are willing to commit fraud and submit false documents, although this is quite a rare occurrence. It is up to the banker, the manager, the compliance officer and specialised inquiry offices to distinguish between the two groups.

This mistrust has been transmitted from the top, because of a continual strengthening of regulations on the part of the state. As regulation has increased, mistrust of wealthy people has spread to the compliance departments of banks and, from there, to their bankers. Bankers face difficult decisions when something is forbidden by the rules or the position is unclear, but there is no other practical way to proceed. As *Celio*, a private bank manager, once put it to me, 'It's your choice, I will only bring oranges to you in prison!'

Private bankers are therefore constantly having to manage questions of legality and the circulation of mistrust between the state, the bank, their own conscience and their clients. However, because the control measures imposed by banks are now so much stricter, bankers have much less discretion when it comes to how clients are scrutinised. Banks now require their staff to carry out thorough checks when onboarding new clients and to monitor incoming and

outgoing transfers, purchases, securities, and clients' professional activities and contacts. This change in approach was apparent to clients. Speaking to me in 2020, *Louis*, an important Swiss client, observed:

> You, the relationship managers, do not count any more. The bank's starting point in the relationship is mistrust. You are all layers and on the side of the clients for the bank.

At the same time, clients themselves have become part of bankers' agency and of their extended symbolic and economic capital, so it has become problematic to be associated with a client who could create compliance issues for the bank. Yet many private banks were still eager to see their net new money (NNM) or new assets grow, and remunerated bankers accordingly. Because the Swiss regulators feared that this could encourage compliance negligence among bankers, they pushed several private banks to change the way in which they remunerated their relationship managers so that it was based on both financial results and compliance over a longer time span.

On the compliance side, trust in private banking is also materialised by personal 'recommendations'. A person whom the banker knows recommends a client to the banker, the banker recommends the client to the bank, the bank recommends the client to the credit card institution, and so on. At every level, additional due diligence – analysis of the client's behaviour, the source of their assets, their activities, etc. – is carried out and sometimes even 'negotiated', when there are doubts and differing opinions. In the social process of trust construction within private banking, the quality of relationships impacts on the agency of a banker, his or her reputation, and the reputation of the bank. The reputation and quality of the client impacts on the private bank's relationship with the regulator, its social capital and its economic capital, as banks can be heavily fined when issues arise. Many Swiss banks have already been penalised in this way. Furthermore, the Swiss state prosecutors are empowered to block an account if there is an issue with the client, without providing the banker with a clear reason for the intervention.

The information that different actors have about a client is an important clue to understanding the mistrust or trust chain. For the bank, the KYC when opening an account is like an initiation ritual or exchange practice: the bank asks for many

details and the client is supposed to provide them in a clear way. What happens during the KYC often determines the course of the future relationship. There are many examples of bankers or clients withdrawing from the process at this stage. If bankers have doubts at the beginning about the relationship, they are often cleared up during this exercise. In the KYC, bankers have to provide information about the client's personal and professional activities, both past and future, about what they plan to do with the account and about the client's partners. They must also analyse the client's reputation risk and so on. This information is supported by checks using specialised compliance research engines and validated by additional tools available to the compliance department. From personal experience, I know that, even when recommendations are made with the best of intentions, they are not always a guarantee of quality, especially when dealing with high-risk countries. Many years ago, at the very beginning of my career in private banking, I received a recommendation from a trusted colleague in the corporate banking part of the bank. He was living in a smaller country classified as 'risky' from a compliance perspective. I had a bad intuition about the case, but I wanted to provide a service to this colleague, who did not know the client in question well, either. It turned out to be a case of identity fraud. The client had many different IDs and was part of a drug cartel. For weeks, I was prohibited from telling him that he was under investigation and had to come up explanations for why his application was not moving forward. It was a stressful period for me, as the client was always extremely polite, but could be very dangerous.

Conversely, there are cases where bankers may mistrust people who later turn out to be trustworthy. A lot depends on the plausibility of their story and the availability of evidence and information to substantiate it. Bankers themselves are influenced by stereotypes and prejudices, based on their experiences and available data.

One of the big threats to a bank's reputation is loss of client data and, even worse, data theft. Client information is one of a bank's most important resources, so it receives the maximum possible protection. Loss of data on a small scale can happen inadvertently when documents or other material containing confidential data with names are lost – for example, when documents are left on a train. The security of market devices plays a crucial role as well. For this reason, banks' security budgets have increased dramatically since 2010.

'Data and resources loss' can also occur when bankers switch banks, taking with them clients' names and contact details. When they hire bankers from other banks, institutions are paying not just for the individual's services, but also for the relationships and social capital they bring with them. However, contacts in themselves are not enough; whether a banker is likely to be successful at the new bank also depends on the quality of their relationships, their own abilities and the bank's position in the field of private banking. It is contractually illegal for bankers to contact previous clients for a set period after leaving a bank (usually six months), but this provision is difficult to enforce, as the contacts in question are a banker's personal contacts and the maximum penalty for breach of the rules governing acquisitions is usually just a formal warning. Banks want their bankers to respect these rules, of course, but the pressure of business plans can make it difficult for bankers to refrain from contacting old clients during the six-month period, as they enter a new phase of their professional lives. In many cases, it is a question of survival.

The most sensitive cases for banks and clients involve actual theft of data, mostly organised inside the private bank by its employees in order to give the data to regulators or tax authorities. In the past, such data were very sensitive, as clients' information was not automatically sent to their local tax authorities (see above). Employees may have a number of motivations for stealing client data in this way: to damage the bank's reputation; to expose a client; personal profit, as often they receive significant amounts of money in return for the data; to take revenge on the bank or clients; or to try to improve the inequalities in global wealth distribution.

In one well-known case, a former UBS employee was convicted of industrial espionage, money laundering and illegal possession of ammunition, and sentenced to 40 months in jail, after selling client data to the German state of North Rhine-Westphalia in 2012 (SWI 2019). In another case dating back to 2007, a bank worker at Credit Suisse started to collect and steal confidential data 'to kill time, out of passion and historical interest'. An Austrian IT specialist discovered this material and, recognising its value, made the defendant an offer. He then handed over confidential data on up to 2,500 account holders in Switzerland to fiscal authorities in Germany, in return for payments of EUR 2.5 million and EUR 320,000 respectively to himself and the Credit Suisse employee. Following his

arrest in September 2010, the Austrian took his own life, while the Credit Suisse worker received a two-year suspended sentence. Credit Suisse ended up paying a fine of EUR 150 million to end the German authorities' investigation (The Local 2011).

The last example is the case of Rudolf Elmer, the former head of Julius Baer's

Figure 7: Photo Julian Assange and Rudolf Elmer – Secret data handover

Source: The Irish Times 2011

Cayman Islands office. The bank accused Elmer of stealing internal documents and client data in about 2002, following his dismissal (New York Times 2010). He was later charged with breaching bank secrecy laws after allegedly handing over disks containing confidential data to WikiLeaks founder Julian Assange (Irish Times 2014). The case was not concluded until 2018, when the Swiss Supreme Court dismissed an appeal by Zurich prosecutors against a 2016 verdict acquitting Elmer of violating bank secrecy (Reuters 2018).

Due to the structural changes that now oblige banks to exchange information automatically with their clients' countries of tax domicile, this kind of information has become less 'valuable' in the eyes of tax authorities in OECD countries. However, employees remain a source of risk for private banks when it comes to data protection. As I have already noted, in recent years banks have invested heavily in IT to protect themselves against attempts by online intruders to steal data and defraud their clients. Fraudsters have devised a number of strategies to obtain clients' data. These include 'phishing' (directing individuals to fake websites) and 'vishing' (calling or leaving voice messages for clients to get them to disclose bank details) (Lexico 2020). The incidence of such attacks has increased significantly during the Covid-19 crisis, as banks have been forced to shift their activities online.

What is the real significance of these thefts for private banks and their employees? Some data thieves claimed that their motivation was to do tax justice, as at the time there was no automatic exchange of information with EU countries and no guarantee that taxes had been paid. However, this argument for breaching bank secrecy was undermined by the fact that the stolen lists included clients who had met their taxes obligations. In the examples that I have cited, the whistle-blowers were also rewarded financially for handing over data to third parties and had previously been part of the financial system over a number of years, increasing their economic capital. In terms of social capital, the outcome for whistle-blowers has been less positive, as the fines imposed on them by the courts have signalled that this is not an acceptable way to proceed.

Banks have often had to pay fines and have sustained reputational damage in the wake of these incidents. This has had a negative impact on banks' position within the social field of finance, reducing their trust capital and social capital, at least temporarily, in the eyes of clients and the general public. They have also suffered some loss of economic capital, due to fines and the departure of some clients' whose data were disclosed to authorities.

From Bourdieu's perspective, data theft is also an act of *symbolic violence* against both the banking institution and wealthy clients by whistle-blowers. Furthermore, it has bolstered the legitimacy of states' demands for exchange of information, increasing the social capital of state authorities within the field of finance. In terms of social capital, CDs containing the names of clients along with details of their assets can be considered prestigious objects, as they are of great value to authorities seeking undeclared assets.

On a symbolic level, whistle-blowers are viewed by some members of the general public as taking back 'due capital'. According to Marx and Engels, capitalist profit is 'theft', because it robs workers of the fruits of their own labour (Murphy 2016: 27). Viewed in these terms, the 'stealing' of whistle-blowers is merely helping to return to national authorities previously 'stolen' financial capital, in the form of the tax due on profit, as well as social capital, in terms of reputation and damaged contacts (Murphy 2016: 27).

At a media event, Rudolf Elmer was photographed handing over CDs to Julian Assange. He later asserted, 'The disks where [sic] empty […] I'm not that stupid to hand over CD's publicly when the UK police is next door' (150Sec 2019). By

taking part in this act of giving – even if the CDs were empty – Elmer wanted symbolically to emphasise the *gift* aspect of his actions. In this way, he was able to transform the economic capital of wealthy clients' taxes and the compensation that he himself received into disruptive symbolic capital, signifying the domination that the general public or tax authorities could achieve over banks and wealthy people. As Bourdieu explains in his *Outline of a Theory of Practice*:

> The gift, generosity, conspicuous distribution – the extreme case of which is potlatch – are operations of social alchemy which might be observed whenever the direct application of overt physical or economic violence is negatively sanctioned, and which tend to bring about the transmutation of economic capital into symbolic capital. (Bourdieu 1977: 192)

This process is exemplified by the 'ritual' of Elmer handing his CDs to the 'independent and free world', represented by Julian Assange, in order to distribute the information that he had obtained.

In the environment of private banking, which involves working with sensitive information and actors with their own agendas, people need to know how, and whom, to trust or mistrust. I have already discussed some of the ways in which interpersonal trust is created within the sector. In my fieldwork, I have also identified a number of tangible and, perhaps, unexpected factors – some concrete human agencies that are resources for the materialisation and circulation of trust. Here I want to explore one of those agencies, that of 'space and time', by looking at the geography of private banking.

Trust and space: the geography of private banking

Where do wealthy people manage their wealth? In which institutions and countries? How and why have some places become centres of international private banking?

Table 1 and 2 show the largest global private banks by assets under management in 2013 and 2017. The Swiss-headquartered private bank UBS is in first place in both tables. Between 2013 and 2017, it grew its asset base by approximately 29%, which equates to annual growth of about 6%. Morgan

Stanley, which moved up from fourth to second place, grew by nearly 41%. Wells Fargo grew by 26% but dropped from third to fourth place. Bank of America grew by 24%, falling from second to third place. Based on this trend, it is likely that UBS will lose its position as the world's largest wealth asset management platform in the next few years. This reflects the fact that the rate of wealth generation in the United States is higher than that in Europe.

Table 1: Top 20 global private banks in 2012 by assets under management (in USD bn)

Ranking	Institution	AUM (USD bn)	Growth 2012
1	UBS	1,705.0	9.7%
2	Bank of America*	1,673.5	5.9%
3	Wells Fargo*	1,400.0	7.7%
4	Morgan Stanley	1,308.00	7.3%
5	Credit Suisse	854.6	6.9%
6	Royal Bank of Canada	628.5	9.6%
7	HSBC	398.0	5.6%
8	Deutsche Bank	387.3	11.1%
9	BNP Paribas	346.9	9.7%
10	Pictet**	322.2	22.9%
11	JPMorgan	318.0	9.3%
12	Citi Private Bank	250.00	20.2%
13	Goldman Sachs	240.00	5.7%
14	ABN AMRO	212.7	12.0%
15	Barclays	201.4	10.3%
16	Julius Bär	200.8	12.3%
17	Northern Trust	197.7	13.8%
18	BNY Mellon	179.0	6.6%
19	Lombard Odier**	175.5	16.0%
20	Santander	172.7	66.2%

Source: Scorpio Partnership Global Wealth Report 2013

Table 2: Top 25 global private banks in 2017 by assets under management (in USD bn)

Global Ranking	Institution	AUM YE2017 (USDbn)	AUM YE2016* (USDbn)	AUM USD Growth YE2017
1	UBS	2,403.75	2,056.90	16.86%
2	Morgan Stanley	2,223.10	1,948.38	14.10%
3	Bank of America	2,206.03	1,971.97	11.87%
4	Wells Fargo	1,899.30	1,717.10	10.61%
5	Royal Bank of Canada	907.88	786.51	15.43%
6	Credit Suisse	792.02	669.57	18.29%
7	Citi	529.90	452.00	17.23%
8	JPMorgan	526.00	435.00	20.92%
9	Goldman Sachs	458.00	413.00	10.90%
10	BNP Paribas	436.75	361.90	20.68%
11	Julius Bär	388.27	323.90	19.87%
12	BMO Financial Group	341.56	301.82	13.17%
13	China Merchants Bank	292.85	238.96	22.55%
14	Northern Trust	289.80	248.40	16.67%
15	Pictet	284.18	246.32	15.37%
16	HSBC	258.00	222.00	16.22%
17	Deutsche Bank	256.77	227.24	13.00%
18	Safra Sarasin Group	249.90	208.40	19.91%
19	ABN AMRO	240.69	215.56	11.66%
20	Bank of NY Mellon	237.90	204.60	16.28%
21	Santander	209.71	181.86	15.31%
22	ICBC	205.97	174.23	18.21%
23	Crédit Agricole	194.98	160.33	21.61%
24	Bank of China	184.45	143.99	28.09%
25	CIC	161.98	133.61	21.24%

Source: Scorpio Partnership Global Private Banking Benchmark 2018

Of the top 20 private banks in 2012 and 2017, five were Swiss. In 2012, eight of the top 20 private banks were from the United States. Just six were based in European countries other than Switzerland, and one was from Canada.

During the 2007-2012 financial crisis, one of the biggest problems for the Swiss banking system was legal disputes between the Swiss banks and the US regulator, as Swiss banks were sued for helping US citizens to evade taxes. A strong atmosphere of mistrust towards the banking sector developed between 2008 and 2010, resulting in the departure of many employees and clients. The conflict between the banks and the US authorities was not resolved until 2013, with the creation of the US Tax Program for Swiss Banks (Lengwiler and Saljihah 2018). This allowed the banks to escape prosecution by the US Department of

Justice in return for disclosure of information and payment of penalties amounting to more than USD 6 billion (Lengwiler and Saljihah 2018). In Swiss private banking circles, it was suspected that the US regulator's aggressive pursuit of Swiss banks had been influenced by lobbying from the American private banking sector.

Since 2013, it has been impossible for Americans to open accounts with most Swiss banks, as the banks no longer want to have to engage with the US authorities. This has allowed the US, particularly the state of Delaware, to emerge as a key offshore financial centre:

> offering incentives for businesses in terms of tax advantages and flexible legislation, [Delaware] has mostly flown under the G20 radar, though it has recently come under some scrutiny amid increased attention to tax evasion in global offshore centres. It has an exceptional position which looks sustainable due to the protection by powerful government. (Booz & Company 2010: 13)

In spite of legal issues with the US and other challenges connected to the 'regularisation' of assets (declaration of assets to the authorities in clients' countries of domicile), UBS recovered its position as the world's largest wealth manager in 2013, after losing the top spot for about five years. Swiss banks have regained clients' trust, but they have had to adapt.

Figure 8: Sign above a branch of UBS, the world's biggest private bank in 2020

Source: Finews 2017

The fact that five Swiss private banks are ranked in the top 20 worldwide shows that the financial environment and ecosystem in Switzerland is focused on the wealth management business., with many players. The radius of trust (Delhey, Newton and Welzel 2011) within the sector is relatively wide, and the increase in assets under management in Swiss private banks in the years following the financial crisis represents a gradual return of trust. Switzerland's private banking institutions also benefit from operating within a wider global ecosystem, which adds to the industry's trust capital.

The main factors that determine where private banking happens physically – where a bank's headquarters and branches are located – are a bank's place of origin and the international strategies that it chooses to pursue. The Global Financial Centres Index ranks cities in terms of their importance as financial centres. In 2014, the top five were New York, London, Hong Kong, Singapore and Zürich. These rankings do not correspond exactly to the countries of origin of the biggest *private* banks, as they include investment banking, corporate banking and other activities, but they show which cities and economies are important for banking globally. Of the cities listed in the top 20, those with the strongest track record in private banking specifically are London, New York, Hong Kong, Singapore, Tokyo, Zürich, Geneva, Frankfurt, Luxembourg, Vienna and Monaco. Between 2014 and 2020, Zürich fell from fifth to 10th place and Geneva from ninth to 14th place. Shanghai, Beijing and Shenzhen entered the top 10 for the first time. In 2020, London and Zürich were the only remaining European cities in the top 10, although both are located outside the European Union.

Table 3: Global Financial Centres in 2014

Centre	GFCI 15		GFCI 14		CHANGES	
	Rank	Rating	Rank	Rating	Rank	Rating
New York	1	786	2	779	▲ 1	▲ 7
London	2	784	1	794	▼ 1	▼ 10
Hong Kong	3	761	3	759	–	▲ 2
Singapore	4	751	4	751	–	–
Zurich	5	730	6	718	▲ 1	▲ 12
Tokyo	6	722	5	720	▼ 1	▲ 2
Seoul	7	718	10	701	▲ 3	▲ 17
Boston	8	715	7	714	▼ 1	▲ 1
Geneva	9	713	8	710	▼ 1	▲ 3
San Francisco	10	711	12	697	▲ 2	▲ 14
Frankfurt	11	709	9	702	▼ 2	▲ 7
Luxembourg	12	707	13	696	▲ 1	▲ 11
Washington DC	13	706	17	689	▲ 4	▲ 17
Toronto	14	705	11	699	▼ 3	▲ 6
Chicago	15	704	14	695	▼ 1	▲ 9
Montreal	16	699	18	688	▲ 2	▲ 11
Vancouver	17	698	19	686	▲ 2	▲ 12
Shenzhen	18	697	27	660	▲ 9	▲ 37
Vienna	19	696	20	685	▲ 1	▲ 11
Shanghai	20	695	16	690	▼ 4	▲ 5

Source: Global Financial Centres Index 15 (March 2014)

Table 4: Global Financial Centres in 2020

Centre	GFCI 28		Change in Rank	Change in Rating
	Rank	Rating		
New York	1	770	0	▲1
London	2	766	0	▲24
Shanghai	3	748	▲1	▲8
Tokyo	4	747	▼1	▲6
Hong Kong	5	743	▲1	▲6
Singapore	6	742	▼1	▲4
Beijing	7	741	0	▲7
San Francisco	8	738	0	▲6
Shenzhen	9	732	▲2	▲10
Zurich	10	724	▲4	▲5
Los Angeles	11	720	▼1	▼3
Luxembourg	12	719	▲6	▲4
Edinburgh	13	718	▲4	▲2
Geneva	14	717	▼5	▼12
Boston	15	716	▲10	▲8
Frankfurt	16	715	▼3	▼5
Dubai	17	714	▼5	▼7
Paris	18	713	▼3	▼5
Washington DC	19	712	▲5	▲3
Chicago	20	711	▼4	▼6

Source: Global Financial Centres Index 28 (September 2020)

Circulation of trust and mistrust also takes place via international movements of bankers between the top financial centres. The biggest Swiss financial centre, the city of Zürich, attracts significant numbers of finance industry professionals from Geneva, London, Frankfurt, Paris, Vienna, Singapore and other cities. Often people who come to Switzerland for work and are successful decide to stay in the country for a longer period, as it offers work opportunities, a balanced lifestyle and competitive salaries. Those who relocate include bankers, wealth planners, investment advisors, IT specialists, compliance specialists and managers. However, for bankers relocating is made more difficult by the fact that it requires them to transfer their clients to a new 'booking centre'. The city or framework within which an institution operates is an important factor for clients when they are choosing a bank or banker, while bankers derive some of their trust capital from the agency of the city in which they are based. Moreover, bankers' activities may be regulated differently in different cities, influencing the way bankers perform their jobs.

Bankers move not only between financial centres, but from private and retail banks in specific local markets to Swiss private banks. This was the case for Dorina, Przemysł and *Angela*, previously the head of private banking at her bank

in one of the southern CEE countries. In Angela's case, the move was not successful, and she returned to her home country after two years. As family patterns vary, bankers may commute between Switzerland and London, Vienna, Monaco, Moscow or other cities for personal reasons.

The following examples show the mobility of private banking staff how this influences their career trajectories:

1. *Przemysł*, the Polish private banker whose case was discussed previously, joined a Swiss private bank for the first time from Luxembourg. After he was dismissed, he went to work for a private bank in Lugano, in the Italian-speaking part of Switzerland. Then, just a few years later, he moved to a different bank in Monaco. From Monaco, he went back to Zürich and then again to southern Switzerland, before quitting private banking completely and going into business with one of his main clients. With so many moves and jobs under his belt, Przemysł was able to get hired, but he could not stay in one position for a long period of time.

2. *Galiano*, an Italian private banker, went to work for a private bank in Monaco when he was dismissed by his previous employer in Switzerland. He came back to Zürich some years later. Galiano said that he had enjoyed his stay in Monaco, but had found the private banking system there less competitive than the one in Zürich. He had returned to Zürich because he could be a more efficient banker for his clients there. The resources that were available to him to serve his clients in Zürich were better adapted to his needs.

3. *Marko*, a Swiss private banking manager, came back to Zürich from Singapore after more than 15 years in private banking in Asia. He stayed in Switzerland for some time, but he was not very successful at the bank he worked for, did not feel integrated and moved back to Asia. I observed that several other bankers who had come from other locations, especially more important financial centres than Zürich, such as London and Singapore, had difficulty bringing new clients to Zürich's banks. The agency of those cities was strong and, for clients, the competitive advantage of

keeping the same banker seemed to be outweighed by the disadvantage of starting a relationship with a new bank. Total trust capital had changed.

4. However, there are also successful moves. Each time a banker moves, trust and mistrust also circulate. Different networks, opinions and clients come into contact. Social capital can increase or decrease, and, if trust is created, be transformed into economic capital as well. Earlier I profiled *David*, a banker from the Czech Republic. A long time ago, I introduced him to a person in Singapore, through my connections in Switzerland. Some years later, that person was transferred to Switzerland. David told me that, in the meantime, they had become personal friends and established a successful business relationship. The introduction had created social and then economic capital. Trust was circulating via people. A positive and useful relationship introduction of this kind can be considered a received resource, a *gift*, which can then be *exchanged* for another type of *capital.*

What is Switzerland's place within international private banking networks? The analysis of investment banking on Wall Street in Karen Ho's (2009) *Liquidated: An Ethnography of Wall Street*, shows that international banks insist on a strong global aspect in their marketing, while not always being very 'global' in their activities. Is this also true for international *private* banking? The terms 'worldwide' and 'global' are used frequently on the websites of most private banks. However, in reality, hardly any of them are truly global and worldwide. Historical, political, regulatory and cultural ties delimit the coverage space available to private banks, as well as the paths along which trust and mistrust can circulate. They are thus a key factor in determining the use of resources within an organisation for doing private banking business. Until recently, the need to meet specific regulatory requirements in different jurisdictions also made it more costly for banks to be 'everywhere', reinforcing the trend towards specialisation. Since 2019, however, the European banking market has started to become more standardised from a regulatory point of view, thanks to the introduction of MiFID, international consumer protection and automatic exchange of information. With increasing digitalisation, especially in the wake of the Covid-19 crisis, bankers may again have the resources to cover clients from a wider range of countries.

In what follows, I will look at the extent to which a number of prominent banks have sought to present themselves as global players, highlighting some key changes that have taken place between 2014 and the present:

1. In 2014, *ABN AMRO* Private Banking described itself as ‘Private Banking’s Strong International Network’ (ABN AMRO 2014). However, the map on the bank’s website suggests that its presence was limited to two continents, Europe and Asia, and just eight countries. According to the ‘office locator’ it had offices in a further two countries. It is questionable whether this amounts to a ‘strong’ international network, but at the time the bank was keen to emphasise the ‘global’ reach of its operations to enhance trust. However, by November 2020 ABN AMRO was describing itself on its web page not as a global bank, but as ‘a leading European private bank with a private banking model that gives you both international access and local knowledge of your own and other markets’ (2020). The map on the bank’s website shows north-western Europe only, with four bank locations. The bank continues to serve non-European clients only through its other divisions (corporate banking, trade and commodity finance, etc.). The private bank itself is no longer international, as all non-European entities have been closed. ‘Local’ and ‘European’ have become its new agency to generate client trust, focusing on the bank’s ‘knowledge’ of its own market. Other key words that appear on the webpage are ‘personal’ and ‘digital’: the bank claims to offer clients ‘the best of both worlds’. As a result of regulatory reform and changes in how private banks in Europe and worldwide are perceived, international centres, especially small off-shore centres, have declined in importance, with regulators tending to view them with mistrust. In ABN AMRO’s case, emphasis on the bank’s ‘international’ stature has been replaced by a ‘digital’ and ‘family’ focus.

2. In 2014, *J.P. Morgan* operated 50 private banking offices in North America; nine in Latin America; eight in Europe, the Middle East and Africa; and two in Asia. Can this positioning be described as ‘global’? Clearly, the bank’s presence was very strong in the US, but it was weak in Europe, the Middle East and Africa, and Asia. Nevertheless, J.P. Morgan claimed to be ‘one of the leading wealth management service providers in the Asia region with

offices in Hong Kong, Singapore and around the world', designating itself an 'International private bank online' (J.P. Morgan 2014). Like other so-called 'global banks', J.P. Morgan has sought to use IT tools to compensate for its lack of a physical presence in many regions. By late 2020, in the context of the US presidential election, the focus of the bank's web page had shifted from location to content, with J.P. Morgan promising to act as a source of reliable information for its clients ('Stay informed with our latest insights as we closely monitor a rapidly changing world'). This shift in emphasis is a response to changing client expectations: as I have observed in my own work, content has increasingly become the priority for many clients. However, unlike ABN AMRO, J.P. Morgan retains a significant international presence, albeit one weighted towards the United States.

3. In 2014, *HSBC*'s website encouraged clients to 'Explore our broad range of private banking services offered globally' (HSBC, 2014). In spite of this claim, HSBC Private Banking was present in only 11 countries in Europe and just two in South America at the time. By 2020, the number of the offices operated by the bank, particularly in Asia, had increased. The expansion of HSBC, and contraction of ABN AMRO, in recent years reflects the difference in growth rates between Asia and Europe during this period, with China rising and Europe stagnating somewhat.

4. In 2014, *SGPB* claimed that its wealth management arm was present in 15 countries worldwide (Société Generale 2014). However, most of the company's offices were in Europe. It was non-existent in the US and South America, and had only a small presence in Asia. By 2020, the bank had combined its international private banking division with its wealth management operations in France. All branches outside Europe had been closed or sold. Like ABN AMRO, SGPB has chosen to make local knowledge its main resource for the generation of trust and profit.

5. In 2008, *Credit Suisse* stated that the bank 'Plans to Expand Private Banking World-Wide' (Mijuk 2008). By 2020, the language that it was using

to promote its international private banking services had evolved significantly. While continuing to point to its 'regional presence in major financial centres across the globe', Credit Suisse now singled out its ''global perspective' as the 'attribute that helps us stand apart' (Credit Suisse 2020). It is evident that the bank now considers its global knowledge and perspective to be a more important agency and trust vehicle than its physical presence in a particular market.

6. In 2013, *UBS* was named 'Best Global Private Bank', as well as 'Best Private Bank in Asia', 'Best Brand in Private Banking' and 'Best Performing Private Bank' (UBS 2014). UBS is the most global private bank based in Switzerland and Europe, but it is still very weak in Africa. In 2020, its only branches on the continent were in South Africa. The bank's coverage of central and eastern Europe is also very sparse. French banks like Société Générale and BNP have more local branches in Africa, due to postcolonial ties and the language advantage that they enjoy there. However, UBS's lack of a physical presence in such regions does not prevent clients from countries where the regulator permits it from flying to Switzerland an open an account. Historically, UBS was the most active Swiss bank in the US. Although it was forced to pay huge fines to the US regulator following the financial crisis, UBS retains a presence in the US, unlike many other Swiss banks.

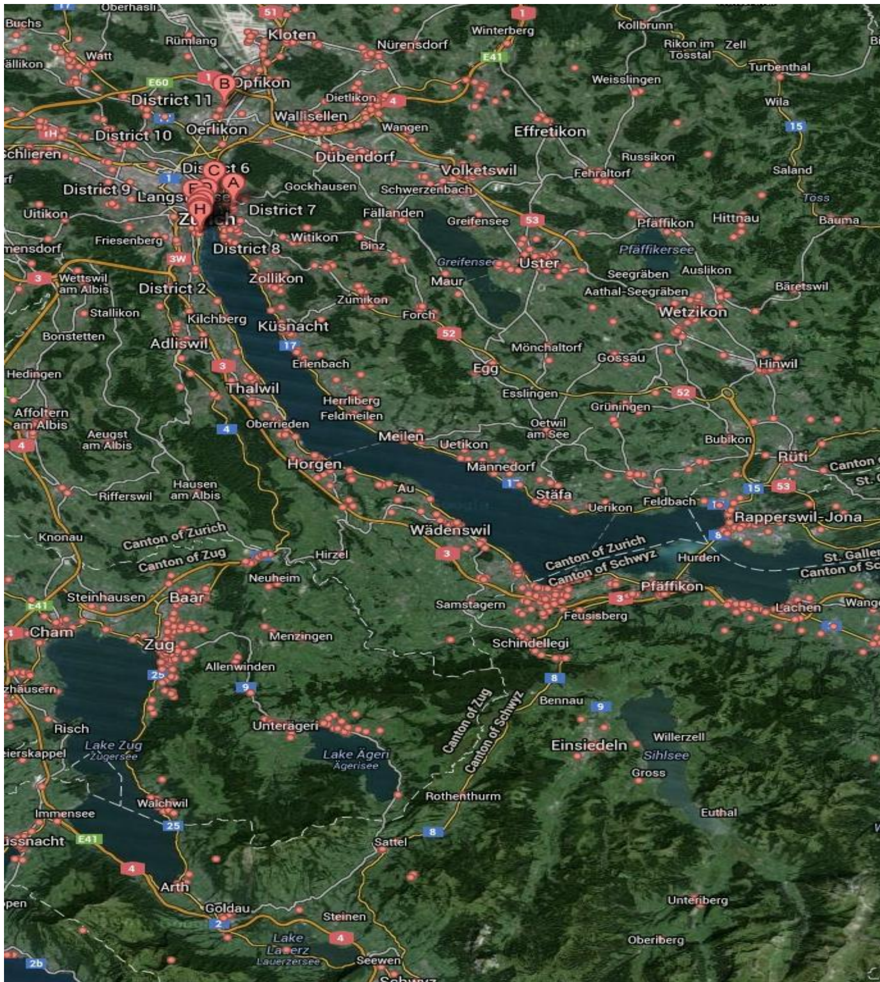
7. *Julius Baer* is currently the third biggest wealth manager in Switzerland. On its website, it continues to emphasise its status as a global player, inviting clients to 'Discover our global presence'. (Julius Baer 2020). The website lists locations in Europe, the Asia-Pacific, the Middle East and Africa, and Latin America.

As these profiles illustrate, most of the major private banks are not present on every continent, in spite of their 'global' marketing. However, many of them regard their ability to conduct operations in numerous countries around the world as a sign of success, to be exhibited to potential clients in order to generate trust. It is

evidence of their symbolic domination of the 'world', and thus an agency of private banks. At the same time, relations of trust and mistrust in different parts of the world are based on different local histories and reinforced by different regulatory conditions and challenges. Private banks require local expertise if they are to serve clients and create trust. In some countries, they do not have sufficient knowledge of the market to be able operate effectively and to establish a favourable cost-income ratio (meaning that the market generates enough revenue for the bank to justify its presence there). Often it makes sense for a bank to replace a potentially costly and inefficient local presence with services provided via a strategic alliance with other banks or from Switzerland itself, if the relevant national regulations permit it. Since the financial crisis, international private banking clients have increasingly been selecting providers on the basis of proximity, so establishing synergies with local retail banks is important if private banks are to meet these clients' needs. The digitalisation of private banking has also challenged the local-global dichotomy, as clients have now mostly overcome their fear of, or resistance to, remote communication. Bankers and clients report that advanced IT communication and reporting tools, in particular, have helped to build trust at a distance.

In the last part of this chapter, I wish to look in more detail at the history and evolution of one 'private banking city' – the city of Zürich. Zürich is one of the world's leading international private banking centres. It is located at the northern end of Lake Zürich, in the canton of the same name, which borders on Schwyz to the south-east and Zug to the south. The map in Figure 9 shows a high density of financial services providers (represented by red dots) in the region around the lake, especially in the cities of Zürich, Schwyz and Zug. It should be noted that the cantons of Schwyz and Zug both have highly favourable tax regimes (KPMG 2020).

Figure 9: Financial services providers around Lake Zürich



Source: Google Maps

Zürich's status as a private banking centre is attributable to a number of factors. These include the high quality of life that the city offers; Zürich's lakeside location; the large number of company taxpayers in the city and its ability to supply the skilled workforce that the industry needs (bankers, investment specialists, lawyers, tax specialists, risk specialists, managers, etc.); the proximity of research centres and universities; and a stable regulatory environment, which still includes bank secrecy. Both the region, and Switzerland in general, also benefit from excellent infrastructure. Thanks to good road and public transport links, it is easy for clients and bankers to get to meetings from other parts of the region, and even from elsewhere in Switzerland. Zürich airport is well connected, allowing non-local specialists and wealthy clients based abroad to access the city as well. The ability to move easily around the region is a significant advantage, as it facilitates the circulation of trust. Although meeting physically has been more difficult during the Covid-19 pandemic, Zürich's banks have been able to develop an IT infrastructure that allows them to continue to serve their clients remotely.

The bankers working in the region have qualifications from universities and business schools in Switzerland and elsewhere. Many of them have degrees in economics, business or law, but I have also met bankers and investment specialists who were trained as physicists, mathematicians or translators. The cultural and symbolic capital associated with academic qualifications is important in some roles, particularly as a source of legitimacy for the new 'elite' of investment officers, who are required to be visible as communicators. For example, the current chief investment officer at UBS, Mark Haefele, is a former lecturer and acting dean at Harvard University. The UBS website notes that he is a 'frequent contributor to numerous financial media, including CNBC, Bloomberg and the WSJ' (UBS 2020). Haefele's team also includes several PhDs and graduates from prominent universities.

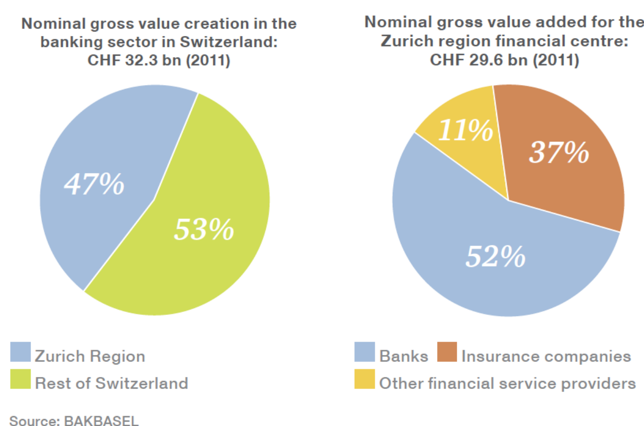
As mentioned earlier, however, many bankers receive their training not via a standard university degree course but via a practical internship or professional courses offered by the bank itself. This was the career path for top private bank managers such as Oswald J. Grübel, CEO of UBS from 2009 to 2011, who did not attend university but instead took an apprenticeship in banking and securities trading at Deutsche Bank in Mannheim and Frankfurt. In Switzerland, in particular,

it is still common for young people to enter the banking workforce at a young age via apprenticeships. The challenge for the industry in recent years has been to find new ways of attracting young talent into the banking sector, as increasingly they are opting to work for more 'glamorous' tech companies such as Google and Amazon. Young people often associate banks with a bad image or boring work. The financial rewards in industries such as pharmaceuticals and IT can also be greater than those on offer from the banks, which have become increasingly risk averse.

According to a report produced by the canton of Zürich and the Swiss Bankers Association in 2011,

> the financial sector is one of the most important economic pillars of the Zürich region […] – almost one of every three Swiss francs of economic value created here can be linked directly or indirectly to its activities. In 2011, banks alone contributed some 15 billion francs to the local economy (52 per cent of the contribution of the Zürich financial centre as a whole, which also includes insurance companies and other non-bank financial institutions). This represented some ten per cent of the economic value created by the Swiss banking sector overall. (Zürich Banking Association 2013: 3)

Figure 10: Gross value creation by financial services

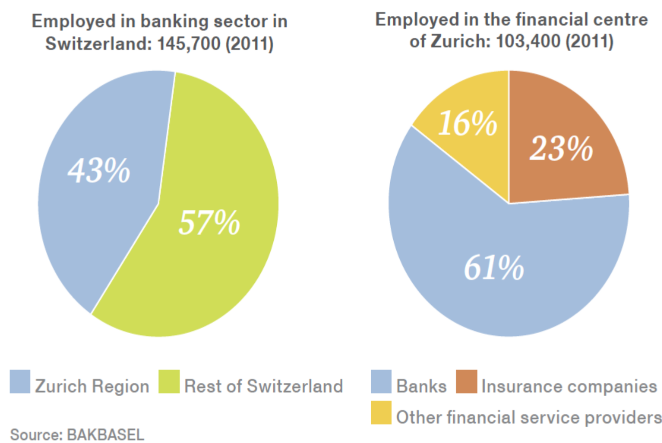


Source: BAKBASEL

Banks are one of the biggest sources of employment in the region. According to the same report,

> Of approximately 145,000 people employed in the banking sector throughout Switzerland, 43 per cent work in the greater Zürich area. Banks here directly employ some 60,000 people, almost six per cent of the Zürich area work force. Adding related positions, one job in ten in the Zürich region can be attributed to the banking sector. Together with the insurance sector and other financial service providers, the Zürich financial centre is responsible for 100,000 jobs and directly employs almost ten per cent of the entire labour force in the region. (Zürich Banking Association 2013: 4)

Figure 11: Population employed in finance and banking – Switzerland and Zürich region

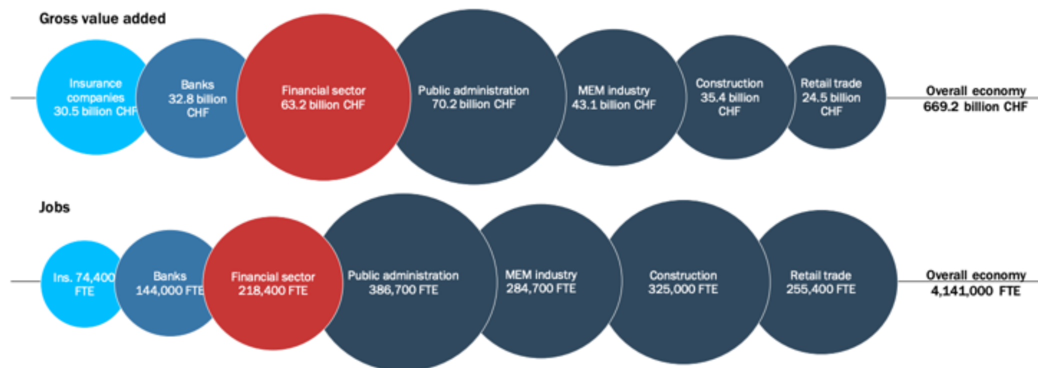


Source: BAKBASEL

According to a 2019 study by BAK Economics AD, in 2018 one-eighth of Swiss gross domestic product was generated by the financial sector, yielding tax revenue of CHF 17.6 billion. This represented 12% per cent of the total tax take by the federal government, cantons and municipalities in 2018. Banks' contribution was similar in size to that of insurance companies, the second biggest player in the Swiss financial industry. Between 2011 and 2020, nominal

gross value creation in the banking sector was very stable, rising from CHF 32.3 billion in 2011 to CHF 32.8 billion in 2020. However, these figures conceal significant movements over the period: an initial decrease due to the financial crisis and regulatory changes, and a subsequent recovery. The BAK Economics report suggests that, because of falling prices in the sector, the quantity of services that are being provided to businesses and other clients has increased. This reflects the fact that private banking has become more work intensive in the past 10 years. In 2018, 218,000 full-time staff were employed in banks and insurance companies – 144,000 of them in banks – and the industry accounted for more than 5% of Swiss jobs.

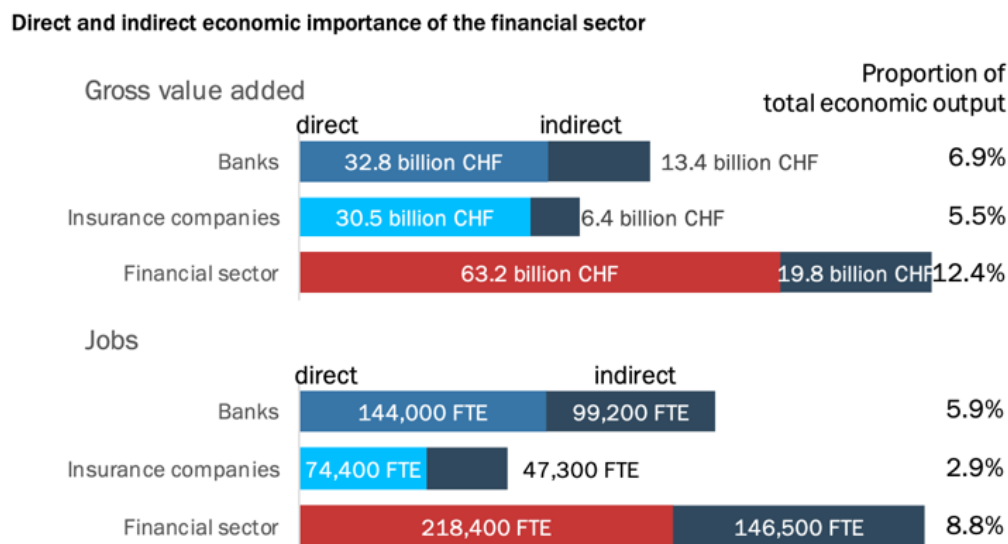
Figure 12: Contribution of the financial sector to the Swiss economy



Nominal gross added value in CHF billion, jobs in full time equivalents (FTE)
Banks and insurance companies including other banking and insurance-related financial services.
2018
Source: BFS, BAK Economics

Source: BFS, BAK Economics

Figure 13: Direct and indirect economic importance of the financial sector in Switzerland



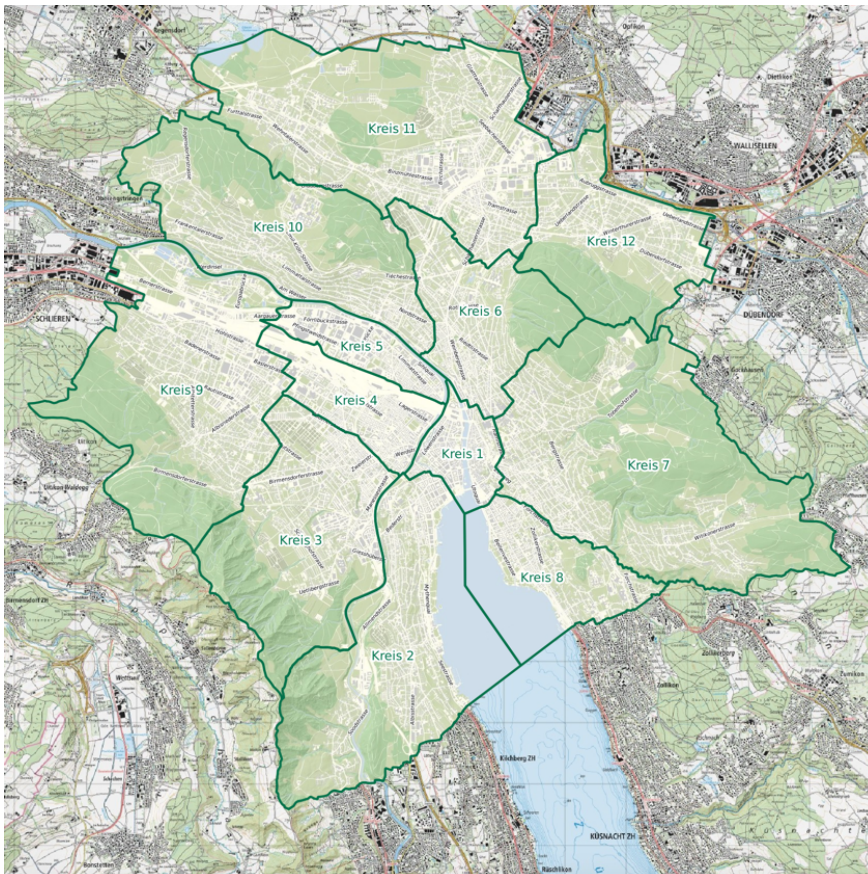
Source: BAK Economics

As previously noted, in March 2014 Zürich was the world's fifth-ranked financial centre, behind only London in Europe (see Table 3). In 2020, it was still the second most competitive city in Europe, but it had dropped five places in the world rankings compared with 2014 (see Table 4). Taking into account the fact that private banking dominates the banking sector in Zürich, with two of the world's top five private banks having their headquarters there, we can say with confidence that Zürich is currently *the* leading private banking city in Europe.

In 2011, a search for 'finance Zürich' on Google Maps yielded around 3,600 results. Most were concentrated in the 3 km^2 between the train station and the Chinese Garden in Districts 1, 2 and 8 (see Figure 14). As the number of private banks is limited, it is clear that there are many other players that form part of the trust network for the financial industry in Zürich. These include family offices and external asset managers (EAMs), fiduciary offices, law offices, tax offices, training centres such as the Institut für Banking und Finance and the Swiss Finance Institute (located mostly on the right bank of the River Limmat), and insurance

companies such as Zürich Insurance Group and Swiss Life (situated mostly on the western side of the lake, near Mythenquai). In recent years, more companies have been established in the private equity and digital currency (blockchain) sectors. The cantonal administration and the Swiss Stock Exchange, Europe's fourth-largest exchange, also play a key role in supporting Zürich's financial sector. The Swiss Stock Exchange is operated by SIX, a company owned by 122 domestic and international financial institutions, which are also the main users of its services (SIX 2019). The back and middle offices of big financial institutions are often located in areas further from the city centre, such as Districts 5 and 9, where the rents are cheaper, there is space for bigger and more modern buildings and there are many restaurants. Altstetten, in District 9, is especially popular with banks.

Figure 14: Administrative districts in the city of Zürich



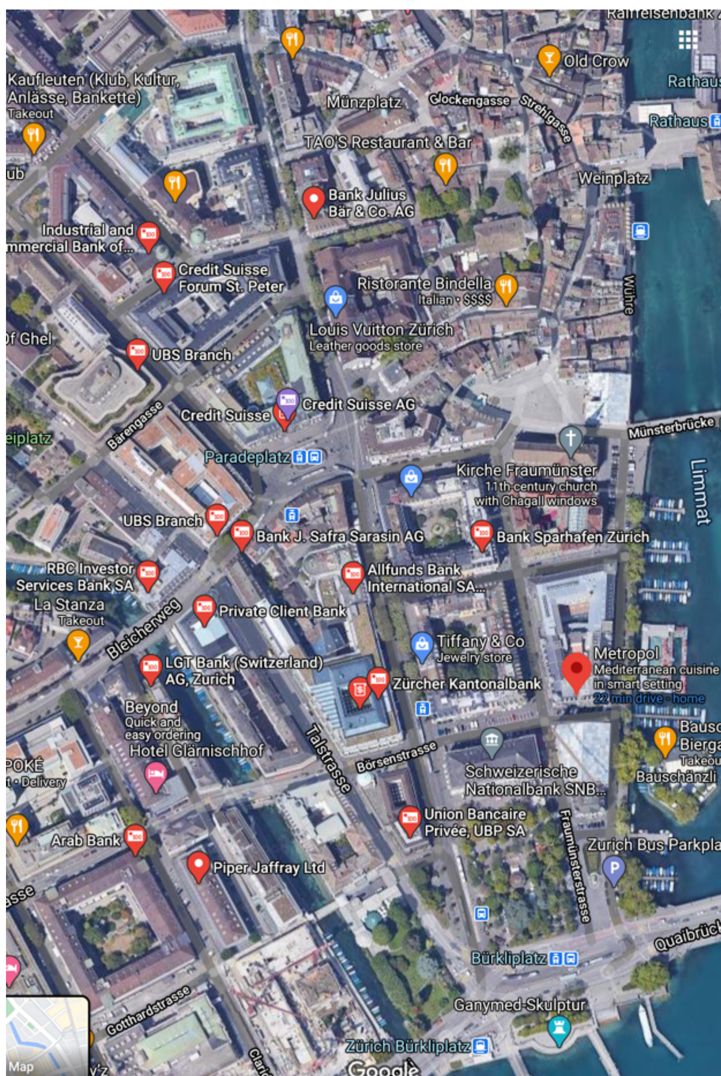
Source: Stadt Zürich

The main banking institutions and financial services providers are mostly concentrated in an even smaller part of the city, between the train station and the

head of the lake – an area of only about 1.5km^2 (see Figure 15).

Bahnhofstrasse, Zürich's most prestigious shopping area, is the city's main thoroughfare. In 2020, this was home to numerous big banks, including UBS Credit Suisse and Arab Bank, some local banks (Zürcher Kantonalbank, Bank Sparhafen) and private banks such as Julius Baer, LGT, Bank J. Safra Sarasin and Union Bancaire Privée (UBP). The Swiss National Bank (SNB) is situated in a prominent location close to the lake. This institution is another important generator of trust in the Swiss financial sector, as it is responsible for price stability, cash supply and monetary and exchange rate policy (SNB 2020).

Figure 15: Banking institutions in Zürich city centre



Source: Google Maps

The most coveted location, in the heart of the private banking city, is Paradeplatz (see Figure 16). In 2020, UBS, Credit Suisse and Bank J. Safra Sarasin had offices either on Paradeplatz or in the immediate vicinity. UBS and Credit Suisse are ranked among the world's top 10 private banks (see Tables 1 and 2), and this status is reflected in their location. Because Paradeplatz has long been a high-prestige address, maintaining an office here is a form of geographical agency for banks and can increase the amount of trust invested in them by clients.

In 2013, HBSC and Aquila Wealth Management also had offices on Paradeplatz. Aquila represents the second group of major players within private banking, the independent asset managers (IAMs). According to its website, 'Aquila is a platform for independent Swiss asset management companies and family offices' (Aquila 2014). Although it has the status of a bank, it is privately owned and provides support for the operations of smaller IAMs and individual private bankers. However, the introduction of stricter rules for KYC and exchange of information has had a significant impact on wealth management companies such as Aquila. Both Aquila and HSBC have now moved their head offices to a slightly less central location, leaving Paradeplatz to the big Swiss banks. These moves are an indication of changing perceptions of geography within private banking in recent years, especially as a result of digitalisation and the restrictions imposed during the Covid-19 crisis. I will return to this point in Chapter 5, to see how these developments have affected the culture and behaviour of private bankers and their clients.

Figure 16: Zürich, Paradeplatz

Source: Google Maps

As I have shown, Zürich's huge network of bankers and financial service providers has historically been packed into an area no larger than 1.5km^2. The fact that the industry is so concentrated has allowed bankers and clients to meet without difficulty and has made it relatively easy for people to move from 'door to door', facilitating the circulation of trust and mistrust.

In addition to the agents I have mentioned so far, there is one more important group of players in the private banking world: the headhunters. Most headhunters specialise in specific regional zones, where they know all of the bankers and teams. They like to talk to the heads of teams, as the latter can lead them to other bankers and assistants. Their focus is on so-called 'strategic recruitments'. Some of them are former bankers. They aim to follow and, potentially, induce movements of private banking professionals. They are usually aware of opportunities in the job market and seek to match bankers with prospective employers who are in need of their particular skills. In order to strengthen and enlarge their networks, headhunters will call and email bankers on a regular basis, contacting potential candidates through sites such as LinkedIn. When a banker is contacted by a headhunter, the headhunter will present him or her with several options. After the banker has chosen which company he or she wishes to meet, he or she is directed to the bank's human resources representative, who

continues the discussion. Although being in touch with a headhunter can be positive for a banker's career, bankers who are not looking to change jobs can find some of the tactics employed by headhunters (for example, calling bankers at the office from anonymous numbers) oppressive. As their objective is to acquire business intelligence, headhunters may ask for information about fellow bankers, assistants, the structure of teams and so on. They are therefore influential in creating trust and mistrust between bankers, banks and family offices, and, through their knowledge of people, in shaping how the wealth management industry operates worldwide.

The career of one private banker, Robert (see above), sheds light on the role played by headhunters within the sector. For several years, Robert worked about 100 metres from my office, and we often spent time together during breaks. Then, after being approached by a headhunter, he moved to a bigger, more centrally located bank ('X') 400 metres away. He stayed there for three years before moving to another big bank ('Y') 50 metres from bank X, again following a discussion with a headhunter. Throughout these moves, we remained friends, even though I saw Robert less during his second and third jobs as he was further away and had to work more. In his first bank, he had three close colleagues – two assistants and a friend from the compliance department. One of them moved to bank X after him, because of their good relationship, while the other two went to different private banks. While working at bank X, Robert introduced one of the bankers on his team to me. As his team at bank X was slowly being cut back at the time, two bankers, including Robert, were looking for jobs at my bank ('Z'), but the negotiation had not been successful. At that point, a third member of Robert's team started to negotiate with bank Z. During the decision process, an employee who had been hired earlier and knew all of the candidates provided information to the bank, recommending mainly the last banker. Meanwhile, Robert moved to bank Y, where he met a former employee from our bank (Z). In this complex way, the circle was eventually closed.

In general, news of both positive and negative events spreads quickly through private banking 'circles' in Zürich, so changing one's employer does not necessarily mean that one's previous reputation will be forgotten. Although not all employers and headhunters analyse bankers' past in great detail, as they can be remunerated on commission, the market is small and bankers' reputation

tends to follow them. High levels of mobility within a small network ensure the circulation of trust and mistrust, via headhunters, colleagues, former colleagues and external financial partners.

Conclusion

In this chapter, I have identified the different agents who form part of the wealth management field. In spite of an increase in disruptive digitalisation, which has enhanced the importance of market devices, human agents, with their personal agencies, remain the main actors in the field. Social processes in private banking are embedded in the trust creation process. That trust is ultimately transformed into satisfaction and converted into financial profits, for the bank, for bankers or for clients. In private banking, trust is one of the principal resources, generating the four types of capital defined by Bourdieu: cultural, economic, symbolic and social. The sum of these four types of capital is what I call 'total trust', total trust capital or capital volume (Bourdieu 1984: 455). Each type of capital can be reconverted into another type, through what are termed reconversion strategies. This process provides the basis for the circulation of trust within the industry.

In the first part of the chapter, I described the backgrounds of some individual private bankers and examined the dynamics within and between private banking teams, the ways in which bankers collaborate with other finance professionals and how the wealth management environment has evolved in Switzerland since the beginning of 2008. Historically, the departure point for international private bankers was a position of mistrust, as much of their activity was based on banking secrecy. With regulatory changes and the shift towards greater transparency in the industry, bankers' business model, their way of thinking and the resources that they use to build trust have had to evolve. This has represented a significant social change for the population of private bankers. Long-established ways of working and attitudes have had to be reconsidered in the space of just a few years. At first, this change brought frustrations for bankers, banks and clients, but ultimately it has resulted in a more professional, transparent and healthy environment, with improved communication. Between 2008 and 2020, some bankers left, or were forced to leave, the sector, seeking work in areas where

change was less apparent (for example, as boutique asset managers or independent advisors) until the regulatory environment was harmonised for those players, too. Inside the banks, because of increased challenges in working with clients, private bankers have had to invest more effort in education and to widen their radius of trust. This has meant working together more closely with team members, supporting specialists and people from other teams. Indirectly, increased trust amongst bankers should bring about an increase in 'general trust', as conceptualised by Delhey, Newton and Welzel (2011: 788), and thus in trust on the part of clients – if introduced gradually, without the negative effects of what I call 'trust dilution'.

In order to survive and succeed within private banking, bankers devise formal and informal ways of accessing clients and attaining personal objectives. These include potlatch-style rituals, in the form of organised events; the use of gifts, often in the form of relationships, such as new clients, to express support or symbolic domination in the organisation; and practices like small 'apéros', to manage the anxiety of the banker population during crisis times. We have seen that there are various fields of power where trust circulates and power struggles take place, between and amongst team managers, bankers, assistants, top managers, and internal or external specialists.

In the second part of the chapter, I provided a geography of private banking in order to show how the industry is organised worldwide and how mistrust and trust circulate within it. I described the current state of affairs in international private banking and highlighted the main changes that have taken place in the sector since the start of the financial crisis in 2008. Specifically, I looked at the geography of the financial industry in Europe's biggest 'private banking only' region and city: Zürich. The current combination of excellent infrastructure, institutional stability and very high density of financial institutions has made Zürich an excellent 'private banking laboratory'. As I have shown, mistrust and trust circulate within this environment very quickly, not only via actors within the financial sector (bankers, managers, external specialists, etc.), but also via headhunters and clients. In the next chapter, I will set out concretely, based on my fieldwork, the parameters within which the population of private bankers – and the population of clients, too – make their judgements about trust and mistrust, and within which trust or mistrust circulates as an anthropological object.

3

Construction of Trust as an anthropological object: Habitus and forms of capital as resources for symbolic power

In Chapter 2, I described who private bankers are, how they work and what challenges they have faced since the beginning of the financial crisis in 2008. We have seen how trust and mistrust influence bankers' behaviour and cooperation skills. The second part of the chapter focused on the geography of international and local Swiss private banking in Zürich. We saw that spatial organisation, physical location, distance and mobility have historically been very important in the creation of trust relationships and private banking field dynamics. However, the Covid-19 crisis of 2020 has led to significant changes, accelerating the digitalisation of the financial sector and transforming how financial cities look.

In this chapter, I will look in more detail at the 'old' and 'new' relational factors that influence trust and capital. Using concrete examples from my fieldwork, I will present a number of parameters that participate in the construction of trust and mistrust, and seek to define those parameters in scientific terms. I will also explain why I chose to examine trust within the framework of Bourdieu's relational social theory and why the concepts of 'habitus' and 'field' are the most appropriate tools for analysing the population of private bankers and their clients.

When I first started to work in the field of private banking, one of my priorities was to identify the biggest power tool and decision-maker in the industry. I observed several significant features, but I could not immediately see a common factor. In 2008, after attending relevant seminars and reading some of the literature on the subject, I came to the conclusion that the only concepts that could explain all of the different and complex connections that I perceived were the concepts of trust and mistrust. I see trust as an anthropological concept because it is created from very tangible and simple factors – from clothing and cars to the complex power plays of political networks. Trust contains visible and invisible parameters that complete one another and together constitute the final 'degree of trust'. However, the concept fully makes sense only when looked at within the

framework of Bourdieu's theory of capital, relationships and fields. As I have already discussed, for Bourdieu culture and society are systems of *relationships*, or fields: fluid, open-ended 'networks' of 'objective relations between positions'. Within each field, the dominant group is able to impose its own taxonomies on others, creating a perceived 'natural' order, or *doxa*, that provides the basis for its 'symbolic domination' of the field (Erickson and Murphy 2017: 163; see Chapter 1). This domination is enabled by various forms of *distinction*, whose function is to express the power positions within the field.

I argue that the tangible and intangible factors that create trust and mistrust within private banking are in fact creating special *doxas* in various fields, which are perceived by the actors and clearly understood by the interest group that is driving this process and seeking to establish symbolic dominance. Although some of these fields may not appear to be directly connected to private banking in a professional sense, they nonetheless play a part in the construction and circulation of trust and mistrust within the industry. As I will demonstrate, various environmental, social and personal factors are resources for the construction of trust and mistrust, which *circulate* within the specific fields between the agents, both human and non-human. The system is a dynamic one, as the members of the dominated class within it may at times succeed in creating new *taxonomies* that transform the character of what is seen as socially prestigious or valuable (see Chapter 1). Within private banking specifically, this has resulted in gradual but continuous *social change*, with different patterns emerging over time. The capacity to perform an *individual agency*, which Bourdieu calls *habitus*, is a resource for trust and mistrust building within specific fields of private banking.

As we have seen, for Bourdieu capital can present itself not only in the form of symbolic capital, but also as economic capital, cultural capital and social capital, each of which can then be converted into other types of capital (Bourdieu 1986: 242, 243; see Chapter 1). I argue that *the resources for trust and mistrust*, their *construction factors* or *agencies*, also *construct the capital itself*, yielding what I call *trust capital*. The creation of *mistrust*, and its dynamic circulation between social agents, also impacts on the power play and construction of trust within a social group.

According to the American anthropologist F. Allan Hanson, an isolated human individual can no longer be considered sufficient as the unit of a socio-cultural

action; instead, the 'agency should be defined in a more expansive and dynamic manner that includes, but is not limited to, the individual' (Hanson 2004: 470). My research has consistently illustrated the ways in which actors in the private banking environment, such as bankers, clients and service providers, define themselves by, or are defined through, their characteristics, their relationships and the material objects surrounding them. These features are not just complementary to them – they are the way in which they define themselves, consciously or not. These 'extensions' of themselves help to define a banker, client or private banking service provider on a larger scale, creating their *extended agency*. For example, a banker arriving for a meeting in a Ferrari, which becomes part of his extended material agency and *symbolic capital*, does not present the same image in the eyes of the client as one who come to see him or her in a Tesla, a Volkswagen or a classic car, or by taxi, bus or train. The perception here depends on the client and the social field to which he or she belongs and wants to be identified with, as well as the power relation he or she wants to have with his or her banker. One client may appreciate and see the Ferrari as a source of symbolic capital for the banker, whereas another may view it with mistrust, reducing the banker's total trust capital.

In the creation of interpersonal trust in the environment of private banking, several groups of factors (*resources*) create what I call the 'extended agencies' of the private banking population. I have divided these into the following groups: environmental, social, professional, material, personal and technological. The importance of specific agencies can differ from individual to individual, from community to community, from culture to culture and from field to field. I will describe each category of agency individually in order to illustrate how complex private banking networks function. My research shows that several of the agencies applicable within the frame of *interpersonal* trust can also apply within the frame of *institutional* trust (i.e. trust between investors and private banks, between bankers and banks, or between different banks). I will discuss extended materialised trust, institutional trust and issues of technology in more detail in later chapters.

As my analysis of the geography of private banking has already shown, environmental factors such as space and time are some of the most important resources in the trust and mistrust creation process. I will therefore start by

looking at how these factors contribute to the circulation of trust within the sector.

Environmental factors

Environmental factors are not necessarily the first that come to mind when talking about finance and crisis. However, during my research I came to understand that these factors have a dramatic impact on the way in which trust and mistrust circulate between clients and private bankers, as well as between investors and their investments. Two basic environmental factors are 'space' and 'time'.

My first example of the importance of 'space' is taken from an interview with David (see Chapter 2) conducted in January 2010. David, from Bratislava in Slovakia, was introduced to me several years ago by a high school friend, and our cooperation developed from there. He became one of my regular informants, and we had many open and relevant discussions. The topic of the agency of geography came up during one of our first interviews. Although David was still young (25) at the time, he was already a very experienced investment advisor and company co-owner. While discussing what for him was the basis of trust and mistrust in private banking, he stated:

> The biggest problem for people in Slovakia is to understand the word 'credit-worthiness' [the probability of paying one's debts]. People will trust a local provider more, because they see him somewhere in their geographical area. One of my friends, a director of a big local investment group, told me: 'The client would rather invest in my product – some local, less credit-worthy investment – because when it doesn't work, at least he knows that he can come and hit me in the mouth!'[9]

This conversation underlines how important an environmental factor 'space' can be for the creation of trust. David's example suggests that clients may be more willing to trust a banker close to them, if they trust their country and the environment of the local economy. On the other hand, if they regard their country or local economy with suspicion, the opposite effect can occur. Clearly,

[9] The client was comparing his group with the international company General Electric.

geographical position is part of the agency of the banker – and of the bank itself – and contributes to the agency of the underlying investment, as demonstrated by the example of the Slovak bond investment mentioned by David's friend. Location and space are part of the symbolic capital that can be transformed into economic capital. They are also part of the agency of specific products, which are themselves vehicles of trust. Lépinay emphasises the importance of time differences and geography for share trading:

> A Parisian trader opens a portfolio when Tokyo is closing and finishes the day when the New York market is in full swing. He or she must constantly act with these staggered time zones in mind. (Lépinay 2011: 65)

A company share listed on the US Nasdaq will not have the same symbolic capital as a company share listed on the stock exchange in a small European state. The Nasdaq's visibility and control mechanism generate trust, which is then transformed into economic capital – for example, during an IPO, where the price of the share will be higher in the US.

While some investors, like the one referred to above, clearly consider geographical factors in their decision, others prefer to trust credit rating agencies, especially when it comes to investment products such as bonds, which involve making loans to companies. Perceptions of geography/space are also a very important factor when wealthy people come to choose a jurisdiction in which to create their foundations or holding companies. A senior manager from a big consulting company that specialised in the structuring of asset holdings told me in 2011:

> People use Cyprus because it is close, in the EU, and people are used to it from discussions. But it is not the only jurisdiction which is not far and has advantageous conditions [laughs]. In fact, it means Cyprus has succeeded in marketing itself, right?

Cyprus has an advantage as it is able to offer favourable tax conditions for capital gains on investments or company revenue to investors based in many countries and jurisdictions. The country has benefited from bilateral agreements with various states and the fact that it is part of the European Union, which has enabled it – legally – to offer to manage the wealth of companies and high net

worth individuals on advantageous terms. In marketing itself as a safe place to create a holding company, Cyprus has used its EU membership as an agency and trust factor. The implementation of so-called controlled foreign companies (CFC) rules has created an additional regulatory framework for offshore structures (OECD 2021). Since the collapse of the banking system in Cyprus in 2013, we have seen that such perceptions of stability and advantage can be false, leading clients to make irrational decisions.

If wealthy individuals do not feel comfortable with the regulations, security or tax conditions in their own country, they may be able to emigrate and acquire citizenship in another state. We are therefore seeing a circulation of wealthy elites around the world – from Europe to Singapore, from Slovakia to the Czech Republic, and from Moscow to London or Monaco – bringing with them their networks and relationships. Many wealthy individuals, especially younger ones, have geographically dynamic lifestyles and can relocate in order to reduce their tax burden or live in a safer environment. The new location than becomes part of a client's agency and symbolic capital.

Another example of the importance of geographical agency was given to me by a former director of one of the banks in Slovenia. In May 2010, during a discussion in the bank's offices in Ljubljana, she told me:

> People from Slovenia will automatically trust private bankers in Zürich more than private bankers in Lugano, as they consider them to be more serious. But of course, some of them do prefer Lugano, for their personal reasons.

This statement clearly shows that geographical characteristics can be a positive or a negative element in trust creation.

Here, I can add some observations on the importance of geographical concerns and issues of 'place' from my own experience as a private banker in Switzerland. In the past, Swiss private bankers were the most trusted, simply because they worked in Switzerland or, even better, were of Swiss nationality. They were a guarantee of confidentiality and protection, as were the Swiss banks themselves. Even during the 2008 crisis, Swiss banks were criticised by regulators based elsewhere because of their secrecy. However, Swiss banks and legislation have become more and more cooperative – even proactive – in their

support for the investigation and trial of some criminal activities. For example, in the case of the privatisation of Mostecká Uhelná, one of the biggest brown coal extraction companies in the CEE region, which resulted in a big corruption scandal in the Czech Republic, Switzerland brought allegations against seven people 'for money laundering and unfair management of public interests in connection with the privatisation deal' (Czech News Agency 2010). In October 2013, a Swiss court in Bellinzona convicted five Czech managers of money laundering and fraud for their involvement in the scandal, handing down jail sentences of between 16 and 52 months (Reuters 2013). Because of similar cases and the introduction of automatic exchange of information (see Chapter 2), the reputation that the big Swiss banks once enjoyed as protectors of ultra-high net worth individuals with 'problems' has started to fade. Since 2012, working with a Swiss 'place' has become less alluring in the imagination of some clients, especially those with something to hide.

The behaviour of clients from post-socialist regions such as Russia and central and eastern Europe (CEE) affords another example of the impact of geography on trust (and mistrust). Sometimes clients are reluctant to work with a private banker of the same nationality and would prefer to have a banker 'cut off' from local networks, with different cultural capital. This behaviour has been reported to me by several private bankers (of Russian and Serbian nationality), and I have even experienced it myself on a number of occasions during my banking career. In such cases, the client does not trust the integrity of a banker from their own country, thinks that a co-national will spread their private information in the circles in which both of them move, or fears the judgments that the banker will make about them, based on deep local knowledge and a shared history. However, in recent years, with increased exchange of information, this attitude has become less common, and having a common cultural understanding has become more of an advantage. Whereas previously it was often a source of mistrust, now it can provide the basis for a strong relationship between banker and client.

One negative example of geographic agency is the labelling of clients as 'high risk' simply because they are from a particular country. In this case, a client's nationality can be seen as reducing their cultural and symbolic capital, and encouraging mistrust on the part of the bank. These parameters are formalised in the internal procedures of private banks; they are also the subject of informal

internal negotiations to determine which countries should be categorised as high risk, as middle risk or as low risk. Some countries are fully blacklisted. Such mistrust is the product of a bank's embeddedness in the country concerned and makes 'onboarding' (opening of a client's account at the bank) more difficult, as clients have to be put through a complex compliance process. This may diminish the economic capital that ultimately results from the transaction.

The environmental factor of time plays a similar role to geography, although it is less important in the case of private banking. For example, a private banker in Singapore will be less convenient for European clients if they wish to have frequent contact. However, in cases that require discretion, a time difference can be an advantage, as the client may be reassured by the fact that it will be much more difficult for anyone to communicate his private business to people from his own country. This assumption is purely subjective, but it still influences the perception of 'close' (unsafe) and 'faraway' (safe) for clients seeking a discreet approach. For those seeking regular contact, it remains a disadvantage.

A time zone is also part of a client's agency as regards the competitiveness of a bank in giving clients access to products with limited availability. In private equity investments (investments in companies that are not yet on the stock exchange), for example, there are limited opportunities to access some funds or companies. When there is an interesting opportunity, it can be 'gone' in a few hours, so the time when the opportunity is made public can be decisive for its transformation into an economic transaction. A private equity specialist with whom I discussed this subject noted that it is extremely difficult to satisfy everyone, as an opportunity that is made public early in the afternoon in Europe is too late for Asian investors and slightly too late for Middle Eastern investors, but well-timed for European investors and, in particular, South American investors, who have the whole of the working day to pursue it.

Another aspect of time that is important within private banking is the parameter of 'duration'. Time in this sense can have a positive trust impact, as a long relationship usually engenders more trust. Speed and efficiency are also very important factors in the creation of trust within private banking, as I will show when I come to discuss the agency of 'professionalism'.

Perceptions of time can be a making or breaking point in investment relationships. In 2011, I spent some time, through work, meeting a group of

Austrian entrepreneurs who had founded a company in Bratislava, Slovakia. While talking about their relations with wealthy entrepreneurs from CEE, one of them said:

> *Zeit macht einen großen Unterschied zwischen Osten und Westen. Im Osten wollen sie immer Profit maximieren, bis zum letzten Moment.*
>
> (Time makes a big difference between East and West. In the East, they always want to maximise their profit, until the last moment).

The environmental factors of space and time are important considerations not only for clients, but also for bankers. If a client is too geographically remote or not mobile, the mutual trust that the relationship will generate over time will be limited, and this will create mistrust. This was not always the case. As we will see, the financial crisis has had a profound impact on how different agencies are perceived. In the past, physical distance from a client could be an advantage for private bankers. It meant that the client would not visit or communicate as often, so they were less 'time consuming' for the bankers. However, since the financial crisis, bankers have been required to have more regular contact with clients. Distance has become a cost, in terms of both time and money, although digitalisation is a mitigating factor.

Social and personal factors

In private banking, the circulation of trust is influenced by a number of agencies based on social factors. These agencies, which can be viewed as resources for the creation of cultural and social capital, include factors connected to the identity of bankers and clients (nationality, origin, culture, gender, etc.), their kinship networks, their friendships, their extended recreational and professional networks, and their social community interactions (in terms of religion, values, social or family history, and business circles).

I will begin with gender. Two years after I began to work in private banking, I went on a business trip with two of my colleagues, both private bankers working in the Italian-speaking part of Switzerland. The younger of the two, Giovanni, was about 40 years old at the time. At one point, when he and I were alone, Giovanni

asked me what it was like to be a '*banquière privée et femme*' (a woman and private banker). I was not surprised by his question, because by that time I was aware that my position was unusual. What did surprise me was how quickly he asked it, as we had known each other for only about four hours. However, I began to understand when he explained to me during our flight that in Italy, especially southern Italy, a man asks a woman to leave the room when they are about to speak about finance. In reply, I told Giovanni that in central and eastern Europe women faced fewer barriers, although clearly they were still not on an equal footing with men within the industry. It is worth noting that, in 17 years, my boss has never hired a woman as a private banker for the Italian team.

The situation started to slowly evolve after 2010, while the financial crisis was still ongoing. Private banks began to focus on markets with growth – emerging markets – in CEE and the CIS. In these markets, an increasing number of women were being hired for positions as private bankers, although the picture varied significantly between banks. Another relatively recent trend is the return to work of women bankers in their 30s and 40s, after they have had children. Nicoleta, a newly retired private banker, told me that 20 years earlier, when she arrived at a Swiss private bank from another country as a mother with two children, everyone treated her as an outsider, and she often cried. At the level of team leaders and market managers, however, most posts continue to be occupied by men. Official statistics are not available on this topic, but the number of Swiss women executives in banking remains extremely low. In 2019 just 23 out of 188 executive board members, or 12%, were women, up from 22 the previous year (Finews 2020).

In Chapter 2, I profiled Dorina, a Bulgarian banker who lives in Zürich and works in the CEE department of one of the leading Swiss private banks. When I asked her about her experience in 2010, she was complaining about the markets, although the situation was not yet as dire as it would later become. Work was going well; she was happy, well-organised and did not have to travel too much. We met for the first time at the gym. Dorina was blonde, smiley, pretty and always, it seemed, a bit distracted. One of our first interviews was conducted at *La Terrasse*, a bar in central Zürich.

I asked her, 'How do you find your role as a female CRM (client relationship manager)?' She replied:

> It does have advantages and disadvantages. You don't actually have this *ego* aspect here as a woman, you do not have this ego fight with these men, you are more naturally subordinate. Women are generally more patient, as well.

The 'natural' subordination to which Dorina refers is an attitude that is in her view considered proper to women and is particularly appreciated by the wealthy, who like to lead. Her vision of ego as a male characteristic, rooted in self-centredness, is based on Dorina's personal and cultural habitus.

In the private banking field, I was able to observe how culture is inscribed in the body. I saw that the way in which people sit, stand, walk, smile, look or move while eating influenced their capital trust. The case of Julia (see Chapter 2) is instructive in this regard. When Julia, who was not Russian, started to work with Russian clients, she found these interactions difficult. She felt that some clients did not respect her, as they were reluctant to look at her when exchanging greetings. Later, a colleague from the Russian Federation, Cyrill, explained to her that in Russia men often avoid looking into women's eyes when they meet, as this can be interpreted as a sexual advance. Cyrill's explanation made Julia feel a bit more comfortable about the situation.

For another group of clients and private bankers – those who are of aristocratic origin or have been trained in England – one of the signs of a common culture is sitting or walking with a straight back. In this case, a person's posture can indicate a similar background and shared values, making it possible for the banker or client to build trust with them more quickly.

For Bourdieu, the social, or habitus, is connected to the body:

> The social is also instituted in biological individuals. Habitus understood as an individual or socialized biological body, or as the social, biologically individuated through incarnation in a body, is collective, or transindividual. (Bourdieu 1997, cited in Dajani 2017)

Habitus is inscribed in the body through inculcation of dispositions derived from culture. Bourdieu calls this the 'bodily hexis', where 'the body is the site of incorporated history' (Thompson 1991: 13; Bourdieu 1984: 437, 466-468; Dajani 2017: 278). To illustrate how dispositions and culture structure the bodily hexis, he cites the example of Algeria's Berber population, for whom honour is the

highest form of symbolic capital:

> Perceptions of almost imperceptible differences in posture, muscular tensions, the angle of a gaze, rhythm of breath are infused with meaning derived from the code, a shared cultural system. (Dajani 2017)

Four years after I first met Dorina, the situation in international banking had begun to change, as more women entered the market, became senior and learned how to manage being a woman in this environment. Along the way, I encountered a number of bankers or assistants who, particularly at the start of their career, felt that clients were trying to take advantage of them because of their pleasant demeanour. This often led them to adopt a much colder, more detached attitude at first, until they had got to know a client better. In this way, the influx of women into banking has changed the way in which the industry operates, encouraging a more professional approach to banker-client relationships.

Another way in which female private bankers typically exercise agency is by being hardworking. In 2014, after organisational changes at my bank, I found myself one of a group of three people – all women – doing work that had previously done by six. One evening, one of the top managers came to our office, where we were working late. He exclaimed, ‘Oh, you are still here! Hardworking ones! My friend told me, “You know, I only employ women in finance. They work harder and they are paid half as much.”’ At first, there was silence. The team did not think that it was funny at all. Finally, I said, ‘Okay, so if it is like that and you think it’s correct, we will just go.’ ‘Oh no, I’m sure you will be rewarded somehow’, he replied. He then left. Afterwards, one of my colleagues stood up and left herself, murmuring, ‘I’ve heard all that stuff already so many times from male managers.’

Earlier, in 2010, I had been told by the head of another private banking desk that, if he could, he would only have women on the team. In addition to being hardworking, female private bankers are considered more stable and less likely to leave, as they do not want to make their clients ‘suffer’ a change of bank if they choose to follow them. Of course, this can work against female bankers when it comes to their salary, since the banks are well aware of this fact.

As previously mentioned, historically international private bankers were nearly all male. In the course of my fieldwork, I observed how male bankers interacted with female clients, and how the trust and mistrust factor was influenced by the difference in gender. For example, in the autumn of 2012 I attended a business lunch at a terrace restaurant, Haute, in downtown Zürich. Haute is in one of the city's highest buildings, a location that ensures privacy and offers a nice view. The restaurant is not cheap, and it usually is necessary to have club membership, which is very expensive, in order to gain entry. This was therefore a very exclusive event. I had been invited by a Swiss banker named Ruben, who was vice-president of one of the local, 'cantonal' banks, where he had worked for 30 years. Ruben was in charge of his bank's private banking operations in the CEE region. At the time, he wanted to hire me, so I agreed to meet him once to review his strategic plans. We also discussed his professional experiences. During our conversation, he told me a story about his interaction with a female client:

> I have been to Australia several times. Once for only one day. A client – a woman – asked me to come with her … to have a look at schools and places there, as she thought she would be sending her kids there. It was during a war in Yugoslavia and she was formerly from Yugoslavia. I told her okay, but only if you buy me a first-class ticket. She said, 'Okay'. So I went. Ultimately, she didn't send the kids there.

The story helped me to understand that what a wealthy female client, especially one who is living alone and comes from a country that has suffered traumas, may be looking for in her private banker is simply a form of presence or protection. In this case, she wanted someone far from her dangerous local environment, someone she could trust. And she was ready to pay a high price for that.

I have observed this ideal-type several times in the relationships between male colleagues and their female clients, although it has become less common in recent years. Dery (see Chapter 2) had a long-time female client, Rose. When she passed away, Rose was around 80 years old. She was French and had made her fortune in China with her husband, who had predeceased her. They had never had children, so as she got older her circle of relationships became increasingly narrow. After a few years, Dery became one of her closest friends. He helped her

to overcome periods of depression and sadness, her fears and her illnesses. He told me once:

> Poor her. She is so desperate that she sometimes gives a tip of ten to twenty thousand Swiss francs to a waiter or taxi driver. It is so difficult for her.

Every time Rose came to visit, she invited him to have lunch with her. Over lunch, she told him about her life, often crying. In Dery, she had her advisor, her psychologist, her family. She was rather striking in appearance: very colourful, disorganised, and with very expensive clothes and accessories. She was a bit like a caricature or a comic book character. In a way, she was quite intimidating. However, at the end of her life, her family, friends and passions were gone, and her life seemed sad. She often went to expensive restaurants and rented a room in the Savoy Hotel on Paradeplatz, one of the most expensive in Zürich. She paid huge amounts to stay there for several days or weeks. Money no longer had any meaning for her, and her bank account was emptying fast. A lot of people were trying to take advantage of her, so she had to be careful whom to trust. In the end, even her lawyer exploited her financially, thus converting her trust – his social capital – into economic capital for his own benefit. In 2019, I heard about a similar phenomenon from a lawyer in the Czech Republic who manages inheritances in wealthy families. He told me that he has often seen cases in which female heirs lose out at the hands of family members or intermediaries, who take advantage of women's reluctance to fight, lack of education or willingness to invest too much trust in close professional relationships.

Earlier, I noted that the social is inscribed in the body, but it is also inscribed in networks. A person's gender is part of their social capital and also, indirectly, their economic capital. This is evident from the persistent wage gap between men and women within the banking sector, which has actually been increasing in recent years. According to a study by the Swiss Bank Employees' Union (SBPV), based on date provided anonymously by more than 4,700 bank employees, 'the overall pay gap between male and female bank employees is now at 23.6 percent […]. That compares to a 14.6 percent gender pay gap across the Swiss private sector, according to the Swiss Federal Statistics Office. The new SBPV study also reveals that the gap in actual salaries between male and female bankers (an average 118,774 francs versus 96,414 francs) is now at 22.2 percent – up from

20.7 percent in 2017. But when it comes to bonuses, the disparity is even clearer with the gender pay gap at a huge 36 percent (an average of 22,304 francs for men versus an average of 12,351 for women). That gap for bonuses was a far lower 30.8 percent in 2017' (The Local 2019).

My fieldwork suggests that social capital is often created differently in male and female networks and that women have not used it as much in the past to enhance their careers. A woman member of the board of one private bank told me during a conference specifically for women employees that it was clear to her that men and women in private banking did not network in the same way and that women spent less time on informal networking, which was to their disadvantage. They were not creating and using social capital as efficiently as men did, because they were busy working or splitting their time between their families and work. She suggested that we make an effort by finding time for informal bonding practices, such as meeting over coffee or for lunch. In his writings on the leisure class, Veblen identified four ways of showing pecuniary superiority: private property, immaterial goods, cultivating of manners and hiring of domestic service (see Chapter 1). One expression of the symbolic power of organisational elites, and thus of conspicuous leisure, in contemporary business environments is having time for informal networking.

From these examples, it is clear that gender – and the expectations based on it – is an important factor in the creation and circulation of trust within private banking. Stereotypes and prejudices play a role here. For example, it is widely believed that female bankers and clients are more conservative than male bankers and clients when it comes to investments. However, stereotypes of this kind are often outdated, as practices within the sector tend to evolve quickly, especially during times of social change. A study carried out on more than 100 high-net-worth women in the UK in 2019 showed that, in reality, women clients are no more conservative than male investors, even though they see themselves as such (WealthiHer network 2019). Thus, gender influences agents' trust capital and the way in which bankers and clients view one another.

Another resource for trust creation is family and kinship. Parents are often the basis for an individual's cultural capital, and can also enhance their social and symbolic capital. An agent's spouse and children have similar importance, forming part of their social, symbolic and cultural capital. This capital can

eventually be transformed into economic capital. However, it can also have a negative influence, if someone in the family has a bad reputation.

A private banker who comes from a well-known, wealthy family and bears its surname may be seen as especially trustworthy by clients, depending on whether actors in the particular 'field' in which he or she is engaged, recognise the value of this family background. Where this is the case, a banker's name is part of their symbolic and cultural capital. It can also help to construct their social capital, as it can be a door opener into networks. Historically, private banks belonged to one or more families and were built around those families. This is not true of the biggest Swiss private banks, such as UBS and Credit Suisse, as these are listed companies with many shareholders, but it is still true of some small private banks. For several big Swiss banks that were originally family concerns, such as Julius Baer, Pictet and Lombard Odier, this heritage is still an important part of the bank's focus, values and marketing to clients, even though the founding families no longer have a majority holding. There are still many entirely family-owned banks where the ties between the founding family and the company have been sustained over many decades and have been the basis for long-term creation of trust and capital. Examples include Gonet & Cie, Banque Syz, Compagnie Bancaire Helvétique, Bordier & Cie, E. Gutzwiller & Cie, Banquiers and Landolt & Cie.

E. Gutzwiller & Cie, Banquiers was founded by Carl Gutzwiller in 1886 (Gutzwiller 2020). Some of the main players in its history are shown in Figure 17. The bank was a founding member of the Basel Stock Exchange, which was incorporated into the Swiss Stock Exchange (SIX Swiss Exchange), owned by SIX Group, in 1987 (SNB 2007: 11). The bank remains a shareholder in the exchange. It is also represented on SIX's board of directors through one of its managing partners, Archduke Lorenz von Habsburg Lothringen, who serves on the group's audit committee and by Dr. Jürg Gutzwiller in the Risk Committee (SIX 2020). SIX is currently owned by 122 banks and financial intermediaries. Members of these families continue to benefit from the trust and capital that they have built up on the Swiss private banking scene over, in some cases, hundreds of years.

Figure 17: Major figures in the history of E. Gutzwiller & Cie, Banquiers

Source: Gutzwiller 2020

Another famous family in Swiss private banking circles is that founded by Edgar de Piciotto. Following in the footsteps of his stepfather, De Piciotto entered the banking business, creating Compagnie de Banque et d'Investissements (CBI) in 1969. The bank was renamed Union Bancaire Privée (UBP) in 1990 (UBP 2020). In Swiss private banking circles, having links to the De Piciotto family is a source of social and symbolic capital that can be of substantial economic value. In recent years, I have been informed of two mergers involving the sale of a bank or independent asset management company co-founded by the De Piciotto family to a bigger private bank for significant amounts of money. In these mergers, the family were also selling some of their relationships. According to market 'rumours', clients often followed the bankers concerned to their new company once the sale was complete. Although the deals appeared overpriced, the buyers were also purchasing a 'name', a source of symbolic capital, that could contribute bigger trust-building potential to their own name in the future.

At a lower level, I have myself observed the transfer of client portfolios from father to son among bankers in an institution I have worked for. In this case, the social capital accrued by the father allowed his portfolio of clients to be transferred

easily to the next generation and provided the basis for a solid trust relationship between the clients and his son. However, the model failed because the son lacked the personality or interest to sustain this relationship. In the end, the father's social capital was dissipated and could not be transformed into economic capital for his successor.

Another example of this kind of situation comes from David (see above). During one of our conversations, he made a comment about trust and family connections:

> Rich clients will trust me, because they know I am from a historically successful and rich family.

The financial crisis may make clients rethink their attitudes to the importance of family ties in an ever more demanding and global world. However, as David's experience shows, such ties are still an important generator of trust in Swiss private banking circles.

Social capital acquired via membership of a community is another important parameter for trust creation in private banking. Such a community may be based on common values – a shared religion, military service or attendance at the same educational institution – or on coming from the same class, country or city, or participating in the same sport.[10] For example, people of aristocratic origin may be more inclined to trust another banker from the same community – for example, one with the characteristic 'de' in their name, or one who wears the family signet ring. The cultural and social capital based on these personal parameters and habitus is often the basis for long-term trust relationships. It can be also misused by actors for their own benefit, as in the Madoff scandal, where an asset manager specifically targeted investors from the Jewish community in order to defraud them (Newsweek 2009).

Another factor that can impact on the creation and circulation of trust between bankers and clients is a common history. For example, those who lived through the transition from communism to capitalism in countries such as Slovakia have experienced greater insecurity within their social environment than those who spent their formative years in a well-established state with a functioning political and legal system. People from such countries are therefore less inclined to trust

[10] For a detailed analysis, see Chapter 4.

the state, the law and state regulations, which has resulted in greater use of informal networks and more emphasis on interpersonal relationships as a source of trust. However, as Bohnet, Herrmann and Zeckhauser show in relation to the Gulf, in societies that depend on informal networks, the cost of betrayal, when it occurs, can be much higher than in rule-based countries (Bohnet, Herrmann and Zeckhauser 2010: 826). To compensate for this, people living in countries with a weaker law system may seek to decrease the likelihood of betrayal through social relationships.

My awareness of the importance of a country's history for trust creation was strengthened by an informal discussion with Juraj Buzalka from the Institute of Social Anthropology at Comenius University, Bratislava, in March 2010. During our conversation, Buzalka suggested that in Slovakia qualitative parameters, such as long-term relationships, are still more important for the creation of trust than quantitative parameters. My interviews with bankers and clients from CEE suggest that the main reason for this emphasis on interpersonal trust is not deep-seated personal preference, but the inefficiency of institutions in the countries concerned.

Around the same time I interviewed Juraj, I met Peter, an associate partner at a small Swiss private bank owned by a big Slovak financial group. Peter was driving a Porsche and liked champagne, electronic music and literature. We were having a relaxed dinner in Zürich. He was in a good mood – at the time, things were still going pretty well. When I asked him what he considered to be the basis for trust in private banking, he answered:

> You know, as one of our bankers said, 'Now all our friends are our clients, what can we do so that others, apart from our friends, become our clients!?' [Laughing.] Okay, but then I think you create trust by, for example, sharing a common success, [like] marathon running, a successful business, a good party, and by overcoming your own prejudices; not like this French guy, who, in a sauna in Finland, was the only one still in a towel while we were all naked.

This underlines the importance of shared values and experiences, but also a willingness to step out of one's comfort zone. The bank has since closed its local

branch, as attracting clients from outside friendship circles proved not to be an easy task.

I have illustrated some of the ways in which personal agencies relating to gender, kinship, social networks, personal and shared history, and so on can influence the circulation of trust in private banking. Some bankers integrate these principles into their way of working quite naturally, while others do so more consciously. Those who do not make use of such agencies at all tend to be less successful, as private banking requires an understanding of relationships. I have met bankers whose networks were based primarily on family members. Some managed only their families' assets, while others used their family name and contacts to attract work, remaining very discreet. Although these factors played a major role in shaping how bankers constructed their networks in the past, the increasing complexity of the business has elevated the importance in the trust creation process of personal agencies derived from other, more objective, resources, linked to the professionalism and competencies of the individual banker and his colleagues. These competencies, which are part of employees' cultural capital, have enabled bankers to serve their clients better and have brought increased profits. This change has been challenging for private banks, many of which now require their bankers to gain professional re-certification as CWMAs (see Chapter 2). The CWMA title provides official recognition of bankers' ability to manage investments and control risk management, and potentially increases their symbolic capital within the industry. The increased emphasis on training has also been noted by independent consulting companies analysing the evolution of the private banking sector (Swiss Banking Association 2021).

The trust created by professionalism is founded on competencies, track record, business reputation, professional recommendations, network reach and networking abilities, both inside and outside the bank. These are a combination of cultural, social and symbolic capital. Together, they produce increased efficiency, which creates economic capital. However, discussions with people working in the private banking sector have shown that the importance of professional agency in the creation and circulation of trust can differ slightly from one culture to another. The influence of culture on attitudes towards professionalism is nicely illustrated by the following two cases.

Urs was an asset manager from Switzerland. At the time of our meeting, he

was 37 years old and working at a private bank as an investment advisor. He looked much younger than he was, and I always admired his lifestyle: working from eight to five, without a BlackBerry, but earning a good salary. For several years, he worked as my business support for asset management. I invited him to a restaurant in May 2010 to conduct an interview on what, for him, was the basis of trust in private banking.

‘Which are the most important factors for your customers to give you their trust as their financial advisor?’ I asked. ‘Professionalism, know-how,’ he answered, without hesitation. I continued, ‘Which, for you, are the most important parameters in order to trust customers?’ ‘Formular A,’ he said, laughing. ‘I do not have any relationship with these clients, we do not have a love relationship! I just need to know they have clean money.’ (Form A is a document in which the customer confirms information about his or her identity and officially states that he or she is the only owner of the assets. A private bank has to make sure that the information is correct, as false statements are frequent.)

Next, I asked him what he regarded as the most important parameters in order to trust his business partners or people around him. Again, he highlighted the importance of professionalism, also mentioning ‘seriousness’. I continued, ‘What do you think of when I say “circulation of trust”?’ He replied, ‘For me, it is trust from both sides [*gegenseitiges Vertrauen*].’

Finally, I asked whether his attitude to trust had changed during the recent crisis. ‘Yes’, he said. ‘I do not trust governments anymore. It’s a political mafia, everybody looking only after their own interests. Yeah, but it was always like this, one hand washes the other. In Switzerland, it is usually only at the very top level.’

From this conversation, it was evident that Urs’s level of personal engagement with his clients was relatively low. He had prioritised the value of professionalism, during limited working hours, but that was what was expected of him in his position: to show professionalism and consistency. For comparison, I put a similar set of questions to another colleague – a private banker named Anastasia, whom I profiled in Chapter 2.

In May 2010, Anastasia and I finally found time to have lunch. We were always so busy that it was a challenge to find a date that worked for both of us. At the time, Anastasia was 41 years old and was working as a senior private banker for

the CIS. I began our conversation by asking, 'Which are the most important factors for your customers to give you their trust as their financial advisor?' She replied:

> I am reminded of a seminar in London I once had, while working as a corporate banker. They showed us a statistic which showed that for 50% of clients, the most important characteristic they search for is a good personal relationship. For me personally, a level of professionalism is very important, I think; personal relationship and cultural background. A language also. A language is very important. And they have to feel you are personally engaged, not only because of work.

When I asked her to say what she regarded as the most important parameters in order to trust customers, she responded:

> I think the fact that they keep their word. To me and to the bank. That they do not say, 'I will send you EUR 10M,' and then never send it. This is very important when you do trading and you do big operations only on the basis of the telephone conversation and the client's word. I take a risk for him. So that he does not come later, saying, 'I did not say this.'

When it came to trusting her business partners or the people around her, Anastasia emphasised the importance of open communication and honesty. I asked what she thought of when she heard the phrase 'circulation of trust'. She replied:

> When good is searching for good. When you trust somebody, she/he will also trust you. To be in an atmosphere of trust.

Finally, I asked whether her attitude to trust had changed during the financial crisis. 'Yes, of course,' she answered. 'This [to trust] is so much easier when the markets are only going up.'

During the interview, Anastasia mentioned several agencies necessary to establish trust: professionalism, but also cultural background, language, honesty, trustworthiness and a personal relationship. The answers that I received from Anastasia, who is a banker, were more complete than those of the investment

advisor Urs. The construction and circulation of trust between bankers and clients is based on more parameters, as the relationship is relatively intense, covers various aspects of the client's life and involves a combination of agencies – and the different types of capital associated with them – in order to create trust capital.

For Urs, who worked in private banking support, the reasons to trust were more 'rational' and less charged with 'sentiment' than for Anastasia, who worked with clients from post-communist countries 'in transformation' and for whom the criteria were more complete. Both viewed trust as circulating through competencies, but to a different degree. Both also mentioned the need for the circulation of trust to be bidirectional, from banker to client as well as from client to banker. This is an important point, which I will explore in more detail later.

A few years later, both Urs and Anastasia moved to a new bank with their team leader and a group of other colleagues, their circle of trust, taking some of their clients with them. Three years later, they created a family office.

In Switzerland, the definition and perception of professionalism has been changing in recent years. This has already been illustrated by the example of Peter (see above), whose foreign-owned private bank closed in 2010 because of compliance and profitability issues. It did not find the key to success in a competitive environment subject to increasingly tough regulation. The inability to attract more 'friends' in this small bank turned out to be a disadvantage. Moreover, uncertainty concerning the bank's business ethics started to be an issue. This became another competitive disadvantage, as it demotivated several young professionals, who left the bank. What worked locally for a big financial group in its home country did not work internationally.

The increased emphasis within banks on transparency and professionalism has opened the door to more frequent use of other agencies and the practice of 'name dropping' as a means of constructing social capital. Some (though by no means all) wealthy clients have become more willing to share information about their contacts, introducing bankers to others or just talking about those whom they know. As I will show, connections, and the social capital that goes with them, play a key role in the construction of trust within the private banking industry.

According to the American psychologist Kenneth Gergen, 'Previous possessions of the individual self-autobiography, emotions, and morality – become possessions of relationships' (Gergen 1991: 170, cited in Hanson 2004:

468). Gergen's words are highly applicable to the role of private banker – a person who, as we seen, 'exists' principally through his relationships. They are also relevant to other professionals active within the field of private banking, such as managers and headhunters.

After being present at a number of speeches in which the speaker sought to add to their social capital by mentioning other people's names, I decided to examine this phenomenon in more detail. I found that such 'name dropping' could be done either positively, in order to emphasise the speaker's agreement with or connections to the person named, or negatively, in order to differentiate themselves from that person and to express symbolic violence. The practice of 'name dropping' is one way in which trust and mistrust circulate in private banking through connections, both real and superficial, and serves as a means of accruing both social and symbolic capital. In private banking it is a common strategy, used by bankers and clients in the mutual 'seduction game'. Although name dropping may sometimes be unconscious, often it is used as a conscious strategy to gain trust or to enhance a position of power and legitimacy.

In 2013, I got to know Marko, one of CEE's top business prospects, and a very successful entrepreneur both locally and internationally. Before we met personally, we exchanged several emails in order to arrange a meeting. At one point early on in our relationship, he emailed me to say that he was at a Goldman Sachs CEO conference in London with a lot of bankers, and to ask me whether I was there. I was not, so we could not meet, but I asked him about the conference. In his answer, he mentioned that it had been very interesting, especially since he had 'asked Nicolas Sarkozy,' who was there as well, 'a question from which he nearly dropped off his chair and had to ask Lloyd for help!' 'Lloyd' was the familiar name that he used for Lloyd C. Blankfein, chairman and CEO of Goldman Sachs. When I mentioned this exchange to my boss, he immediately replied, 'You see? He calls Lloyd by his first name! He is really a high-calibre guy.' The interesting point from an anthropological perspective is that, deliberately or not, Marko gave me a sense of his importance as an individual by stressing his familiarity with 'big names'. By displaying his social capital, he also *symbolically* expressed his domination.

Within the banks, some managers and bankers name-drop as an expression of *symbolic* and *legitimate power* and of domination at company level. As soon as they are in a position to mention a 'big name' in connection with their own, they generally do so. This can be the name of someone from top management, or a big-name client. Name dropping of this kind is designed to enhance their 'corporate social capital', to increase their importance within the corporate hierarchy in the eyes of other colleagues, or even to intimidate colleagues. It is an expression of authority, of *legitimacy*, and is one of the elite's *reproduction strategies.* When done in front of clients, it helps to position a banker at a particular level, either within the bank or externally. For example, a banker may mention that he is in touch with one of the five wealthiest people in such and such a country. Naturally, he cannot give the name, but it is enough to hint at the 'scale' of his connections.

Of course, it is natural to mention the people whom one has got to know and to position oneself with respect to them within specific networks. However, this can easily be done to excess. Some bankers see every occasion, from internal meetings to conferences, as an opportunity for name dropping. For example, if someone mentions that one of the people trying to gain access to an event is a 'close acquaintance' of the bank's president, the door is likely to be opened, because the marketing people are impressed by this power. Name dropping is a way of discussing reputation and status without referring to one's own success, which might appear too arrogant. By positioning themselves in the same power *field* as other powerful elites whom they wish to resemble, bankers increase their social and symbolic capital, often with the ultimate objective of converting this into economic capital for profit. Name dropping is used consciously or unconsciously by clients, bankers and managers to build their own trust capital. With each important person mentioned, the individual's trust (or mistrust) capital grows, as reputation is transferred from this 'important person' to the person mentioning him or her. Thus, the practice allows social capital in the form of trust or mistrust to circulate very quickly.

From the client's perspective, it is also very reassuring if a banker personally knows some people whom they also know and respect. In traditional Swiss private banking, it was relatively taboo to talk about shared contacts. Absolute secrecy was upheld, in principle, so to be introduced to a client's contacts was

both rare and proof of great trust. However, in recent years, clients have become more willing to share their contacts and to use name dropping in order to impress their banker, to improve their compliance profile or to create trust – or simply because they want to talk about their friends and partners. In a way, the contacts named become part of the extended agency of clients and bankers, helping to make trust and mistrust circulate between individuals. Of course, this is the basis for 'recommendations', one of the best 'acquisition tools' in private banking. A contact, and the social capital that it represents, is also a gift. This social capital can be converted into economic capital for the banker, as a bankers' contacts are one of the assets that make them attractive to potential employers.

Finally, language is an extremely important parameter for the circulation of trust. An anthropologist colleague of mine once said, 'You can joke with people you can trust.' Placing this in a social context, you can create trust and make it circulate by using the same language. For a private banker and his or her client, it is important to be on the same communication level. During my fieldwork, I observed that the same person often behaved differently with different groups of people. For example, they would use 'bad words' with people who 'liked' that behaviour; they knew that it would be accepted, and then felt that they could have a closer relationship with their business partner because they could 'be themselves'. However, when dealing with those who they knew were likely to be offended by bad language, they would avoid it. The same pattern was evident among bankers themselves, among clients and within client networks, and in relationships between bankers and clients, as the following examples show:

1. *Petr*, a Slovak bank manager, often used bad language when speaking with his co-workers and superiors. This was part of the company culture and was not necessarily perceived as crude, but it would hardly be tolerated at most international banks.

2. *Ladislav*, another Slovak banker and dealmaker, also had a habit of using colourful language. I first started to work with one of his employees Teodor, who had just been taken on, several years ago. At the time, Teodor was a rather polite person from 'outside the capital'. Eventually, he adopted the 'company language', even though he did not really like it, as it was used to

project an image of 'strength'. However, now that he no longer works for Ladislav, he has gone back to being polite. Within a given company culture, in this specific social field, the employee had to adapt to expressions of power and worth that were recognised as such in the company.

3. My third example demonstrates the other extreme. Once, I received a new client who had been with the bank for a long time, but not with our desk. He communicated with us primarily through his intermediary, who lived in Geneva. When we told the intermediary that the client's file had been transferred from the Russian desk to CEE, and from Geneva to Zürich, he became upset. He wrote me an overly polite but extremely tough email, in very complicated French, and sent a copy to everyone on the desk. I replied to him in the same manner and, after further correspondence, he began to respect me more and a good partnership developed. I later discovered that he was from a family of very well-educated Russian émigrés of aristocratic origin. It is likely that he used this language as a 'capability test' to determine whether I would be good enough for his client and able to keep up with his demands, and to satisfy himself that the change to the CEE desk was worthwhile.

Although language is often used as a means of creating trust, people do not always adapt in accordance with their counterparts' expectations; it must be natural, to a degree, for the banker and for the client. It is very dangerous to simply 'pretend' to be different, because that can give the impression of lying, which is inimical to trust creation. Moreover, in private banking the relationships between clients and bankers often last many years, so someone's 'real' personality always comes out with time. This was especially true during the financial crisis, since it is more difficult for bankers and clients to hide their real nature in stressful situations.

In addition to the way in which people speak, the actual choice of language is very important. When a banker is able to speak Slovak to a Slovak national, this generally helps to create a more immediate trust relationship. Even if they speak another language very well, most people prefer to speak in their own language when they are talking about an issue as sensitive as their wealth. However,

English is sometimes chosen to make communication with clients more efficient and usable internally within an international team. Using English can also save time, as many of the terms used most frequently in private banking are English, and enhance the global character of the service. It can also build trust with some clients, while keeping the relationship more distanced and professional.

Within private banks, language can also be used as a tool of power. In Swiss banks, it is common for bankers or managers to have informal conversations in Swiss German, while in French banks such conversations usually take place in French. A top manager of Swiss German origin who used to work at a middle-sized French bank told me that he had to leave the bank because the other managers spoke French most of the time, which meant that he felt excluded and could never really integrate into the banks' networks. In *Language and Symbolic Power* (1991), Bourdieu identifies language as an agency of power and analyses the relationship between language, power, and politics. My fieldwork suggests that language plays a key role in the internal politics of banks and in the formation of circles of trust, both within banking teams and between clients and bankers.

Classifying agencies of trust

The agencies of trust and mistrust that I have described in this chapter can be classified in two different ways. The first distinction is between 'visible' and 'invisible' agencies. Some of the agencies that I have described are invisible at first 'glance', even if they can be materialised. For example, verbal expressions are initially perceived only through sound, but are traceable or 'visible' when recorded in writing. Similarly, the agency of kinship can be rendered visible through one's surname, although this is not always the case; when someone has changed their name due to marriage or remarriage, for example, kinship needs to be described orally. Both visible and invisible agencies can be used unconsciously or consciously in trust creation strategies to influence the way in which trust circulates.

The second distinction that I suggest is between 'legitimating' and 'delegitimating' agencies, with respect to the relationship of trust. Legitimating agencies are used to justify the position of those in power or the elite. In private

banking, examples of legitimating agencies include kinship and geographical position. These agencies are typically used to garner trust for an institution. For example, as one of my contacts reported during an interview, Rothschild is known as a long-established bank with 'personal connections' to people at the highest levels.

Conclusion

In this chapter, I have explored the qualities of trust as an anthropological concept. Based on my fieldwork in the field of private banking, and starting from the premise that the agency of the human should be defined in a 'more expansive and dynamic manner' (Hanson 2004: 470), I argue that trust is a circulating anthropological object, based on extended agencies, with the capacity to make or break cooperative relations. I have illustrated the ways in which actors in private banking define themselves through various characteristics, relationships and material objects, which come together to create these extended agencies. The extended agencies identified in the private banking sphere can be grouped into environmental factors, such as space and time; and social and personal factors, including gender, kinship, close networks, history, professionalism, connections and 'names', and verbal expressions. As I have shown, some of these agencies are invisible, although most are visible in character. For the most part, they are unconscious, but they can be used consciously in order to actively create trust or mistrust relations, or to legitimise a request for trust or a power position. In these ways, extended agencies help trust to circulate – or not – and are an inherent part of trust as an element of social capital.

As mentioned in Chapter 1, 'Trust is necessary to reduce the complexity of the social reality' (Luhmann 2006: 25). The basic role of extended agencies is thus to simplify the life of an individual and to make it easier to create interpersonal trust. Trust helps individuals to react to unknown situations and apply simplifying stereotypes and makes the creation of contact with others easier. As Erving Goffman notes,

> Observers can glean clues from [a man's] conduct and appearance which allow them to apply their previous experiences with individuals

> roughly similar to the one before them or, more important, to apply untested stereotypes to him. (Goffman 1959: 1-2)

I would argue that the same agencies can also be used to evaluate the attractiveness of investments or to analyse institutional trust relationships with entities like states, government institutions or banks, although those questions are beyond the scope of this study.

Finally, I argue that trust is an anthropological object that is materialised in some circumstances and can thus serve as an object of *exchange.* In some cases, this may also create ethical issues, when trust is pushed to the limits in informal networks, such as corrupt investment schemes, with negative aims. In the next chapter, focusing mainly on wealthy elites, I will examine the elements that create materialised trust and how this functions as a form of 'material agency'.

4

Material agency: Strategies of distinction, social change and the impact of regulations on social practices and ethics

In Chapter 3, I described different types of dynamic extended agencies that are important in evaluating and interpreting the characteristics of an individual. These agencies are the basis for an individual's cultural, social, symbolic and economic capital, and hence the creation of mistrust or trust in their relationships. One of the most important agencies for the circulation of trust and mistrust is material agency.

What I call material agency is the external expression of taste and social values through material objects. Whereas some works on material culture focus on *objects*, in this study material agency is seen as an extension of a *person*, part of their global agency. Objects that act as extended agencies include clothes, bags, sunglasses, cars, food, drinks, holidays, events, sports and even networks (military, educational, managerial, etc.). As these choices are very personal, they help private bankers – and their clients – to evaluate the type of person they are working with and to interpret his or her past, current or likely future behaviour. The circulation of trust is very much based on material agency, since this often reflects more than just fashion or style – it reflects the values of a person, their company and his or her network, serves as an indicator of trustworthiness, and helps to position the person within a specific social field. Material agency is important to bankers, third-party specialists and clients alike. During a training session in negotiation skills that I attended in London, *Galina*, a Russian banker working in France, told me:

> *Tu regardes un banquier et tu sais ce qu'il vend et quels sont ses clients.*
>
> (When you look at a private banker, you know what he sells and who his clients are.)

Material agencies in this context include clothing, accessories, hairstyle and, in

the case of women, make-up or nail style, which are expressions of personal culture and values, and symbols of a person's cultural and social identity.

In order to control this aspect of their employees' extended agency, some private banks have a compulsory dress code at work. While working for a Swiss bank of Slovak origin, Robert (see Chapter 2) always used to wear fancy, colourful shirts and casual trousers. He came across as a bit of a show-off, which was typical for that institution and seemed to work with clients, 'friends' and partners of the bank. When he moved to a big Swiss bank, however, he had to change how he dressed, since the new bank encouraged its employees to wear only clothes in the colours of the bank's logo. This bank favoured a discreet, uniform, 'trustworthy' style, preferring to stress a common identity rather than a personal one. In this instance, material agency, in the form of a defined dress code, was being used to mark out those included within the bank's 'radius of trust'. More recently, the replacement of face-to-face meetings by web conferences and video calls due to Covid-19 has required companies and individuals to deploy new kinds of material agency – backgrounds, home set-up, etc. – in order to present their identity and project their message to clients.

A banker's professional focus and preferences can be also discerned through performance analysis. One team manager, Paul, told me that he could recognise the personality of a banker based on his 'figures' – the earnings generated by a banker from brokerage (fees for purchase and sale of securities and foreign exchange transactions), discretionary management, advisory services, custody fees and so on. When there is much more brokerage, the person is an 'advisory' type of banker, often in contact with his or her clients. When there are more discretionary mandates, the banker is delegating a lot of decisions to asset managers and is probably in less frequent contact with clients. The Excel sheet detailing the revenues generated by a banker is part of his or her economic and symbolic capital and influences how he or she is seen within the organisation. A portfolio of clients with bigger regular fees creates more trust within the bank, if profitable, as it is a more predictable revenue stream.

As mentioned in Chapter 1, researchers in the field of social studies of finance and technology, such as Donald MacKenzie, argue that economic agents must be analysed in their full materiality. I view private bankers as economic actors who are embedded in their own personal characteristics, as well as in institutions,

relationships and groups, and who act in combination with their market devices: internal trading tools, Excel sheets for performance analysis and technical tools for communication with their clients and partners. All these agencies combine to create internal trust, within the bank, and external trust, from client to banker, although these two kinds of trust are created in slightly different ways.

In this chapter, I will look particularly at the *function* of material agencies and their *evolution over time*. First, I will describe the ways in which materialised trust circulates, identifying the main elements involved in the creation of materialised trust and mistrust (events, activities, objects, etc.) and analysing their role in the construction of a person's cultural, symbolic, social and economic capital. I will also discuss the role of representation, exchange and influence in the maintenance of networks, showing that the creation of materialised trust through material agency is important for the overall trust relationship and, hence, the *cooperation* and *transactions* in private banking and wealthy elite businesses. Next, I will look at the connection between ethics and materialised trust, the perception of agencies through conscious and unconscious filters, the interplay between visible and invisible material agency, and how attitudes to what constitutes 'clean' and 'dirty' practice have changed within the sector in recent years. Finally, I will briefly discuss the circulation of trust and mistrust among CEE political and economic elites, focusing on the issues of reciprocity, exchange and corruption.

Throughout the chapter, I will highlight the social changes that have taken place since the beginning of the financial crisis and assess the impact that those changes have had on day-to-day activities. One such change is the trend towards dematerialisation of trust, which has accelerated during the coronavirus pandemic. The year 2020 was disruptive for the wealth management industry, as the pandemic prevented bankers from travelling and had a significant impact on how they go about their daily business.

Trust flows and material agencies

There are several elements and resources that come together to create materialised trust or mistrust in private banking. The most basic of these are

events, activities and objects, all of which help *social agents* to show their *distinction* within specific domains and social fields, and in accordance with their *social groups.* Through these agencies, the individual and social identity of the agents is expressed and confirmed, and a *doxa* is created, enabling trust and mistrust to circulate in what I call 'flows' – spirals of trust and mistrust creation within a circle of people. The objects (or objectified actions, such as events) creating these flows may differ, but the effects of material agency and the process whereby materialised trust is created remain the same. In private banking, these flows of materialised trust and mistrust take place mainly within the population of private bankers, between private bankers and third parties, among clients and wealthy individuals, and between clients and bankers. The characteristics and doxas of these different social fields vary slightly, but they are interconnected. For example, having a low golf handicap can represent symbolic capital in a number of different groups.

As I indicated in Chapter 2, trust between bankers is one of the key parameters for effective cooperation. There are several dynamic extended agencies that private bankers use to evaluate and interpret the behaviour of their colleagues. Material agency is one of the most important of these, as it is easily visible and can impact on a banker's own trust capital (for example, if he introduces another banker to a client and that banker leaves a bad impression). For this reason, private bankers need to feel comfortable in their mutual relationships and to have trust in their peers before the introductions or recommendations that are central to the business of private banking can take place. This trust is created and managed on a daily basis. The main forums for trust creation are company events, daily conversations in the office, and, ultimately, joint meetings with clients. In 2020, much of this interaction moved into the digital space, where it is likely to remain in the longer term.

Another trust flow is between private bankers and the third parties with whom they cooperate: fiduciary officers, lawyers, agents, asset managers and so on. I call them 'front officers', meaning people who communicate directly with clients. In other banking functions, such as those that take place in the middle or back office, materialised trust is transmitted to bankers in different forms, notably information about transactions and reports. These reports become a material agency of bankers and banks, too, when they are passed to clients. In 2020,

Henri, an external asset manager whom I have known for more than 10 years, complained to me about a bank he had been working with:

> The tax offices are mainly interested in the clients' reporting and the reconciliation of figures with official reports received from private banks, where is written, 'On 1 January the client had this, on 31.12 this amount of money. How much were the dividends, coupons and capital gain to tax? Were they taxed?' For example, X bank mixed up currencies and counted them in as euros. The clients had hundreds of millions of 'nearly' gains, and the tax offices were getting crazy. Now, three of my clients have a tax audit. All of them have had it already. The last year, when the exchange of information started, was the worst.

In this case, an incorrect report from a private bank that was sent to the client's country of domicile created a lot of mistrust among the local tax authorities, which responded by auditing the client. As there was high staff turnover among bankers at X bank, no one was checking whether reports were correct. The lack of quality control was allowing errors to slip through and giving rise to mistrust.

Another type of trust circle involves clients, prospects, other wealthy individuals, business partners, family and acquaintances. These circles are important, as they enable wealthy individuals to create the private and business networks that are essential to their success. For bankers, it is important to observe the extended networks of wealthy individuals in order to build up a global picture of their clients. This enables them to assess a client's trustworthiness, to better understand his or her character, and to anticipate the client's potential business needs. Contact with these networks can also bring more prospects for the banker, by introducing them to possible new clients. Conversely, if the client's relationships are of poor quality, they can be a source of mistrust.

The most important trust flow for private banking is that between bankers and their clients. How do bankers win a client's trust? How do clients earn a banker's trust? How do material agencies help to create a trust relationship on both sides? This relationship starts to be constructed at the very first meeting and continues to evolve over time, supported by various extended agencies. The material agencies that I identified in my fieldwork include sport, glamour, private events, travel and military service. In this chapter, I will look at how trust is created, or

diluted, by participants in these events or activities; how those taking part express *distinctions* in relation to others; what types of capital these agencies are based on or create; and how they influence business structure as a whole. The focus will be on Swiss banks and bankers and on wealthy European elites, specifically elites in central and eastern Europe and Russia. Another aspect of material agency, the market and communication devices that bankers use, will be examined in Chapter 5.

One of the unexpected findings from my interviews with Swiss bankers and bank employees concerned the historical importance of the Swiss army for the structure and hierarchy of Swiss private banks, especially the biggest ones, such as UBS. Urs – not a bank employee but a private equity professional and military officer – stated that everyone who went through officer school had a similar background and values: 'strong values'. 'In university', he observed, 'I immediately hung out with officers, it made it somehow easier.' Urs told me that, before 2000, a military and a bank career went hand in hand. His hypothesis was that skills acquired in the military, such as how to communicate effectively, were more useful and valued at that time, before the advent of IT. The situation was now very different:

> Nowadays, in 2020, the absence that military training requires is seen badly in companies. You aren't working on any business deal while you are there. The people and environment have got more international, your German boss would not understand it. They don't value leadership of people so much. The leadership is different. Really, with the IT, the organisational set-up is different, you have these emails. In the military, you have all these people out in the cold, it is not an easy kind of leadership. Now leadership can be misunderstood.

I asked Urs what values were most important in the army (and, hence, in banking organisations in the past). He highlighted the conservative approach, the feeling that you can depend on one another:

> It is like the main thing – a bit more disciplined, less lazy, sportier, quite meritocratic. It is like a separate world. You have to be physically fit, with a personality that equips you to lead. Intelligence. You cannot be off. It is quite a meritocratic world, where you can succeed. You know,

> there was a guy who was on drugs when he arrived, and he finished ETH [a top Swiss university]. Now, it is a bit of an issue to recruit people.

According to Urs, the 'newer networks' were more university based, school based (he mentioned HSG, an elite school in St Gallen) or sport based (e.g. rowing).

Lavros, a manager at Credit Suisse whom I interviewed in 2020, said that he was told by his parents, 'If you want to do a career in a bank, you have to do a career in the military first!' His grandfather was in the army as well. According to Lavros, this was true in the past, but the situation started to change as early as 1995. Swiss men have to spend at least four weeks a year in the military until they reach a certain age, and employers were finding it increasingly difficult to cover for their absences. Lavros observed:

> The SBG [Schweizerische Bankgesellschaft, since 1998 part of UBS AG Bank], was the bank organised in the most military manner. As the banks were running after size, American banks like First Boston were bought, and they brought a different culture. The army has lost a lot of importance since the fall of the Iron Curtain. There are still relationships, among people about 60 to 65 years old, in important roles. The internationalisation of the business, the investment banking culture, led the change. Especially since 2000, it has lost importance. What remains is the '*Zunft* network'! They are economically and politically bourgeois. Women are still not allowed to enter them, by the way! My clients are very proud to be part of them. It is only possible to inherit a place in *Zunft*. People who do not have kids can choose an external person who has the right qualifications – ideally, someone who is wealthy, with between CHF 1 million and CHF 10 million, and sporty, with the right values, network, manners, education. They are entrepreneurs. They help each other, even in the banking industry. It is a very discreet network.

Zünfte, or guilds, are in fact a closed network of professionals, historically made up of members of the nobility, tradesmen, lawyers, merchants and so on.

The subject of military networks, as well as other types of networks, also came up in my conversation with Mathias, an operational manager at one of the major

Swiss private banks and a young father. When he started to work at the bank in 2007, people used to ask him what his military rank was, but that no longer happens. According to Mathias, the culture at the bank has become more entrepreneurial, and people have more opportunities regardless of their gender or colour. Mathias's bank is more 'American' than UBS, where management was traditionally more top down and everything was defined hierarchically. Mathias told me that the image of the old Swiss banker was of someone who could be trusted: 'My grandma and grandpa trusted bankers, they had a boring image. Like auditors today.' He noted that the culture can be different in cantonal banks:

> People are engaged in banks, but also in local politics. At my bank, we meet city representatives twice a year to ask for their views. They are also our stakeholders. Currently, *Zunft* networks are more important than military networks. International elite schools for kids, like Le Rosey, are the most important, I think, then *Zünfte* and later universities. People get acquainted through leisure activities. I am not involved in any of those. There is no glass ceiling.

Events and activities create space for distinctions, rituals and leisure, as Bourdieu and Veblen understood. They contain symbolic power, as seen in myths, linguistic expressions, art and science. Catherine Bell, echoing Bourdieu, complains that the study of ritual suffers from its uncritical acceptance that ritual behaviour is distinct from other forms of human behaviour, and from its failure to pay sufficient attention to the political and 'strategic' processes that cause practitioners and observers alike to recognise (or misrecognise) ritual as distinct from other activity:

> Beyond the tendency of symbolic understanding of rituals, it would be more appropriate to focus on ritual as a 'strategic' and 'manipulative and expedient' practice in a socio-political and interpersonal context' (Bell 1992, cited in Son 2014: 21).

Timothy Son adds, 'During ritual practices, the actions that define or give shape to particular ritual movement highlight certain social values or networks of intricate relationships and sublimate others.' (Son 2014: 21). With this critique in mind, I will analyse the events and activities engaged in by private bankers and wealthy elites as examples of ritual practices in which symbols play a socio-

political role.

The first practice, sport (both passive and active), has historically been an important part of the social environment in private banking, allowing communities and relationships to be created and expressed around shared activities and values. An individual's choice of sport depends on a number of factors: environment, background, personal and physical preferences, and the social fields in which one operates. Various parameters define which sports are 'in' for different types of private banks and bankers, and which constitute an acceptable environment for the circulation of trust for different types of wealthy elites. For example, some elites may be interested in Formula One, while others may prefer vintage car racing. The sports around which these events are organised tend to be demanding in terms of time and money and rich in history, making them a privileged activity for the wealthier class, who have the time and interest to participate. They are thus a manifestation of what Veblen terms 'conspicuous leisure' (see Chapter 1). Swiss private banks compete to organise opulent but tasteful events around sports such as golf, rugby, vintage car racing, snow polo, horse racing, Formula One and Formula E, depending on their focus and resources. These events reflect global values or are locally adapted to project an image of 'smartness' and elite tradition, like chess in Russia or bridge in France.

In his book *Distinction* (1984), Bourdieu describes how the privileged class is 'guided by the horror of vulgar crowds which always leads them elsewhere, higher, further, to new experiences and virgin spaces, exclusively and firstly theirs, and also by the sense of legitimacy of practices, which is a function of their distributional value'. He continues:

> All the features which appeal to the dominant taste are combined in sports, such as golf, tennis, sailing, riding (or show-jumping), skiing (especially its most distinctive forms, such as cross-country) or fencing. Practiced in exclusive places (private clubs), at the time one chooses, alone or with chosen partners (features which contrast with collective discipline, obligatory rhythms and imposed effort of team sports) […]. (Bourdieu, 1984: 214).

For Bourdieu, the economic barriers

> are not sufficient to explain the class distribution of these activities. There are more hidden entry requirements, such as family tradition and early training, or the obligatory manner (of dress and behaviour), and socializing techniques, which keep these sports closed to the working class and upward mobile individuals from the middle or upper classes and which maintain them (along with smart parlour games like chess and especially bridge) among the surest indicators of bourgeois pedigree. (Bourdieu 1984: 214)

Most of the sports listed by Bourdieu (golf, tennis, sailing, skiing, etc.) are still sports with which private banks and wealthy elites are keen to associate themselves today.

For decades, in CEE, golf has been considered 'the' sport of elites, and events around golf have been organised by many private banks. Golf is an expensive sport and one that requires a lot of time, both for practice and for the game itself. It is therefore associated with the 'leisure class' (Veblen) of entrepreneurs, the independently wealthy and top managers, who can afford to dedicate money and time to the sport and socialise around it.

The origins of the modern game are usually traced to 15th-century Scotland. Mary, Queen of Scots, reportedly played golf in 1567. Her son James VI and I, who ascended the English throne in 1603, was also a devotee of the game (International Golf Federation 2014). From Britain, golf spread to North America. According to the International Golf Federation (IGF), the first known reference to golf in what is now the United States comes from 1729, when clubs were 'recorded in the estate of William Burnet, the Governor of Massachusetts' (International Golf Federation 2014). These historical associations point to the exclusive, elite character of the sport and have value as symbolic capital.

The first golf courses were built in CEE at the beginning of the 20th century. In Hungary, the first tournament took place in 1909 (Hungarian Golf Federation 2014). In Slovakia, the first golf course appeared in 1914, in the town of Piešťany. In the Czech Republic, there were three courses built between the two world wars, one in Karlovy Vary, one in Mariánské Lázně and one in Prague (Spa Golf Club 2014). In the '30s, the golf course in Piešťany hosted international

tournaments 'with players from England, Germany, Scandinavia and USA' (Spa Golf Club 2014). At the time, golf was already a sport for the elite: members of the aristocracy, wealthy entrepreneurs, politicians, bankers and army officers. These groups, drawn from the economic, political and military domains, correspond to what C. Wright Mills, in his writings on power structures in the United States, terms the 'power elite', whose domination of the 'higher circles' has enabled the centralisation of power and information (Mills 1956; see Chapter 1).

Because of its reputation as an exclusive sport, golf was frowned on during the communist period. For decades, the sport was banned as a symbol of capitalism, but since the fall of communism it has expanded rapidly in central and eastern

Figure 18: Use of golf as a status symbol in private banking advertising

Source: Yapi Kredi Private Banking (2011)

Europe (Golf Today 2012). Wealthy people from the region have rushed to join the international golf-playing community. Although some have a genuine passion for the sport, others play because they see it as an opportunity to network and think that it will help them to meet influential people in a relaxed and private setting.

Today golf is an important status symbol for worldwide elites. A number of private banks have used the sport in their advertising (see Figure 18). In recent years, however, the introduction of new measures such as the common reporting standard (CRS) for exchange of information and increased pressure on bankers to enhance their technical skills have left financial professionals with less time to

socialise around such events. The importance of golf for wealthy elites has also started to decrease, as there is now a greater focus on work and improving companies' results.

At the start of my private banking career, I got to know some senior private bankers who had excellent handicaps and spent hours with their clients on the golf course. For example, *Giovanni*, one of the top private bankers and managers working with South American clients in the early 2000s, built part of his reputation in the bank around his ability as a golfer. It was work, but he was also passionate about the sport, which was played by his whole family. At a golf tournament organised by the bank, he told me that he had met one of his biggest clients on the golf course, and this became the basis for a long-term professional bond. Giovanni's low handicap and big clients were his symbolic capital in the bank – symbolic capital that he was subsequently able to transform into economic capital.

Participation in the game of golf has become a part of one's status, an extended agency of a particular group of wealthy people and bankers. Within certain networks of the wealthy, the ability to play golf is interpreted as proof of membership of the group. Based on their common interest in the sport, potential business partners can forge relationships and start to build trust. For wealthy people in CEE, playing golf has also been a way of re-establishing ties with international elites, which had been cut during the communist period. Golf has thus become a part of elites' extended material agency, and a basis for materialised trust.

Through my work as a private banker, I have had the opportunity to take part in a couple of exclusive golf events. At each event, there was a mix of international private banking clients and private banking top management. Everything was extremely well organised, the atmosphere was good, and both bankers and clients enjoyed the events. For clients, it was the sort of experience that money cannot buy. Clients from different countries were able to get to know one another and were happy to feel that they belonged 'in the club'. From the clients' perspective, this added to the symbolic capital of the bank and its bankers. From the bankers' point of view, the events were an excellent opportunity to deepen their relationship with clients, as there was time to talk and practise the sport together. However, after both events, I heard some critical comments from

management on the behaviour of the clients present, as compared with other 'top clients'. In this case, there was a mismatch between the habitus and culture of the bank's management and those of its clients. Golf may be a good basis for the creation of symbolic capital and international connections, but if its potential for relationship building is to be exploited fully it must be embedded in total habitus and cultural capital. The sport is just one of many forms of extended agency that 'qualify the individual' for the trust of international wealthy and banking elites.

In CEE, golf courses were hit hard by the financial crisis, as business owners and managers returned to work in order to protect their wealth and their companies' profitability. Some clients who played the game primarily for social reasons told me that it was too demanding and not a productive use of their time. They preferred their 'old' sports, which were less time consuming and more in tune with their personality.

Running, along with cycling and swimming, has emerged as a popular 'group' sport and a way of building trust within private banking circles. As it is less glamorous than golf, private banks do not generally use running events as a way of bringing together clients, but it has been taken up by small groups of wealthy individuals and some bankers in CEE. For example, it is relatively common knowledge that a main partner in one of the big financial groups in the Czech Republic runs regularly. Jaro, a senior employee at the group, used to run with this man relatively often. One source told me, 'You see, it is obvious; he is doing all this running only to be promoted.' Jaro got very close to the main partner as a result. However, when a scandal was uncovered in the group, he was one of the first to be scapegoated because he was involved with one of the controversial companies owned by the group. Sometimes, when there is too much trust within a group, it can lead to apparently irrational decisions.

Another wealthy individual from the same country said to me once:

> You know, my son owns a shop with top running accessories. He is in regular contact with all these big guys from financial groups and even runs with them.

The dynamic extended agency of a sport like running can enable individuals to become part of a network, in which members' habits and practices are shaped by those of its leaders. Running together creates shared moments, improving the

interpersonal relationship between members of the group and adding to an individual's social capital. This can subsequently be transformed into economic capital, as in the example just cited. However, where things go wrong, as in Jaro's case, it can be converted into negative symbolic capital, with individuals being judged guilty by association.

Another leisure activity that brings together wealthy people, though in a more private setting, is bridge. I was not aware of this fact until one of my clients, *Czcibor*, who was on the Polish bridge team many years ago, brought it to my attention. He told me that Warren Buffett and his wife, as well as Bill Gates, often played in tournaments, including in Switzerland, and that they had recently attended one in Lugano. Further details are provided by the webpage Bridgebum, which states:

> As a child, Bill Gates learned bridge from his parents. However, he got addicted to bridge through Warren Buffett in the late 1990s; the two now play regularly on OKbridge and in ACBL tournaments. Gates has a reputation as an enthusiastic learner, studying and playing with professionals like Fred Gitelman to refine his game. He has also been tutored by Sharon Osberg, who is a 2-time world champion and Warren Buffett's regular bridge partner. (Bridgebum 2014)

In the example of Bill Gates, we see a combination of two trust elements: a family background linked to this historically rather elitist game and a sporting passion shared with a key business partner. Gates and Buffett have constructed common cultural capital by using their intellectual resources to learn the game and create a set of shared practices. In general, if a wealthy person says that he or she plays bridge, this extended agency forms part of his or her symbolic capital, placing them in a particular 'class' and serving to enhance their relationships. Bridge playing thus exemplifies one of the characteristics of elite activity, as identified by Bourdieu (1984: 2014).

High-end skiing is a popular activity among wealthy people from western Europe, CEE and Russia. It is particularly associated with exclusive resorts such as Courchevel in France, Davos in Switzerland and Kitzbühel in Austria. Wealthy elites meet here, buying or renting apartments at high prices and creating a kind of 'extended community', where they ski in the winter and walk in the mountains

or play golf in the summertime. These are places where wealthy people can meet in safety, improve their networks and create trust just by 'being there' together. When my friend *Eduard* was also a potential client, he often organised skiing or yachting trips for his friends. Once he said to me, '*Podme na lyze, na Semering, podebatime, dame lyzovacku.*' (Come skiing in Semering, we will discuss, ski.) I did not go, as I preferred to spend my holidays with old friends and family. However, by missing such events, I also missed opportunities to create better trust relationships with potential clients.

During the Covid-19 pandemic, we have witnessed a new phenomenon: the departure of wealthy central European elites for places such as Mallorca and other parts of Spain, Portugal and Croatia. As children were being home-schooled and parents were working remotely, whole families were able to leave during the lockdowns. Some groups of friends took out long-term rentals on apartments in the same area so that they could socialise and take part in sporting activities together.

Sharing an interest in a particular sport is part of an elite's habitus, a demonstration of its values and culture. It can also be a display of symbolic domination, enabled by financial resources. This is particularly true of the sport of showjumping. Many of today's young riders from CEE are the children of entrepreneurs who made their money after 1989. To compete in top-level showjumping, a rider needs a very good horse, which is expensive. It is also not easy to find sponsorship, as the risk of the horse having an accident is high. The fact that showjumping competitions are relatively long events, lasting several days, is an advantage for elite participants and spectators, as it gives them time to socialise and create relationships. In this case, the economic capital of wealthy parents is reconverted into social, symbolic and cultural capital for their children. By taking part in these events, young riders not only learn the skills that they need to perform successfully, which have both symbolic and real economic value (as prizes) in the field of showjumping, but also get to meet other people from a similar social background. In his 'social space' chart (see Figure 4 above), Bourdieu lists horse-riding among the activities with both the highest economic capital and the highest total capital volume. The horses themselves represent a form of materialised trust, embodying values of competitiveness, beauty and courage.

Showjumping requires a combination of skills, endurance, knowledge and capital. One of the most internationally successful riders from CEE is Anna Kellnerová, a daughter of the Czech billionaire Petr Kellner. Recently he purchased for her a horse that Bill Gates wished to buy for USD 8 million to buy for his daughter Jennifer, who is around same age and is also a well-known showjumper (DB 2018; Business Insider 2020). Ms Gates herself is engaged to a professional Egyptian equestrian, Nayel Nassar, Chicago born, who attended Stanford with her and whose family owns an architectural firm in Kuwait (CNN 2020).

After the end of the communist period, CEE elites sought to adopt many of the practices associated with wealthy 'Western' elites. They started to socialise, compete and fall in love within an international field, based on sports and attendance at elite universities.[11] Sending their children to elite schools is another way for wealthy people to participate in the culture of the global elite and to enhance their family's status. Many children from wealthy families in Russia, central and eastern Europe, the Middle East, Asia and elsewhere attend private schools in Switzerland or England. In this way, the internationalisation of elite education has made it possible for post-communist elites in central and eastern Europe to convert their economic capital into cultural, symbolic and social capital for their children. The boarding schools also prepare their pupils very well for admission to elite universities.

Switzerland is home to many exclusive boarding schools for wealthy elites. They include Brillantmont International School in Lausanne, Institut Montana Zugerberg in Zug, Le Rosey, Aiglon College, St George's International School, Collège Alpin International Beau Soleil and Leysin American School in Vaud, Collège du Léman International School in Geneva and Institut auf dem Rosenberg in St Gallen. The education of children can be part of the discussion between bankers and their clients, and bankers sometimes pay the invoices for the children of clients who are attending schools abroad. International schools have also been established in CEE countries themselves, with fees that are prohibitive for middle-class families. They are therefore spaces or fields for local

[11] On the role of elite universities, see, for example, Caitlin Zaloom's recent study *Indebted* (2019). Zaloom focuses on the issue of college affordability in the United States and the struggle being waged by the American middle class to retain its middle-class status.

elites to express their status through their children and to integrate them into elite networks.

One leisure activity that has become popular in elite circles in central Europe is hunting. In my experience, hunting circles of trust are usually relatively small, involving between five and 15 individuals, but their members tend to be drawn from top management and big financial companies. Jaro (see above) was an enthusiastic hunter. He started to hunt with his circle of professional colleagues and partners, and developed an enduring passion for the sport. In 2018, he was about to lose a deal worth several million euros when the decision maker, the seller, discovered Jaro's love of hunting. He was a hunter himself. At one point in the negotiation, they started to discuss hunting. It proved to be a turning point. In the end, the seller made a deal with Jaro's company. The fact that Jaro was a fellow hunter convinced the seller that he could trust him and that Jaro was the right person for him to do business with. According to Jaro, it provided the seller with an indication of the values that he could one expect from him: trustworthiness, courage and care. In this case, Jaro's 'distinction' was actionable and was able to be transformed directly into economic capital.

Hunting has a long history in central and eastern Europe, including in the areas that now make up the Czech and Slovak Republics. Written records from the 14th century 'describe the hunting activities of [Emperor] Charles IV […] as well as various regulations and management practices' (Newman 1979: 156). Historically, hunting was seen as an elite activity. During the communist period, between 1968 and 1989, members of the Slovak hunting association who were politically opposed to the regime were forbidden from holding hunting licences. In 1990, in Bratislava, a newly elected committee agreed to rehabilitate all members excluded after 1968 (Newman 1979: 156). Under communism, the field of hunting was a social space in which political elites sought to defend their power position and express their symbolic dominance by excluding those opposed to their rule. By barring political opponents from the hunting association, they were excluding them from the power elite's circles of trust. Since 1989, the region's new economic elites have also used membership of hunting circles as a way of expressing their symbolic domination, though more subtly and with a focus on socialising.

Sports such as tennis, cycling and swimming are also popular with wealthy

elites. Like the other sports that I have described, their relative importance as sources of capital can be shown by including them in a version of Bourdieu's 'social space' chart.

Another category of events that are used to create trust and mistrust within networks are what I call 'glamour events': special gatherings held on either a yearly or a one-off basis. These occasions, which include events such as the Cannes international film festival and the Geneva motor show, provide wealthy people with a social space to show off their status and to mix with other types of elites – in culture, fashion and so on – who have qualified to be there through success and the accumulation of capital in their own fields of interest and power. Private banks invite some of their clients to such events to give them an opportunity to mix with, or at least catch sight of, celebrities from different backgrounds.

One of the most prestigious events that I have been able to attend with clients is the Cannes film festival. Tickets to attend screenings at the festival are not generally available for purchase: an individual has to be invited, based on their relationships (social capital), their wealth (economic capital) or their leading position within a particular field (symbolic capital). Banks usually invite only their wealthiest and most important clients to this event, although individual bankers may also invite clients with whom they wish to spend some time in an informal setting.

Walking up the red carpet in Cannes to attend the premiere of a film presented by the lead actors in person is a *ritual* for the film industry. For members of the central European business elite, who are outsiders to the industry, it is a highly prized opportunity to increase their cultural and symbolic capital by being seen in the company of celebrities.[12] For bankers, attending such events can increase or decrease the trust between themselves and clients, as they and their clients get to know one other better in a different environment. Moreover, if the clients or prospects whom a banker invites to events do not fit in there socially or do not prove as lucrative for the bank as was expected, the bank's trust in the banker's ability to choose the right candidates for such events will decrease. Several bankers reported to me that they now prefer not to go to events with clients, as

[12] For example, when my clients and I were at the Cannes film festival, we attended a dinner where the American actor Leonardo DiCaprio also happened to be present.

follow-up has become stricter and they are required to demonstrate that they have brought in new net money. Since the financial crisis, interest in such events has also declined among clients. In 2014, one big banking prospect wrote to me, 'The world is so full of business opportunities right now! Events are the last thing on my list!' This trend has accelerated during the Covid-19 pandemic, with most physical events being cancelled, although in some cases they have been replaced by digital events. I will discuss the effects of this change in more detail in Chapter 5.

Private events organised by private bankers and clients play an important role in the creation of trust and mistrust between the two groups, as they are generally moments of shared joy and celebration. Their function is thus similar to that of the potlatch. Such events include weddings, birthday parties, other kinds of festivities, and shared holidays or trips abroad. In the past, it was not unusual for private bankers to invite some of their clients, or for clients to invite their bankers, to such events, although practice varied considerably from region to region within RCEE. For both sides, these are moments to show respect, to share their culture and to show off their economic and symbolic capital, as well as to legitimate their status. Very occasionally, bankers receive invitations that they have to politely refuse, without damaging the business relationship with the client. One banker told me a story about his colleague, a senior banker working in the Russian market. An important client invited this banker to a private party in Moscow, which turned out to be a very special party. The banker stayed for a while and then left. Invitations of this kind can either reinforce trust between client and banker, if both of them are happy to spend time together at such events, or decrease trust, if the banker does not appreciate the invitation.

Travelling is one important way in which high net worth individuals create trust relationships among themselves and with their bankers. In part, this occurs through narration of one's travel experiences or shared travels. Being able to talk about common destinations visited in the past helps to create a trust relationship and circles of trust, because it enables people to feel that they share the same space and are part of similar 'communities', with a particular social status. Indirectly, it expresses a kind of symbolic domination, as many of these destinations are places that most people could not afford to visit. Travel is thus part of an actor's extended agency, placing him or her on a particular world

'stage'.[13] Communication about these shared travel experiences occurs in discussions and on social networking platforms (e.g. holiday pictures). *Vladimir*, one of my wealthy contacts from Slovakia, loves to mention his regular stays in the Seychelles and his trips to Africa or Bali. Another contact, *Janek*, from Poland, frequently visits exotic places like Singapore, Bali and the Maldives, and enjoys sharing details of his travels (often including a lot of 'selfies') on Facebook. The destinations that they choose are relatively expensive and not accessible to the majority of the population.

Circles of wealthy individuals also create trust or mistrust relationships by travelling together. Peter, a successful company owner and one of the contacts I have known for a very long time, used to go on trips to the same or similar destinations (Switzerland, Portugal or Scotland) with particular friends and business partners every year. These trips were a time to renew or maintain relationships in an informal way; they became part of the group's habitus. The focus was on eating, drinking, shopping, talking, laughing or attending certain events, such as sports competitions. The trips strengthened the participants' social capital and, in time, became the basis for both non-professional and business relationships.

As noted above, skiing, or staying at a ski resort, has traditionally been another shared experience for bankers and their clients. My husband and I once took a trip to a chic ski resort in Courchevel, France, to spend New Year's Eve with our friends. A Russian client of mine also happened to be spending the holidays there. We took the opportunity to get to know him and his family better. We had champagne, ate a lot and gave Russian 'toasts', taking advantage of the informal setting to strengthen our relationship. However, bankers who go on holiday with clients may also face disapproval from their colleagues. One of the bankers I interviewed, Robert, told me the following story:

> My uncle called me on Friday, to tell me to come to Davos to ski with him and some friends. He told me, 'Come, at least for one or two days, you will see they are nice and could really be good new clients of yours.' So I went, and I announced at the very last moment at work

[13] See the discussion of social interaction as performance (Goffman) in Chapter 1.

> that I was going to be away on Monday. And they were so annoyed! I am going there to get new clients! I should not even have to take a day of holiday for that!

As the focus of banking has shifted towards professional expertise, travelling with clients has become much less common for many bankers.

Private banks expect bankers to create trust with their clients through joint activities, such as shared meals, but since the financial crisis bankers have had less and less time to do this. In 2020, the Covid-19 pandemic made it virtually impossible. Under the compliance policies of many banks, a banker who takes part in an activity where some of the services used are paid for by the client is regarded as having received a gift from the client. There are regulations strictly prohibiting such practices in internal bank instructions.

The material agency of *objects* plays an even more important role in the construction of trust between bankers and clients and among wealthy elites. The objects used by the wealthy become their extended agencies, helping others to understand them. They are an expression of their culture, values and habitus, symbols of their identity and expressions of their cultural, economic and symbolic capital. Each object becomes part of an individual, either consciously or unconsciously, and can be perceived positively or negatively by others. The most significant objects for wealthy individuals are cars, watches, boats, lifestyle objects, ‘cards’, clothing, presents and interiors. Less important objects include pens, bags, scarves, houses and alcohol, although most of these can be seen as falling into the clothing or lifestyle categories.

In the past, horses were signs of princely status. For many members of the wealthy elite, the transport vehicle is still a sign of status and is of the highest importance. Cars, boats and airplanes are part of an individual's extended agency, with a significant impact on business and the way in which trust circulates among the wealthy.

Ladislav (see Chapter 3) is an experienced banking dealmaker and company co-owner from Slovakia, with a background in real estate and private banking. In business, he acts as a ‘hunter’, so he does not manage clients on an everyday basis. He is in his early 40s and married. In the past, he acted as an agent, introducing clients to international private banks. On one occasion several years

ago, during a snowy drive outside the Slovak capital to see a client, he complained to me:

> You know, these people in Central Slovakia are completely different from the ones in Bratislava. It's an absolute must to have a big car and a driver. If you come to see them in a big car, with a driver, they are completely impressed by this. Completely. There is one [client], a very difficult [one], always playing at something. I promise you, one day I'll take a helicopter and land on his courtyard. I'll do that once. Then he will have had enough.

Ladislav's comments illustrate the importance of the mutual perception of material agency, both within groups of private bankers and between bankers and clients, for the circulation of mistrust and trust. Different groups of wealthy people in different regions may have very different views on objects, based on their values, habitus and cultural background. In the autumn of 2012, I was travelling on a 'wine road' in Pezinok, Slovakia, with a group of friends. One of them, *Anton*, works as a legal and accountancy advisor for wealthy individuals in Slovakia. We were discussing the way to do business with them when he told me, 'Can you imagine, I have a friend who had to buy a new car to look more serious, so that she can go to see clients.' The perception of objects is dynamic and can evolve in the same field over time. Historically, wealthy individuals from Central Europe liked nice cars: Porsches, Mercedes, Ferraris, Maseratis, but also Volvos. Married clients often had both smaller sports cars and larger family vehicles. Although many are clearly passionate about cars, car ownership is also about status and self-representation. In the early years of the financial crisis, *Miro,* who at that time was a manager for the private banking section of a big investment group, invited me for an aperitif. We went to Albino in Bratislava, a favourite place for wealthy individuals and businessmen to meet. I was working near Miro's office, and he suggested that we go there together. He told me on the phone, '*Pojdeme na Rolls-Royce'* (We are going by Rolls-Royce). The remark seemed strange, but I understood that Miro must be very proud of the car to have mentioned it. It felt somehow inappropriate to be travelling through the small city of Bratislava in such a large, opulent vehicle. Later, when the driver was taking me home, he told me

that in Slovakia there were only two Rolls-Royces, one of them owned by Boris Kollár, a local millionaire: 'Last time, he drove to the local opera ball in it, in a huge fur coat, driving himself. Well, it was really funny.' The driver was quite proud to have this information, but Kollár never officially confirmed that the Rolls-Royce was his car. When asked in an interview who owned the car, he started to laugh and said that it belonged to his brother. Then, more seriously, he added that at a time when people did not have enough to eat he would rather not talk about such sensitive topics (Čas.sk 2010). Kollár's reaction shows an awareness that wealthy individuals are judged by other members of the elite, and by the general public, in relation to the objects that they use. If objects are to generate trust, they must be used properly. Failure to use an object correctly within a specific cultural context can create mistrust, both in elite circles and among the general public. *Darko*, a wealthy contact of mine from ex-Yugoslavia, once told me:

> You know, I have several Ferraris. But I can rarely use them, as it is really not socially accepted in these countries. Here in Switzerland, nobody cares.

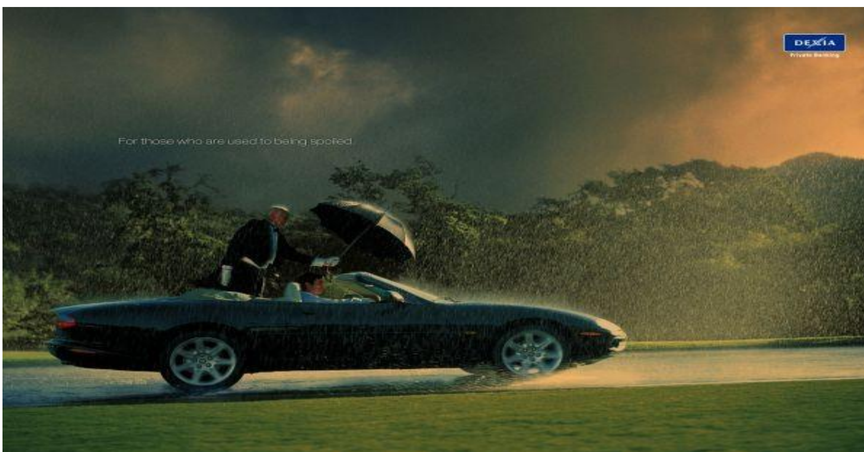
At the same time, owning an 'old-timer' and being knowledgeable about classic cars can add to an individual's cultural, economic and symbolic capital, and thus their total trust capital. Cars contribute to the way in which wealthy elites are perceived, and how they perceive themselves. They are used to complete the individual and to extend his agency. Historically, private banks have understood this and have used 'car talk' to create a relationship with clients, even inviting clients to different international car events. The photos in Figures 19 and 20, which are taken from advertisements for two different private banks, from 2002 and 2013, illustrate the way in which cars have been used to present banks' values and their services to clients. The image in Figure 19 represents a combination of values: classic style, sport, family and ingenuity.

Figure 19: Use of symbols in private banking advertising (1)

Source: Société Générale Private Banking 2013

The second image, for Dexia, emphasises the value of personalised service in helping people to overcome difficult times.

Figure 20: Use of symbols in private banking advertising (2)



Source: Dexia

Boats, too, are high-status objects in the world of private bankers and the wealthy elite. Before the crisis, owning a large boat was a visible sign that a banker was very wealthy and had a lavish lifestyle. Although many wealthy people in CEE eventually sell their boats, as they find that they do not spend enough time on them to justify the expenditure required, some of them develop a real passion for boating. They are able to express their values and culture through their choice of boat (a 'real' sailing boat, or a comfortable catamaran) and through the boat's name or interior style. Boating has also become a collective activity for wealthy elites; my interviews suggest that in recent years more and more wealthy individuals have been buying yachts and catamarans in groups of two to four people. By sharing costs and making a long-term joint commitment to boat ownership, individuals are able not only to display their economic and symbolic

capital, but to build trust with others in the group in pursuit of a shared passion.

Private banks understand that wealthy individuals perceive their own status as interconnected with the lavishness of their boats. In their commercials, they use boats to express the value of the personalised service that they provide. Figures 21 and 22 show photos from advertisements for Dexia, which was bought by the Belgian state in 2011 as part of the crisis bailout (Financial Times 2011), and OTP Bank. The image that they present is the same: private banks making the impossible possible for their clients and materialising their passions. In Goffman's terms, the photos depict a number of 'actors' – boats, servants and wealthy individuals – with the bank in the role of servant to its wealthy clients.

Figure 21: Use of symbols in private banking advertising (3)

Source: Dexia 2002

Figure 22: Use of symbols in private banking advertising (4)

Source: OTP 2013

More recently, banks have tended to place less emphasis on exclusivity and the opulent presentation of wealth in their advertising, instead focusing on their expertise, the provision of digital services and services tailored specifically for women, and themes such as sustainability (see Figure 24). However, traditional symbols and values of cultural capital continue to be used, as is clear from Figure 23.

Figure 23: Use of symbols in private banking advertising (5)

Source: LGT 2021

Figure 24: Use of symbols in private banking advertising (6)

Source: Lombard Odier 2013

Another object that is used to materialise trust, and therefore as part of a person's extended agency in private banking, is the private jet. However, jets, like boats, can easily be transformed from objects of trust into objects that circulate mistrust.

In private banking, a client who has a private jet is generally perceived in a positive light, as they are likely to fall into the category of ultra-high net worth individuals. Some agents and business networkers use the fact that a client owns a jet as a part of their discourse in order to emphasise the client's 'potential' and to make them appear more trustworthy in the eyes of the bank. Karol is a lawyer of Bulgarian origin who acts as a confidant and agent for some clients. When introducing one of his contacts to me, he declared proudly, 'They are very wealthy. When she flies into Geneva, it is always on a private jet.' Clients also like to refer to their jets, which they see as symbols of their freedom of movement and success.

During the 2009 crisis, private banks and jet financing subsidiaries suffered

greatly from bad loans taken out by Russian entrepreneurs to finance the purchase of planes. As a result, some of them barred individuals from financing jets or boats based only on nationality of the client. Financing requests connected to the client's nationality became a source of mistrust for bankers and a sign of potential financial problems. Thus, planes are objects that can contribute to a wealthy person's extended agency in both a positive and a negative way. In recent years, Swiss private banks have not used private aeroplanes or helicopters much in their advertising, as these vehicles are available only to ultra-high net worth individuals and are not relevant to the majority of their clients.

Other lifestyle objects that add to the human agency of wealthy elites and an individual's total capital include watches, cards, clothes and presents. For 'connoisseurs' who know the watch market well, an individual's choice of watch can be an indicator of culture, knowledge and wealth. In private banking, a watch can be one of the signs that help bankers to evaluate the character of a wealthy individual and their style of doing business. Consequently, it can become a vehicle of trust or mistrust.

For several years, Peter, Jaro and their friends took regular trips to Geneva, partly in order to go shopping for watches. This was a yearly ritual that the group used to cement their friendship and confirm their status. The friends spent hours together choosing watches and talking about their purchases. They also bought expensive presents for their partners, mostly bags and women's watches. However, things became a bit more complicated during the crisis – and not only for this group of friends. Some companies responded to the situation by offering wealthy individuals the chance to rent luxury watches on a long-term basis (Frank 2014).

Slawek, a successful entrepreneur and investor who likes to play bridge, is also a real watch specialist. One of his hobbies is watch trading, both as a passion and as a long-term investment. During one of our numerous conversations about watches, he said to me:

> All these Chinese people are now buying the latest Rolexes or similar makes. Soon there will be thousands of them. In a few years, they will not have any value. They do not understand anything about this business. But old Patek Philippe will only [become more valuable], as

it will be so rare.

Slawek's sophisticated tastes reflected his background: he came from a historically wealthy central European family of aristocratic origin and was well-educated. Although some of his wealth came from the software business, much of it was inherited. In both his investments and his lifestyle, he therefore tended to be rather conservative. As Slawek was the best watch specialist I knew, and very perceptive in general, I asked to conduct a short interview with him about the role of watches in the private banking business and their influence on the creation of trust and mistrust. The interview, which took place over lunch at an Italian restaurant called La Piazzetta in Zürich in 2014, is reproduced below:

> Slawek: So, what would you like to know about watches?
>
> Lucia: You are a big watch specialist. Do you have a look at people's watches? Do you make a judgement on their personalities based on what you see? Does it make you trust or mistrust them?
>
> S: Yes, of course. You know, the most important thing is 'consistency'. If a guy has a big car and a big, expensive watch but he lives in a poor neighbourhood, there is something strange going on. It doesn't need to be the most expensive to make a good impression, it has to be consistent. Like some bankers – they have nice discreet watches, which go well with their mission. It is like they are not about wasting the client's money. And if a businessman has a good car and a watch that is even more expensive, it is a positive sign for me.
>
> L: Do you use the fact that you know what impression it will leave in your business?
>
> S: Yes, sometimes. Several years ago, I won a great deal in that way. I was going to compete against Ernst & Young. The guy from E&Y took a driver, a big car, a good watch. I took my Rolls-Royce (not a lot of people know I have one), my best watch, and I completely destroyed

the guy. The deal was mine.

L: Do you look at watches on women and on men in the same way?

S: No, much more on a man.

L: What about your other business partners, like Bogumil? He doesn't really wear the more discreet watches, as you do.

S: Bogumil has excellent taste in watches. He told me he has to wear these watches, as he does business mostly with really 'east-east' European guys and they only understand these watches. Like the ones made from the Titanic. Russians appreciate them.

L: So you think businesspeople around you are using watches to make an impression, to consciously create trust and discourage mistrust? Are they aware of the impact?

S: They understand it more and more. During communism, it was forbidden, but after some years now they are getting better at it.

L: How many watches do you have?

S: I have 25 of them, two or three that I wear most of the time.

L: I need to change my watch. Which one would you, as a specialist, recommend to me?

S: Definitely Patek Philippe.

From Slawek's responses, it clear that watches (and cars) are used consciously and unconsciously by wealthy elites to create cultural and symbolic capital, as well as to acquire social capital by integrating themselves into networks in particular fields. Ultimately, the aim is to convert the types of capital accrued in

this way into economic capital, in the form of business deals.

When I met Slawek again several years later, he told me that he was in a new relationship and had given away his watches to family and business partners, as he realised that he had become too attached to material possessions. This change in mindset was reflected not just in Slawek's relationship with material objects but in his bodily hexis: he was now living much more healthily and had lost a lot of weight. *Bogumil*, the friend mentioned in my earlier interview with Slawek, went through a similar transformation. He loved art, like Slawek, dressed fashionably and, for many years, wore quite showy watches. However, after a while he, too, became a bit more 'stoic', both in these areas and in terms of food consumption. Adopting a healthier lifestyle is a general trend that I have observed in CEE elites between 2010 and 2020; I even know of several wealthy individuals who have taken up fasting. In these circles, a healthy body is believed to help to improve efficiency at work. It is also a sign of symbolic domination, expressed through bodily hexis, over people who cannot control their physical appetites. Thus, the way in which individuals treat their bodies has become part of their agency.

Cards are another type of external object that can extend an individual's agency. Like many less wealthy people, wealthy individuals use a lot of cards: fidelity cards, club cards, VIP cards, credit cards, frequent flyer cards, hotel cards, restaurants cards and so on. These cards may confer benefits, help to save time or grant exclusive access to certain people and services. Cards that give exclusive access are an expression of symbolic capital. They can also be an expression of symbolic domination within society – for example, when a gold frequent flyer boards an aeroplane first, while other people are waiting in the queue.

The subject of cards came up once when I was having lunch with *Luca*, a vice-president of one of the Swiss banks, at La Hutte, the exclusive terrace restaurant mentioned in Chapter 3. The restaurant was located in one of Zürich's tallest buildings and had a beautiful view. As noted previously, access was restricted to members, and membership was very expensive. As Luca was there to hire me, the invitation to join him at such an exclusive venue was part of an attempt to make an impression. I told him that I had been there several times before with various clients, as the bank held two memberships and we could pass them on

to one another. It was a kind of game, in which each person had to demonstrate that he or she was enough of a VIP to have them.

During a short discussion about club membership, Luca said:

> You know, if you do not have the means to pay the membership, you can get it another way (*de 'façon détournée'*) – by passing through foreign clubs, in other countries, which are not expensive and give you access to all these Zürich clubs! Afterwards you will be able to tell your colleagues you have your 'own' card!

That is probably what he himself had done. He sent me a brochure about it afterwards. By getting the card, which gave him access to exclusive restaurants, Luca was able both to increase his symbolic capital and to acquire better clients and employees. The ability to invite clients to closed spaces restricted to VIPs and to share those spaces with different businessmen, through the elite clubs, facilitates the building of social capital. Someone who flies first class is more likely to meet people with similar business interests or lifestyles when doing so. Thus, occupation of similar spaces enables the concentration of social capital and knowledge.

Cards can help to create mistrust as well as trust, either towards the client or towards the bank as a service provider. For example, once a bank that was acting as a credit card provider on behalf of my company refused to give a credit card to one of our clients. The compliance department of our bank was already quite doubtful about this particular client, but the fact that even the credit card provider had refused to give him a card was decisive. We ended our relationship with him. Another client had an issue with a card that we had provided, as the PIN code was not automatically required for use, just the signature. He was not used to this and it made him feel insecure. For two years, we kept asking the service provider when the other type of card would be ready. The card provided was clearly viewed as part of the extended agency of our services, and the fact that the client had an issue with it created a more general feeling of mistrust and dissatisfaction.

Clothing, personal habits and presents are other kinds of material objects that come together to 'create' the individual and serve as part of his extended agency. These objects are a resource for trust creation strategies and provide support for 'performances' in which the actors seek to display their culture and symbols.

In the population of private bankers and their clients, style of clothing is one of the most obvious ways to make an impression on someone. There are certain brands associated with the wealthy, while other brands can be worn in particular ways that only other members of the wealthy elite can recognise. Different brands are associated with different groups of wealthy people and can create their own *taxonomies* on specific fields of power. Individuals also need particular cultural skills in order to use such objects properly. A Louis Vuitton scarf emblazoned with a huge logo or a showy pair of Chanel glasses will not always be perceived in a positive way by more sophisticated wealthy elites. A discreet Burberry bag, by contrast, will be well appreciated and seen as a mark of taste. The way in which a banker or client chooses and wears clothes and accessories can help people to evaluate their character and trustworthiness, as it provides further information about their cultural and economic capital and is an element of their symbolic capital.

In early 2011, I was assigned a potential client who was said to be from Romania, with a huge property in France. Based on his look, I realised that the information could not be true. He was trying to have the most expensive look possible – leather jacket, branded wallet with a lot of visible VIP cards, snakeskin shoes, expensive bag – but the whole combination just felt wrong. In spite of this, I worked a bit on his file with the team, but in the end the relationship went nowhere and the client disappeared. From time to time, private bankers come into contact with fraudsters. The cultural knowledge and experience that they have built up, though based on stereotypes, can help them to identify these individuals.

Finance specialists are generally quite sensitive to the clothing issue when choosing their partners. In 2012, I attended the birthday party of one of the top managers of a big Slovak finance group. The party was held by the lake in Bratislava, in a nearby restaurant. At the party, the manager described one of his deals:

> *Mali sme emisiu dlhopisov za EUR 30M. Prisli tam normalni ludia, ziadni, ze Armani a tak, 'dobre obleceni'.*
>
> (We had a bond release for EUR 30 million. The people who came were normal, not like Armani & co, 'well dressed'.)

It was interesting that the first thing that this manager mentioned about his investors was their clothing. For him, being appropriately and not showily dressed was a mark of seriousness and legitimacy. It was part of the investors' agency as clients.

Other lifestyle and cultural practices that can be trust makers and breakers in private banking include cigar smoking and whisky drinking. They are part of the cultivation of manners, which is important for Veblen's 'leisure class'. Shared moments, which can be classified as rituals, serve to strengthen the basis of trust. A private banker working with me was once asked whether he had a good relationship with a client. He answered, 'Yes, very good. We meet, we smoke cigars, talk about our families.' A former Miss Slovakia who was active in fashion management told me a story from a slightly different environment that illustrates the point well:

> I was in a fashion event. We were like 160 models, and only three were not smoking. We have always seen and identified each other from far away, greeting each other only with our eyes. 'Ah, she is there, and her, and her.'

In this example, smoking is part of the habitus of the women concerned and a cultural symbol that represents their values, serving as the basis for a temporary circle of trust. The cigarette has become part of the women's extended agency.

Another material agency that enables the circulation of trust and mistrust within private banking is the act of giving presents. Before 2009, gifts, mostly from bankers to clients, were important in private banking. To have the desired effect, gifts had to be sophisticated: pens, champagne, bottles of fine wine or delicious chocolates. Clients were quite accustomed to receiving such gifts, and had even come to expect them. During the financial crisis, however, marketing budgets were cut and the supply of presents diminished; bankers also had less time to buy them, due to their increased workload. Although this may seem like a trivial matter, the feedback from clients suggests that some were disappointed when they stopped receiving chocolates after years of working with a banker. They got the impression that their banker cared about them less. Over the years, these gifts had become an extended agency of the banker.

When bankers visit clients, they sometimes bring small presents, such as chocolates or books, just to show that they care. It is also a way of displaying their cultural and economic capital, through their choice of present. The presents are a way of materialising trust and an extended agency of the banker, increasing or decreasing their total trust capital. However, in recent years giving and receiving material objects has become less acceptable in private banking, due to concerns about corruption. The internal policies of some banks forbid their bankers to receive presents from clients or require them to share any gifts received with their teams. Bankers have therefore had to find new ways of creating and circulating trust in today's more digital environment.

Wealthy elites and private banks also use the material agency of interior design to display their cultural, economic and symbolic capital and to express their values. Some bankers and clients are very social and enjoy going out, while others are more family oriented. These preferences also influence relationships and trust creation in private banking. At the end of the financial crisis, I observed a trend in marketing images towards greater representation of family values and discreet wealth. The images in Figures 25, 26 and 27 show traditional symbols that emphasise the bank's cultural capital and the social capital accumulated through long-term engagement with families, over many generations.

Figure 25: Expression of values via materialised trust in private banking advertising

Source: Société Générale

Figure 26: Expression of values through material agency in private banking advertising

Source: National Bank of Indianapolis

Figure 27: Values of trust and stability expressed through art in private banking advertising

Source: Forbes 2013

It has also become more difficult to find a good time to meet some clients, since they have privileged time with their families. For example, in 2014 the private bank I was working for offered a VIP ticket for a Rolling Stones concert to a prospect. However, even though he had the reputation of having a 'rock attitude', he turned down the offer as he preferred to spend the time with his family. During times of crisis, people tend to re-evaluate what is important to them. The Covid-19 crisis has reinforced the focus on family, as people have been obliged to limit

contacts outside the home.

When I was interviewing Slawek about watches in 2012, he mentioned that the most important characteristic is consistency – having the same style of watch, of car, even of woman: ‘Imagine you have a discreet, nice, expensive watch and a completely indiscreet woman dressed without taste, with heels that are too high, etc.’ Slawek’s remarks suggest that a female (or male) partner can easily be objectified in the process of evaluating whether someone is trustworthy: in other words, that a partner automatically becomes part of an individual’s extended agency. The way in which a person’s partner influences their own behaviour and attitudes is an important element of this process. As mentioned earlier, when I met Slawek again in 2019 he had changed his mindset, lost weight and given away his collection of watches, as he felt that he did not need them anymore. He told me that he felt like a new person. Many of these changes were linked to the fact that he had a new wife, who was from a high-status international family and worked in the health sector. They had met at a spiritual class. On this new ‘field’ of cultural habitus, Slawek had changed his way of acting and ‘being’ in relation to material objects, adopting a stricter, more aristocratic lifestyle and realigning his attitudes to watches and women to ensure that they were consistent.

Attitudes towards women, and towards relationships more generally, are an important consideration in wealth management, as private bankers provide a bespoke service and usually know and work with their client’s families. In post-communist countries, as well as in Switzerland, wealthy people – mostly men – often have mistresses. In some elite circles, meeting beautiful women is synonymous with success and is a way of transforming economic capital into social capital. In Veblen’s terms, the sphere of personal life can also be a field where ‘conspicuous consumption’ and ‘pecuniary emulation’ – the struggle to acquire and exhibit wealth in order to gain status and surpass others – takes place. However, this is true only in circles where such relationships are viewed in positive terms. In other ‘fields of trust’, involving wealthy people with a different habitus and background, perceptions of this kind of ‘success’ may be negative. Such differences in perception are important in wealthy circles even within the same country and are connected to status and values. This is also a dynamic process, where perceptions may change over time.

For example, one banker who was attending the Cannes film festival with a

tycoon from southern Europe told me with a rather timid smile:

> He was there with a former beauty queen, his official girlfriend. Very nice. Moreover, another girl joined them. Late in the night, after the party, they all went up together. I am not sure they went to sleep into separate rooms.

Radek, an agent who knew a lot of very wealthy people in Slovakia, told me about two of his contacts in particular:

> At their professional peak, they also lost all personal limits. They would do anything. They would try anything. But now, after some years, they have gone back to their lives and have a pretty standard lifestyle.

Julia (see Chapter 2) mentioned that one of her Polish contacts, Janek, got divorced after becoming rich and then went through a period of 'wanting it all', before starting a longer relationship that fit in well with his international lifestyle. Another of Julia's CEE contacts reported that, after trying to juggle his family life and a mistress over a long period, he could not handle it anymore. It was, he claimed, the most expensive period of his life. After giving up this lifestyle, the contact also reduced the amount of money he was spending on luxury watches; this was also a time when anti-corruption protests were increasing locally. As Bourdieu notes, even in their private life 'people not only interpret and make sense of the world through previous experiences but also seek out specific experiences while avoiding others on the basis of tastes and preferences usual within their social group (Bourdieu 1986a, cited in Frederiksen 2014: 174). Different actors within the field – other members of a person's peer group, but also the public at large – can exercise influence over those preferences. Where demonstrations in support of greater wealth equality are taking place, wealthy people are likely to be less inclined to exhibit their wealth openly. Instead, they may use other forms of capital, such as elite culture, sport or even dietary practices like fasting, to display their 'distinction'.

Just as private bankers' professional attitudes and image clearly influence their personal lives, so, too, their personal behaviour and habitus can influence their professional lives and their social and symbolic capital. In 2012, during training in London, I met *Melindo*, a private banker from Uruguay who worked in the South American market. After one training session, we went for a drink at a London bar.

I took the opportunity to ask him some questions about his work as a private banker on another continent. His answer to one question was particularly interesting. When I asked him whether his attitudes had changed when he became a private banker, he replied, ‘Yes. First I lost all my limits, as I was with all these excessive people’.

Most of the people in international private banking have historically been men, on the bankers’ side as well as on the clients’ side. This has had an impact on the way in which women’s roles are perceived in the world of private banking. Women have often been perceived as part of a man’s extended agency, including by bankers and other business partners. However, with women’s wealth increasing in Britain (The WealthyHerReport 2019: 3), and potentially in other Western countries as well, banks’ attitudes to women have had to evolve. As I have shown, clients and bankers evaluate their business partners based on their apparent values and their relationships with their partners. Thus, sharing any information about one’s private life can create trust or mistrust in interactions between bankers and their clients and in wealthy elite networks. These factors are connecting elements within circles of trust.

Philanthropy is another way of creating circles of trust among the wealthy. It is used by individuals or companies not just to express their values, but to display their symbolic capital and show their domination in specific fields of power. Philanthropy has a special role and meaning for private bankers and wealthy individuals. Since 2008, private banks have increased their offering in this area; for many banks, it has become part of their standard services. Some banks make a distinction between philanthropy proper and social impact investments. Credit Suisse, for example, refers to ‘philanthropy and sustainable investments’ (Credit Suisse 2021), while Julius Baer uses the terms ‘sustainability’ and ‘responsible investment’ (Julius Baer 2021). UBS, on the other hand, brings together these services under the heading ‘UBS Philanthropy’ (UBS 2021). The objective of social impact investment is to create positive social and environmental returns on the capital invested.

There are four principal ways in which wealthy individuals can pursue social purpose activities through banks or other vehicles: by making direct donations; by making donations via specific products (for example, structured products); by

investing in social impact companies; and by investing in products classed as sustainable. In the first two cases, the money is simply given to charitable causes or invested in a product where some of the profit goes to a charity. The third option involves the investor giving money directly to a social enterprise working on a particular issue in the expectation of financial and/or 'social' returns. The last type of responsible or social investment is generally an investment in financial securities (shares or bonds) of companies that are expected to have a social impact or are seeking to become more socially 'responsible'.

Between 2009 and 2020, Swiss private banks gradually extended their offering in this area and gave greater prominence to it in their marketing. They did so for several reasons. First, the 2009 crisis had left investors disenchanted with financial markets. With interest rates close to zero over a very long period of time, they were seeking other kind of rewards, rather than purely financial ones. Secondly, social investments, in particular, have been promoted as potentially even more profitable than traditional kinds of investments because of their sustainability and value to investors. Indeed, many sustainably rated companies have enjoyed good financial results and risen in value due to changes in customers' habits and increasing concern among consumers about social and environmental impacts. Finally, for bankers and wealthy individuals, who were struggling with their image after the financial crisis, sustainable investments offered a way of rebuilding trust and demonstrating their usefulness to society, while continuing to protect their wealth.

'Traditional' philanthropical donations, involving giving away one's wealth, are part of the trust building process with other members of the wealthy elite and with society more generally. At times, they have been 'used' very publicly as a 'power tool' to strengthen informal networks or to raise an individual's profile among their peers or within society. For example, in response to a question from the audience at a session of the Forbes Club on 19 May 2016, one of the wealthiest Russian oligarchs, who made his fortune mainly in commodities, said that he had decided that his assets would go to charity (Russia Beyond 2016). Around the same time, another large Russian portfolio investor announced in the press that he, too, was leaving his money to charity, rather than to his children (Russia Beyond 2016). The two businessmen knew each other well and were pictured together in the article reporting their decision. Consciously or not, they were directing a message

to the Russian government, their peers and the general public in Russia. The announcement was also a sign of symbolic domination, a demonstration that they did not need their wealth.

Big philanthropic acts are a public demonstration of a wealthy individual's strengths and 'proof' of their success and uniqueness. They show that the individual 'cares' about their nation and its welfare, to the extent that they are prepared to 'scarify' wealth that would otherwise go to their families. Such acts can be compared to the ritual of potlatch, where elites give away their wealth to confirm their superior status. However, when wealthy businessmen like those in the example above say that they are donating *all* their assets to charity, we need to probe what is really meant by that. In their previous family wealth planning, they may already have transferred some of their wealth to their children, whose future has therefore been secured. It is not easy for the general public to have a full overview of wealthy elites' assets. Even if they have given only a few million dollars to their children in advance, this is still a significant amount of start-off capital. However, announcing that you plan to make a gift of all your assets is highly symbolic and sends a very strong signal to the public. It is clearly part of a global strategy of distinction, a way of strengthening the circles of trust of a small part of the Russian elite and making their wealth more acceptable by showing that they have honourable values. Bill Gates, Warren Buffett and other wealthy individuals, mainly from the US, have set an example in this regard by giving away a huge proportion of their family wealth.

In his book *Les nouveaux riches: Un ethnologue dans la Silicon Valley* (The new rich: An ethnologist in Silicon Valley), the French scholar Marc Abeles analyses the way in which philanthropy is treated and perceived by tech entrepreneurs (Abeles 2002). He regards them as a new wealthy elite, comparable in many ways to the emerging elites of central and eastern Europe. As Abeles notes, a number of authors (for example, Francie Ostrower in her book *Why the Wealthy Give*) have already shown that for wealthy individuals philanthropy is about more than tax optimisation (Abeles 2002: 249). Charitable donations are also part of a strategy of differentiation, designed to confirm the superior position of wealthy individuals and add to their prestige.

Abeles notes the emergence of a new style of philanthropy in Silicon Valley in recent years, one that is more active and engaged, rather than limited to discreet

donations as in the past. He offers several explanations for the proliferation of philanthropy initiatives in the area during this period. First, it is simply a consequence of rapid wealth creation. Secondly, there is a fiscal element, as setting up a foundation or making a donation helps to optimise taxes. Thirdly, philanthropy helps to improve the image of individuals and their companies. Most importantly, the wealthy are keen to engage directly and to do active follow-up with the organisations that they support – to give of their time, rather than just to donate money. For Abeles, this is the most important difference from the traditional model of philanthropy, showing the evolution of the 'capitalist spirit' (Abeles 2002: 258-259). He also highlights the importance of philanthropic activities to networking.

In some emerging markets in central Europe, such as the Czech Republic and Slovakia, wealthy individuals have tended to be more discreet about their charitable donations. I have not come across any examples of individuals announcing publicly that they intend to give away all or a very significant proportion of their wealth. A survey of 141 Czech and 56 Slovak dollar millionaires in 2014 found that 66% of the Slovaks and 77% of the Czechs gave some money to charities (HN Online 2014). As a percentage of their total wealth, the amount given was very small, but the trend is positive. In 2019, an auction to celebrate the eighth anniversary of Forbes in the Czech Republic raised the largest amount of money for charity in a single evening in the nation's history (Forbes 2019). For the wealthy individuals concerned, the fact that this information was reported in Forbes magazine added to the value of the donations in terms of prestige and distinction.

One explanation for the fact that the level of philanthropic engagement by local elites in CEE is still relatively low is that for a long time philanthropy was not part of their habitus, their shared values. It was not 'expected' of those entering the ranks of the ultra-wealthy and was not integral to their strategies of distinction. Since 2010, however, there has been increased recognition of individuals' philanthropic activities as a form of distinction, both by their wealthy peers and by the general public. For example, in Slovakia LEAF has been established and funded by shareholders of HB Reavis, an international real estate company (LEAF 2021). The organisation works mainly with teachers, Slovaks abroad and young professionals. Another example of local philanthropy is the former Slovak

President Andrej Kiska, who founded the charity Dobrý anjel (Good angel) to support families in financial difficulty as a result of a family member's illness. Miroslav Trnka, a co-founder of ESET, a globally successful company working in the area of IT security, created a foundation to fight a different problem, that of corruption (Nadácia Zastavme korupciu [Stop Corruption foundation]) (Zastavme korupciu 2021). This organisation has a relatively high profile among both the general public and wealthy elites. As its activities are directed against some members of the current economic and political elite, they have also a symbolic and political value.

In the Czech Republic, a further example of positive philanthropical engagement by wealthy elites is Eduzměna, a foundation to support change in the local education system (Eduzměna 2021). The organisation was created by the founders of Avast, a successful IT security company specialising in antivirus software. To help them to achieve their goals, they have invited their friends, their business partners, banks and other entrepreneurs to support the foundation, creating a kind of donor club that operates as a circle of trust around a shared goal. Less positively, an experienced executive working in the social enterprise area at international level reported to me that she received a mixed response when she tried to discuss a new project with top management at one successful Slovak firm. According to this executive, some (though not all) of the company's owners and managers were interested only in the public relations effect of the project, not in having a real impact.

The positive impact of social activities on reputation and building a company's symbolic capital is increasingly recognised by wealthy people, as it can have a direct impact on company profits. Having a good reputation can motivate consumers to purchase a company's products. Conversely, compliance issues can have a negative impact on trust and social capital, creating problems with clients, providers or financial institutions, preventing transactions and depressing profits. In other words, having a poor reputation can have a direct impact on a company's bottom line. For example, under pressure from the general public and regulators and in order to preserve their own reputation, banks may refuse to open accounts for or to give loans to companies and individuals whose reputations are not impeccable, making it harder for them to finance their projects (Buckley and Nixon 2009). This fact can also be used as a weapon by lobbyists

(in the commodities business, for example) or competitors, causing financial losses and loss of market share for the company concerned. Thus, loss of reputation in business creates circles of mistrust and can result in the loss of symbolic, social and economic capital.

To sum up, attitudes to philanthropy differ between different groups of wealthy people, depending on the field of powers in which they are active. These attitudes also evolve dynamically over time. More discreet in central Europe than in Russia, philanthropic activities play a role in building trust, combatting mistrust and helping individuals or companies to gain recognition and symbolic capital. They also act as glue for social capital in order to improve mutual relationships or how individuals or companies are perceived within wealthy elite networks and by the public. From a Bourdieusian perspective, the social field of philanthropy can be symbolically used to show a legitimated domination ('we can away give all our wealth, as we don't need it') or to transform economic capital into social capital, while creating and deepening trust relations. An individual's or company's activities within this field can either create or destroy economic capital by impacting on trust levels and other relevant actors' perception of the individual or company concerned. Philanthropy and sustainability are therefore an important element of what Bourdieu terms 'strategies of distinction' within social fields.

Ethics and materialised trust

As the examples of material agency discussed above show, agents' evaluation of an individual or situation can be based on both *conscious* and *unconscious* observations. People feel uncomfortable in another person's presence or find them untrustworthy, but they cannot necessarily describe exactly why. In my view, such judgements are often based on people's unconscious perception of different extended agencies of an individual or group – a perception that reflects their own habitus, practices and prejudices. Some agents, such as Slawek and Bogumil, with their focus on watches, are aware that their assessments of colleagues and business partners are influenced by particular material agencies. As a result, they may have a more conscious evaluation process and an understanding of various taxonomies. However, my research suggests that most bankers and clients do

not use such parameters consciously. This type of social analysis is not part of bankers' training and rarely appears in courses on negotiation.

Many of the extended agencies that contribute to the creation of trust or mistrust – events, objects and so on – are *visible* or tangible. But clients and banker also have an important *invisible* extended agency, which influences the way in which they are perceived by others and the way in which these perceptions are transformed into trust and mistrust. This agency is made up of social frames and accepted social and business practices, which are in turn influenced by regulatory frameworks and the business environment.

These factors help to shape bankers' perceptions and actions. For example, if a client knows that the regulations governing how assets are structured are relatively weak both in his home state and in the state where his bank is domiciled, he will not be afraid to ask his bankers about possible ways of optimising his taxes. If the regulatory framework is tough and social and professional acceptance of irregular or unusual practices is very low, it is unlikely that he will even mention the issue. Similarly, if investors know that corruption is not socially accepted in a country and carries harsh penalties, they will steer clear of corrupt practices. Most of the biggest and the most radical changes in international private banking since 2009 have occurred in this area.[14] Tax optimisation strategies are now more embedded in legal frameworks, such as double taxation treaties and reporting of capital gains and losses, meaning that an investor can offset capital gains on some securities against capital losses on others. The most radical approach involves individuals changing their country of domicile to optimise their taxes or to escape regulations or political pressures in their home country.

This brings me to the question of what is considered 'clean' and 'dirty' in private banking, which is part of a wider discussion about raising ethical standards within the sector to take account of changing attitudes in society. Before I started to work in international private banking, I had many prejudices with regard to wealthy people and their links to 'dirty' money. While preparing for job interviews in 2008, a process that took around one year, I discovered that those working in wealth management were required to perform many interesting and analytical

[14] For details, see Chapter 2.

tasks and that there was no better area in which to study the creation and circulation of trust and mistrust than private banking during the financial crisis. However, not everything was 'clean' in the sector. Since that time, the subject of business ethics has taken on much greater importance in private banking, mostly in response to regulatory pressure, popular opinion and how banking is represented in the media.

Historically, international private bankers tried to offer a full service to their clients, even if some things were not entirely 'clean'. In 2010, during an open discussion about bankers and their clients, Romuald, a young Swiss banker working with mostly German-speaking clients, told me:

> *Du hast eine Vertrauensbeziehung mit diesen Leuten, und du würdest Sachen für sie machen, die du normalerweise nicht machen würdest. Sie vertrauen dir, so willst du sie nicht enttäuschen.*
>
> You have a trust relationship with these people, and you would do things for them that you normally wouldn't do. They trust you, so you don't want to let them down.

While not all clients and bankers were fully compliant, they were acting within the frames and standards of the market at that time. Moreover, it was generally expected and accepted that they would behave in this way. Establishing the legitimacy of clients' financial operations or sources of money was one grey area. Because of the 'Chinese walls' between international banking and local activities, for years it was possible to overlook some of the issues without making sure that everything was fully compliant, as responsibility was seen to lie with the client. Bankers and, in particular, clients could be 'on the edge' of full tax compliance. Trust between clients and bankers could be created by sharing some details of questionable operations, but this could quickly be transformed into mistrust when issues were raised by the bank's compliance department.

One questionable activity engaged in by bankers at this time was bringing small amounts of cash to clients in their home country. One banker told me that some of his clients regularly asked him to do this. When the regulations and private banking practices started to change, he had to inform them that that it was no longer possible. In most private banks, the practice is now strictly forbidden.

The fact that such transactions sometimes took place previously is a good example of the material agency of cash. New, traceable methods of transferring money, such as wireless cash applications and easy-to-use e-banking, have now replaced the old cash transfer system.

As a result of changes to regulations and practices, international private banks have started to hire more people with different, more investment-focused profiles. Some bankers have had problems adapting to the new environment, which requires a more transparent approach and higher standards of compliance (see the case studies in Chapter 2). Some have adapted, some have had to leave, while some have retired or moved to smaller boutique banks, where they could continue to work in the traditional fashion. Ultimately, however, even these institutions have had to change how they operate.

Before the financial crisis and the social and regulatory changes that followed from it, operational and compliance issues were left largely to the judgement of individual bankers. With the tightening of regulations, some of this responsibility was taken away. As one team head put it, front-office employees can get the impression that nobody in the bank trusts the bankers anymore. Another top private manager, *Celio*, told me in 2014, ‘The time when this job was fun is over!’

Another type of pressure for banks to pay more attention to ethics and moral values came directly from countries in CEE. Organisations were set up to promote new role models in business, new types of entrepreneurs whose wealth was not derived from the privatisation of state-owned enterprises in the 1990s. These individuals promoted different moral standards for business. Some of them engaged in anti-corruption campaigns. In 2014, for example, Andrej Kiska became the first person without a known communist past to be elected President of Slovakia. Kiska was an entrepreneur with a history of philanthropic engagement (see above). He defeated Robert Fico, the previous Prime Minister, who was linked to corruption scandals.

Materialised trust and mistrust of CEE wealthy elites

Since the beginning of the post-communist period in 1989, CEE countries have been reconstructing their democracies and political systems. Previously part of

the Eastern Bloc, they are now member states of the European Union. Slow progress is being made towards building a functioning political system based on the active participation of all citizens. In the 2014 European Parliament elections, the three states with the lowest turnout were all CEE countries: Slovakia (13%), the Czech Republic (20%) and Hungary (22%) (European Parliament 2014). In 2019, turnout for the elections increased slightly, to 22.74% in Slovakia, 28.72% in the Czech Republic and 43.36% in Hungary (European Parliament 2019).

The turnout figures suggest that, despite recent improvements, the populations of CEE countries remain mistrustful of and disengaged from European institutions. These attitudes extend to political institutions and politicians in general. As a result of past scandals, people in the region have come to believe that politicians (and some entrepreneurs) put their own interests and the interests of their 'friends' ahead of the public interest. Historically, the circles of trust for politicians in CEE were based on the principles of *reciprocity* and *exchange*. Financial transactions were used to build trust and to create rather exclusive networks. In the absence of functioning institutions, this was perceived as the most efficient way of protecting one's interests and family, creating opportunities for corruption.

While working in private banking, I observed from afar groups of entrepreneurs, politicians and managers in CEE evolving together, creating alliances and being helpful to one another. Sometimes they shared the same building or went on weekend trips together. The cooperation between these elites was mutually beneficial. They supported one other, where necessary, by providing advice, money or other favours. Trust was created on the basis of these exchanges. Where the activities were of borderline legality, people were reluctant to betray or implicate one another.

As Marcel Mauss shows, gifts are never 'free'; rather, they are part of a 'system of total services' (Mauss 2002: 7, Mallard 2018: 2) involving reciprocal exchange, 'in which the honour of giver and recipient are engaged' (Douglas 2020: xi, in Mauss 2020; Indra 2012: 8). In the environment of the wealthy, gift-giving is a means of rendering a service, in order to gain an advantage or to ensure that one will receive reciprocal services when they are needed in the future. The gift is one of the giver's extended agencies. Where gift-giving, often in the form of services, business favours or political protection, takes place among elites on a large scale

and without effective controls, it can lead to corruption. As I have already indicated, in recent years private banks have taken steps to counteract this problem by limiting the circumstances in which their employees can accept presents from clients or forbidding the practice outright. By curtailing expressions of favouritism, the sector is seeking to place greater emphasis on professionalism, as opposed to material agency. To ensure that that the volume of total trust capital remains the same, however, such forms of materialised trust need to be replaced by other types of capital, as we shall see.

Conclusion

In this chapter, I have discussed some examples of material agency in the field of wealthy and private banking elites, focusing on the extended agencies that they represent for agents and the cultural, economic, symbolic and social capital that they serve to create. I have looked at the roles that material agencies play in different power fields and taxonomies and shown that they are an important element of symbolic domination, habitus and rituals.

We have seen that trust and mistrust circulate between private bankers and third parties, among clients as a group, and between bankers and clients. These flows are based on the material agency of activities connected to sport, glamour, private events, education, military service and travel. Capital trust is also accrued through the material agency of lifestyle choices and objects such as cars, watches, boats, aeroplanes, cards, presents, interiors and (in the case of male bankers or clients) women.

The perception of a person’s material extended agency by members of the private banking population can be either conscious or unconscious. The way in which trust and mistrust are created based on these tangible elements also depends greatly on both the habitus of the observer and the invisible social framework in which they live and operate.

My analysis of material elements in private banking has illustrated some of the changes that have taken place in the sector and in CEE since 2008. Another trend, both in CEE and more generally, is the increasing mobility and transnationalism of private banking clients. After achieving success in their own

countries, some wealthy individuals seek to expand into more international elite circles, either through their activities or by changing domicile, as they find that their home markets are too restrictive or the taxes that they have to pay are too high. There were, and still are, several ways of securing admission to the international elite and gaining trust more globally. One is through the use of materialised agencies. We saw this most clearly when looking at the role of golf. Although the game was forbidden in CEE during the communist period, members of the wealthy elite have now begun to play it again, both at home and abroad. The sport serves as a common 'playground' for wealthy individuals from CEE and other wealthy enthusiasts. As some of my examples show, golf is not always enough to create a bond and trust relationship with other international elites. A number of other parameters, such as clothing, behaviour and habits, also have to fit. Nevertheless, the tendency towards internationalisation is apparent. The wealthy elite is becoming more global and more interconnected. A larger consequence of this shift is increased cooperation, profit and wealth concentration, as well as the risk of increased favouritism, at international level.

One of the most important developments in private banking since 2008 is the introduction of new regulations, which has resulted in an increase in ethical standards and has had a profound effect on the way in which various forms of material extended agency are used and perceived. This trend, which started during the financial crisis and was accelerated by the Covid-19 pandemic, is slowly transforming private banking into an industry based not just on relationships, but also on IT, and focused on excellence of execution, transparency of information and the production of quantifiable results. Bankers have had to evolve by acquiring the skills that they will need in this new environment. The changes that the sector is undergoing have been made visible in changes in habitus in the field of private banking, such as the decreased frequency of gift exchanges. The social framework, too, has become stricter and more regulated, driven by compliance.

Another example of social change in the banking workforce is the increasing feminisation of the business, which has required bankers to develop new kinds of material agency to bond and create trust. In CEE, bankers have also had to find ways of building trust with younger clients when dealing with generational transfer. International private banking, especially in Switzerland, has been doing

its best to cope with these new challenges.

The emergence of a new type of international entrepreneur as a result of increased transnationalism and mobility has also transformed the way in which material agencies are perceived, creating new international standards of ‘good taste’.

The increased focus on ethics and professionalism, as opposed to personal relationships, is leading to significant changes in the way in which trust and capital are created within the private banking sector. The process has been relocated to a more virtual space, in which communication and market devices have replaced traditional material agencies as the new symbolic capital and status symbols. During the Covid-19 crisis, private bankers were empowered (or not) by the devices they could access and communicate with.

One of the current challenges in private banking is keeping up with the evolution in technology and communication practices. Can these compensate for the decline in traditional material agencies? I will address this crucial question in Chapter 5.

5

Technology and trust: complexity of communication practices and the role of market devices

In 2008, Dery, a Swiss banker in his 60s, did not have a work phone. He swore that it was not necessary and that he would never have one. The same was true of Robert, a Slovak private banker, even though he was from a younger generation. They did not want to become slaves to their phones. At this time, contact with clients was less frequent and usually done in person. That was how client-banker relationships typically worked from a communications perspective in order to create trust. It was also a good way of protecting bank secrecy.

A mere 13 years later, this approach seems very outdated. Between 2008 and 2014, a series of technological and regulatory changes transformed the private banking landscape. When the Covid-19 crisis struck in 2020, Swiss private banks were forced to speed up digitalisation of their operations, as most of their employees were required to work from home. What communication practices do private bankers use to create and maintain trust in this new environment? What is the role of market devices as extended agencies of those working in the sector? What does technology mean for bankers?

The transition to modern communication practices and digitalisation has been more difficult in private banking than in some other industries. The main reason for this is private banking secrecy, which has been in the DNA of bankers and clients for a very long time. Bank secrecy was one of the sector's respected values and part of its social practices. It was also an important selling point with clients. During the 13 years that I spent working as a banker, wealthy individuals repeatedly complained to me about having to deal with people who talked about their affairs in their home countries, creating difficulties for them. Some were worried about their families' security or political persecution. Prior to the introduction of automatic exchange of information, some clients were also reluctant to disclose all their earnings to the tax authorities in their home countries. Because their clients attached so much value to the practice of bank secrecy,

many bankers were wary of technology, as they feared that it would not protect clients' information. They were also concerned about the impact that technology would have on their own jobs, as part of the added value of private banking was that it was 'people's business'. As one younger Swiss banker told me in 2014, 'With technology, we are going to become just a retail bank – do the administration and lose all that is interesting.' This banker has since resigned and changed career. In 2021, private banking is a business of 'people with devices'.

During the financial crisis, clients felt the need for greater control and information to deal with the turbulence in the markets. The introduction of regulatory changes pushing for greater transparency also made it necessary for clients to have more regular contact with their bankers. As it was not always possible for meetings to take place face to face, bankers and clients had to find new, complementary ways of creating trust using the agency of technology. These tools were developed further during the Covid-19 crisis of 2020-21.

One of the things that surprised me most when I carried out my fieldwork between 2008 and 2014 was this huge shift in communication practices – a shift that many private banks long failed to recognise on a strategic level. The consequences of this change for banks, their employees and, of course, their clients have been significant, as having high-performing IT devices has become a competitive advantage. The ongoing shift in communication practices in private banking has gone hand in hand with the other social changes that I have described: the increasing pressure on bankers to adapt and upgrade their skills, the development of new agencies to create trust between bankers and their clients, and the continuing evolution of the regulatory framework. Although in the past many banks underestimated the importance of communication practices to the sector, my fieldwork suggests that technology has become a key agency in the creation and circulation of trust in private banking, particularly at a time when individuals' ability to travel is limited.

What I term the 'agency of technology' is the use of technological devices by human agents as a resource to enhance their social, symbolic and economic capital. Technology can be a source of either trust or mistrust, depending on how the tools that private bankers, banks and clients use to communicate with others – and the quality of that communication – are viewed. Availability and effective use of communication tools, connectivity level and access to information systems

are all part of a banker's technological agency, which, like the forms of agency discussed in previous chapters, plays an important role in the process of trust creation. A banker who is never reachable is likely to be regarded as less trustworthy than one who has mastered a variety of communication tools. Technological devices also have their own agency, although here my focus will be on how such devices extend the personal agency of bankers and clients.

From the interviews that I conducted, it was clear that communication practices and means of communication have a huge influence on the way in which trust and mistrust circulate among private bankers, clients and the people around them. Mobile phones, Internet platforms provided by banks, applications like Skype, FaceTime and WhatsApp, and other information systems have slowly become integral parts of bankers' and clients' agency. The importance of these new communication channels was underlined in 2020, when for long periods bankers and clients were unable to meet in person because of travel restrictions imposed during the Covid-19 pandemic. Private banks responded by officially allowing the use of such channels, including video streaming services such as Zoom, Webex and WhatsApp Business. There have in the past been proposals to set up wholly digital private banks; indeed, one of the main topics at a private banking conference in 2013 was whether digital avatars would be the trusted private bankers of the future.

In this chapter, I will examine how the agency of technology functions and the impact that it has had on the way in which trust circulates and is transacted in private banking. For the Swiss banking system, the rise of communication technology was more challenging than for other industries because change had been slowed for years by banking secrecy and traditional attitudes to banking. However, since 2008 communication practices within the sector have evolved rapidly, transforming both internal relationships within banks and relationships between bankers and clients. As I will show, based on a wide-ranging discussion between private banking representatives and consultants from 2014, technology and communication have acquired the status of a capital good within the international private banking sphere because of their importance in ensuring the success of transactions. This raises the question, can trust be materialised and transacted through technology? For Jeremy Boissevain, 'the messages are in fact *transactions*' (Boissevain 1974: 25). In private banking, I would argue,

communication enables not only trust transactions, but also, ultimately, financial ones.

Between anxiety and modernity: the changing role of technology in private banking since 2009

Technology as bankers evolving agency and trust capital

When I started my fieldwork in 2008, I was surprised by the lack of IT devices in most Swiss private banks. There were no notebook computers available and no BlackBerrys to enable staff to access email remotely. I had to wait several months even to get a mobile telephone. The answer to every request was 'security measures. In 2009, when I asked Robert what it was like at his bank at the time, he told me, 'Well, after some years I finally received a BlackBerry. But I don't like it so much.'

In 2021, this sounds like a different world to most private bankers and clients. Although for years many clients had limited communication with their bankers and still trusted them, nowadays they expect quick answers. Private banking is not the only industry affected by this change: communication has become more frequent in all businesses since the introduction of smartphones. However, in private banking the change has been facilitated by the introduction of automatic exchange of information.

Before 2009, security measures were of paramount importance to international private banking and its institutions. A bank's secrecy was its highest value, to be respected and protected above all else. Bankers were supposed to continually develop the business, but while travelling they were almost completely cut off from the office. This was not a huge concern, as most of them did not travel much. Clients usually preferred to fly or drive to Switzerland, and there was no shortage of new prospects eager to open accounts. In the wake of the financial crisis, however, the process of building a portfolio became more difficult. More and more effort and communication were needed from bankers to satisfy their existing clients and acquire new ones. Wealthy clients were occupied with their own

businesses, better served by local banks in their home countries and less willing to travel. Bankers were required to be more flexible and to travel more, but a lack of adequate communication tools meant that it was difficult for them to work effectively and to keep in touch with their teams and clients when away from the office. Some were not allowed to use devices while abroad because of their bank's cross-border policies. At the start of my career as a banker, I worked without a BlackBerry or access to email while travelling, which limited my effectiveness and slowed me down. When I finally got one, I found it much easier to do business and teamwork improved. As mentioned earlier, Robert had a similar experience at his private bank. A number of older bankers, like Dery, resisted 'BlackBerryisation' for two years or more, but eventually even they had to give in and, for the first time in their lives, be reachable at all hours.

Gradually, banks came to recognise the increased importance of communication tools to their business. This was driven in part by changes in working practices, notably the shift towards teamworking (see Chapter 2). Previously, bankers were able to work independently, for the most part, and to manage communication with their clients without the help of their team. There was therefore less need for them to contact other team members directly. A study by MyPrivateBanking in 2010 on communication practices in private banking found that the internet and email were the most important communication tools for wealth managers and that telephone conversations were just as important as conversations face to face (MyPrivateBanking 2010). However, clients and banks did not start to make full use of the various communication channels available until 2020.

In June 2014, four years after the publication of this article, I attended a seminar about digital technology in banking with 20 private bankers from different banks. In the background, I could hear the same old resistance from various bankers, as if nothing had changed: 'I do my biggest business through golf; I don't need modern communication so much'; 'We do not have the tools within our bank'; 'We do not have a methodology'; 'There is Swiss banking secrecy'; 'I do not see the real advantage.' Although Binder's 2010 survey, as well as more recent research by some consulting groups, indicated that wealthy clients were willing to become more digital, for a number of reasons Swiss banks and bankers

remained resistant to change. The regulations concerning bank secrecy were still in the process of being revised, while for many the change in mindset required to make the transition seemed too daunting. Furthermore, the required tools were not yet fully available and training provision was limited. What was becoming clear, however, was that digital tools were needed to create interpersonal trust in situations where it was not possible for bankers and clients to meet. Trust capital had to be reconstructed – and transactions enabled – in new communication spaces and via new devices. I will return to this point when I come to look at IT communication as a capital good.

Based on my observations, it is clear that Binder and other independent researchers were correct in their assessment of clients' willingness to embrace change. Older as well as younger clients have hugely increased their use of electronic means of communication and digital tools that allow clients to check their accounts, do transfers or trade themselves. As clients now demand a high level of service in this area, it has become a competitive disadvantage for banks not to have high-quality IT tools and systems. Many international private banks that were slow to digitalise and to equip their bankers and clients with digital tools have found themselves playing catch-up with their competitors. Although the increase in bankers' workload that took place after 2009 due to regulatory and other changes was accompanied by increased connectivity within the sector, initially many bankers (like workers in various industries affected by digitalisation) lacked the tools or training to take advantage of this. As a result, I observed an increase in the number of burnouts in the sector, especially in 2012 and 2013. Brigitta Danuser, the then director of the Swiss Institute of Work and Health (IST, affiliated with the Universities of Lausanne and Geneva), said at the time, 'The situation has been critical for the past ten years or so but it has got worse again since 2008' (Jaberg 2012). Danuser's remarks are cited in a 2012 article by Samuel Jaberg, who observes:

> The pressure to perform and compete, the spread of casual work contracts, open plan offices, conflicts between colleagues, as well as bosses expecting around-the-clock availability that goes hand-in-hand with technological innovations are just a few of the reasons given for heightened stress. (Swissinfo 2012)

I experienced these kinds of conditions personally at the beginning of 2013. Fortunately, at this time I was part of a group of colleagues and friends who, separately or collectively, realised that this was not a sustainable way to work. We limited the use of our BlackBerrys on weekends and after 8 pm, answering only very urgent calls, and encouraged one another to do the same. Although initially the new technology increased trust between banks and their bankers by improving communication, when used inappropriately it could create mistrust, despair and demotivation. In early 2015, a couple of established clients once asked me to make an exception by having a Skype call with them at the weekend. They tried to contact me urgently when I was out of network range. After several attempts, they sent a message saying, 'We are still waiting! Let us know when you will finally be available!' I had to explain to them that it can be difficult to connect to the Internet when roaming. Where instant messaging is used, clients tend to expect an immediate reply from their bankers. This is something bankers need to be aware of when setting up preferred communication channels for clients.

As late as 2020, not all international private banks had provided their bankers with the right tools to enable them to work remotely or to serve clients in a more digitalised way. Private bankers were, for most part, left to manage this social change on their own by improvising ways of working that both satisfied clients' needs and were consistent with their bank's rules. As a result, communication practices within the sector between 2008 and 2020 presented a complex and dynamically evolving picture. Paradoxically, things became simpler during the Covid-19 crisis, as this forced private banks in Switzerland, like many other companies, to digitalise their activities to allow their staff to work from home and to enable bankers to communicate with clients efficiently without meeting them.

In my work as a private banker, I found that clients' need for privacy varied depending on the type of the client, the region he or she came from, the level of trust that they had in the politicians, authorities and other networks in their home country, and the way in which their assets were taxed. This was reflected in their communication preferences. Clients for whom bank secrecy was very important preferred to meet face to face or, when that was not possible, to communicate by fax. However, as the regulations governing bank secrecy have changed, so have clients' attitudes to communication. This was brought home to me when I started

to work with a younger generation of newly acquired clients from CEE. *Zigmund* was a successful entrepreneur active in the signal transmission equipment business. When we met for the first time, he was around 47 years old. At first, he was extremely afraid to communicate via text message, telephone or email. We only discussed our business during face-to-face meetings and he always gave instructions by fax. I found this a bit strange, as it seemed to imply that we were doing something wrong. After a few years, Zigmund sold his company and transferred a large amount of money. The whole sum was received officially and declared to the authorities. He was very proud of this transaction and of the fact that he had been transparent, even though he thought that the state where he lived was corrupt and did not need to know about everything that he did with his money. At the same time, Zigmund became much more relaxed about communication. We started to communicate regularly by email, SMS and telephone, while fax contact became extremely rare. Zigmund still asked for some security measures, such as not mentioning the name and the number of his accounts in emails, but eventually even these became unnecessary. The change from secrecy to transparency made our working relationship much more fluent and allowed the client to communicate directly with other bank employees. One investment advisor, Festr, made the effort to email Zigmund in German, which he really appreciated, even though neither of them spoke German particularly well, as can be seen in the below exchanges:

> Zigmund: Bitte kaufen X ZIVH Aktien. Grüsse. (Please buy X ZIVH shares. Greetings.)
>
> Festr: ZIVH: Kein gekauft. Grüsse. (ZIVH: Didn’t buy any. Greetings.)
>
> Zigmund: OK kaufe limit max 44EUR. Grüsse. (OK buy max limit 44EUR. Greetings.)
>
> …
>
> Zigmund: Nicht kaufen ZIVH. Kaufen XYAS. Limit max 13.20, 6000 stk. Grüsse. (Don’t buy ZIVH. Buy XYAS. Max limit 13.20, 6,000 units. Greetings.)

Through these simple but regular contacts, the level of mutual trust between the client and the team increased significantly. Zigmund recently expressed his

satisfaction with our service. He and Festr marked the end of a successful six months with a game of golf, where they both enjoyed each other's company. In this case, the use of IT helped to create social trust similar to that generated by traditional personal interactions, but mediated differently. More generally, I observed that in private banking increased frequency of communication tends to be associated with increased levels of trust.

Communication practices can also create mistrust. For example, clients often complain when bankers call them from 'unknown' numbers, using banks' fixed telephone lines. Although originally these numbers were pre-programmed in order to protect the privacy of clients, this has become a negative feature, as it no longer corresponds to clients' needs.

Gradually, Zigmund has also started to use Internet access platforms to view his accounts. However, he had a lot of difficulty with these services to begin with, which left him feeling frustrated and, to some extent, mistrustful. Once we spent an hour trying to connect to a platform on his iPad, without success. I felt terrible because, no matter how well I was doing in other respects, one of my 'arms' or agencies as a banker, the client's IT access, was not working properly. Zigmund left the meeting frustrated. His judgement on how I was performing was clearly influenced by my ability to provide him with an IT connection, as this was one of my extended agencies as a banker. The quality of a bank's IT can thus strengthen or weaken the trust between clients and bankers and within banking teams, as it is an external sign of a company's competencies and innovation.

Another concern often mentioned by bankers in the past was the issue of using new technologies with elderly clients. However, this group has proved to be more open to change than anticipated. In 2020, I helped an older client to install an e-banking program that uses facial and fingerprint recognition for authentication. When it worked, the client exclaimed, 'This is absolutely fantastic!', as it made his life much easier. The new feature, along with some other tailor-made adaptations made possible by the program, was very positive for our banking relationship. In 2021, I suggested to another older client that we have a New Year video call, as we had not seen each other for nearly a year because of Covid-19 restrictions. He immediately agreed, showing that technology has now been embraced by many older people as a way of maintaining relationships and enabling business transactions.

Between 2012 and 2014, I worked with Mr and Mrs *Novotný*, an elderly couple from the Czech Republic. Mrs Novotný preferred emails to SMS; she always replied to my text messages by email, saying, *'Já neumím SMS.'* (I can't do SMS.) Once, when we needed to discuss a difficult file, they asked me whether we could talk on Skype. Mr Novotný said, *'Tam Vas slysime oba naraz a vidime Vas!'* (Then we can hear and see you at the same time!) I agreed, and it ended up being a very pleasant and useful call for them. *Darko*, another older client, also asked me to Skype with him when he had problems with his IT connection and another complex issue in 2013, saying, 'It would be easier.' Until 2020, video calls with clients were not officially permitted by most banks, but the Covid-19 crisis forced a change in policy. As we have seen, the use of new technologies can lead to increased levels of trust even among older clients, as well as improved performance by bankers in managing their assets and, ultimately, increased economic capital for both clients and bankers.

When bankers communicate with clients using new technologies, the same types of symbols and capital are still being transacted, only via different channels. Structurally, the process by which trust is created has not changed, although the importance of different components may vary slightly from case to case and the communication may be more 'constructed'. All new technologies try to replicate the effects of factors that contribute to the social construction of trust in personal interactions. Videos, photos and voice messages use visual impression or tone of voice as a substitute for body language and bodily hexis, for example, while social media have become an effective new means of self-presentation, enabling people to show off their cultural, symbolic, economic or social capital. This can be done by sending or posting photos from their holidays, of their new boats, of themselves, of their family or of their house, or by mentioning people they know or work with. By giving people greater reach, social media allows them to accrue more social capital. The fields of power and competition have been moved in part to social media, which has become a place to express symbolic domination and habitus. Digitally enabled trust is not different from trust created in traditional ways, but it can circulate more quickly, among more people, via social networks.

In 2012, *Ondra* hated using remote means of communication. Working in a sensitive environment, he did not trust any official technology as he was obsessed by the possibility that competitors could be listening to his calls. He did

trust BlackBerry Messenger, however. When he eventually changed his phone, he asked me, ‘Can you recommend another trusted, quick messaging application to use on an iPhone?’ This was a difficult question, as almost all of the applications for the iPhone were used regularly or officially by some organisation or other. In 2021, some clients still see it as important to use the safest and most private communication channel. A client’s preferred application – Viber, Threema, WhatsApp, Signal, Telegram, Facebook Messenger, Google, etc. – has become part of their extended agency in their banker’s eyes. In the same way as clients sometimes change location, they may also change the ‘unofficial’ communication applications that they use – for example, if the application changes its privacy policy. This kind of *digital mobility*, like physical mobility, is characteristic of wealthy elites.

By this time, Ondra was slowly coming around to using emails, SMS and so on. When we met again in 2018, he was communicating on WhatsApp without difficulty. However, he still insisted on discussing more sensitive issues in person. Some clients may have other reasons for preferring face-to-face contact. In 2016, I started to work with *Tomas*, a successful international entrepreneur in his 60s. The first time I had dealings with him, he was away on a different continent and we could not reach each other for some time. Then I suddenly received a message that he would call me on FaceTime in a couple of minutes. I had never used FaceTime before. I quickly tried to open the application on my iPad, but it did not work, reducing the time available for our discussion. The incident demonstrated to me once again how important communication practices are in private banking. Nearly a year later, after we had established a friendly relationship, I interviewed Tomas – on FaceTime – about his attitude to communication tools. During the interview, I asked him whether he considered flexibility in communication practices important for his trust relationships:

> Tomas: It is a complex question. When it concerns communication in business, I prefer to be with the person in the same room together or on a boat. Of course, it depends on the objective of the meeting as well – what are his or her interests, expectations. Then you need to read the other parts well. And simply create a bond, a sort of link.
>
> Lucia: So it is important for you to be in the same room, physically?

T: Yes, if I want to really reach someone I really want to be in the same room with him physically. Email, for me, is a quite superficial way of communicating. It's a bit better to talk over the phone, a bit better, again, to talk like we are talking now [via video conference], but the very best is to be together with the person. Then you do not have these limitations, like hearing a double echo; you can also have a coffee, make jokes ...

L: So you do not think that communication through IT tools will replace personal contact?

T: Not at all. Not at all.

According to Tomas, physical contact was still the most important means of communication for the largest transactions.

Since 2009, I have been asking bankers and employees how they view the changes in communication practices that are taking place in the sector. Surprisingly, the year 2020, when bankers had very limited opportunity to meet clients, was a good one for the Swiss private banking industry. The private banks and their bankers succeeded in moving ‘online’. But how have they been able to build trust using electronic means of communication?

In May 2010, I interviewed Urs (see Chapter 2), who was working as an asset manager in private banking. One of the topics that we discussed was IT and changes in technology:

Lucia: Do you think the new technologies are having an impact on the actual crisis?

Urs: Not directly.

L: Do you think the new technologies are having an impact on the way trust is created? Like Facebook, for example?

U: No, I do not think so. It is even worse [than before]. I trust only personal contact in general.

L: How do you think the new technologies are having an impact on the way trust circulates?

U: Yes, for example in writing emails. You can ‘send the trust’ to somebody quicker, it circulates quicker.

L: And what about mistrust?

U: Logically, it also circulates quicker.

L: Did your way of working and communicating with clients change during the recent crisis?

U: No, it did not change.

L: Did your way of working and communicating with clients change during recent years due to technological advancements and new tools? If so, how?

U: Yes, of course, it is quicker, less personal; you are more inter-connected [*vernetzter*]. People can join you all the time. It has advantages and disadvantages.

In this interview, Urs claimed at first that the new technologies had not had an impact on the way in which trust was created and circulated. But his answers to all my other questions suggested the opposite ('You can "send the trust"', 'it circulates quicker', etc). After 2010, things continued to change for Urs. In 2013, he finally had to get a BlackBerry in order to make himself more reachable. Ultimately, he was unable to resist the change to new ways of communicating.

Urs mentioned that you can be 'more connected, but less personal' and that you can 'send the trust' quickly using communication technologies. In the same way, you can also 'send mistrust' quickly. As positive or negative information spreads faster within a connected network, it can have an impact more quickly. Similarly, circles of trust can be both created and destroyed more rapidly. This, along with the increase in the volume of securities traded by algorithmic traders, may be one reason why we have seen more volatility on the markets in recent years.

The communication practices of bankers and clients have become an important part of the fine-tuning of banking relationships since the financial crisis. Specifying a 'trusted means of communication' for the client is one of a banker's first tasks. For many years, bankers and banks were poorly equipped in this area, but the Covid-19 pandemic forced banks to accelerate digitalisation of their operations. Integrated chat systems and video conferencing tools were put in place to facilitate distance communication. According to my contacts at various private banks, the banks also stepped up their use of direct mailings and video

conferencing. However, although the agency of technology played a key role in maintaining trust at this time, it could not substitute for human agency. One client told me that, when the crisis was at its height and platforms were fully digitalised, he found it difficult not to be able to contact a banker directly.

These changes have also had a profound impact on communication *within* private banks. As their processes were based on promoting banking secrecy as the highest value, banks initially struggled in their response to both increasing regulation and technological change. In order to protect their clients' data, most private banks resisted digitalisation for years, trusting only paper. For example, several institutions continued to circulate documents, particularly those containing client data, between different entities and departments by *internal post*. To guard against the possibility of loss, some banks had documents scanned before sending them out, but employees were still required to pick up the post regularly and transmit it to other departments. This could be stressful for staff, as losing physical documents was seen as unprofessional by many clients. The practice of transmitting documents manually was in large measure a reflection of banks' mistrust of IT security. Banks preferred the risk of losing physical documents to the risk of having their clients' information stolen. Until only a few years ago, many smaller private banks had a physical 'middle office', protected by glass and entered by only a few employees, where middle-office employees would bring a client's physical file for review by bankers. Security is a valid concern, as some banks discovered when their client databases were stolen by employees.[15] However, the increasing transparency of the financial world has prompted banks to increase their investment in digital information transmission tools and IT security.

The transition from a human-mediated, less regulated system to a digital, highly regulated one has increased the administrative workload for bank employees, even in trading, and some have found it difficult to cope. The impact of the change on individuals is illustrated by the following email, sent in French and English by a senior trader at a private bank in February 2014. I have reproduced both versions, as they differ slightly.

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[15] For examples, see Chapter 2.

Subject: Good-Bye

Bonjour,

Après plus de 40 ans de vie active dans les marchés boursiers, il est temps de prendre de la distance. Aujourd'hui est mon dernier jour de travail auprès de la filiale helvétique du groupe.

Durant cette longue tranche de vie, j'ai vécu beaucoup de changements, passant par ex. de marchés de criée aux marchés électroniques.

La forte croissance des contraintes administratives vécues ces dernières années dans le milieu bancaire a grandement facilité ma prise de décision en faveur d'une retraite anticipée, étant personnellement plutôt une personne de marchés. Je vous souhaite à tous bonne continuation dans votre futur professionnel. Bonne nuit et bonne chance.

Hi,

Having been in active life for over 40 years, time has come to say good-bye. Today is my last working day at the bank. During this long period, I went through a lot of changes in the way the job was done.

Continuing growing administrative pressure on the banking industry made it easy to take the decision to get retired before term. I wish you all the best for your future. Good night and good luck.

The email makes reference to the two major difficulties faced by bank employees in 2014 – the growing administrative workload and the decreasing importance of human contact in some areas of the business – in a sector where trust was previously created on the basis of relationships. It also highlights a big challenge for the banks themselves in managing these changes: keeping their employees motivated. The focus of IT developments within private banking in recent years has been on using information technologies to automate administrative tasks that were burdensome for employees and thus freeing up business time for them.

Within the larger framework of communication between bankers and clients, there are web-based marks that form part of individuals' technological agency

and can influence the circulation of trust between them, even when they are not used in one-on-one communication. These include references to people and events and communication through social networks. The influence of information has been underestimated in the past, but the industry is now more aware of its importance for compliance, marketing and other aspects of business.

Writing about networks in 1974, Jeremy Boissevain declared, ‘At the centre is Ego’ (Boissevain 1974: 47). Boissevain argued that each network was divided into a number of zones of different quality: (I) ‘Personal cell’, or Ego; (II) ‘Intimate zone A’, composed of very close friends and relations with whom Ego maintains active, intimate relations; (III) ‘Intimate zone B’ consisting of both friends and relatives with whom he maintains more passive relations; (IV) ‘Effective Zone’, consisting of a ‘circle of persons who are important to him in a more pragmatic sense for economic and political purposes and the logistics of daily life’; (V) ‘Nominal Zone’, ‘persons he knows, but who mean little to him pragmatically and emotionally’; and (VI) ‘Extended Zone’, ‘people whose names he recognizes, or those who remember that they have met him, though he no longer remembers them’ (Boissevain 1974: 47, 48).

How do social networks look more than 40 years later? In a conference organised in 2014, *Bob*, a specialist in applied communication and new technologies, exclaimed, ‘Collection of photos, all these platforms are about the same issue – the EGO!’ Ego may be a central focus of new communication tools and platforms, both for people in general and for bankers and clients in particular, but more important is the role that they play in maintaining relationships and helping people to understand who their contacts are. They are thus part of the process of building trust or mistrust between individuals and accumulating trust capital within networks. By enabling people to display their practices and social habits to a larger number of actors, they construct – or, rather, reproduce – certain taxonomies within the digital space at a time when meeting up physically has become more problematic.

The biggest difference between networks based on new communication tools and networks based on physical interaction is probably size, especially in the zones numbered II to VI by Boissevain. Networks are now also more ‘visible’ to others and ‘formalised’. They can be viewed by more people, so their impact can be bigger and quicker, as we have seen from the reactions of people following

political leaders on Twitter, Facebook and other social media platforms. The structure outlined by Boissevain is probably still applicable to ‘real-life’ relationships, but the boundaries between different zones have become rather blurred in digital social networks, where the quality of a relationship is not always apparent at first sight.

One of the most commonly used professional communication tools in private banking is LinkedIn. In January 2021, LinkedIn had 722 million members, 57% of whom were men and 42% of whom were women. Seventy-six per cent of users were outside the United States (Hootsuite 2021). The platform is focused mainly on keeping people in contact with their professional network, although increasingly individuals are also using it to share information relating to their business activities with their personal networks. It enables users to see both a member’s own contacts (‘first-level connections’) and other individuals connected to those contacts (‘second-level connections’). When it comes to building social capital and assessing the value of a person’s network of contacts, both the size of the network and its quality, in the eyes of the person’s professional peers, are important. Users can construct a profile of the person from their interests, current and past professional activities, ‘likes’, ‘dislikes’ and ‘reshares’, and from the recommendations that they give or receive. The process of building interpersonal trust in the digital space is therefore based on very similar parameters to the process of building trust in ‘personal life’, the main difference being that a larger number of people, including people whom individuals do not know, can participate in the online version of the process and view individuals’ communication with third parties. This brings a new dimension to the trust construction process.

The primary objectives of those who use LinkedIn are to stay in touch with developments in their field of business, to advertise their own skills and values, to generate business and to gain an understanding of others’ values through their posts and other activities. The fact that a person has a lot of ‘good-quality’ contacts in their network may be reassuring for a new business partner or client and make them feel more comfortable about working with that individual. Clients or bankers can also use the platform to identify common contacts before meeting and to cross-check recommendations, if necessary. In this way, the platform allows them to validate an individual’s social capital and its potential symbolic

capital value or threat. This can help to create trust, if expectations are fulfilled, but can also create mistrust, if they are not.

As relationships in private banking have become more transparent, individuals' Internet presence and tools to construct trust online have become more important for private bankers and clients to connect and understand their clients. As I have already shown, many clients are now happy to be interconnected online with their bankers, friends and business partners. Although identifying where each of a person's contacts fits within Boissevain's scheme of zones (personal, intimate, effective, etc.) based on their virtual presence alone is not straightforward, online comments and statuses can supply additional information on the character of the relationships between individuals, helping people to understand their networks better and to build social capital and trust.

During the financial and economic crisis caused by Covid-19, private banks were obliged to have their employees work from home. The rapid digitalisation of the sector went relatively well at the biggest private banking institutions, according to employees I spoke to at those companies. They were able to mobilise the financial and human resources needed to handle this type of crisis and to provide their employees with secure support to enable them to work from home. For other banking actors and their employees, it was more difficult. In May 2020, a top manager from a smaller private bank who was working from his home office told me:

> It is a nightmare. The connection gets cut very often, we have a lot of meetings on a system which does not work properly. I have migraines and I do not even have time to have a basic break.

The crisis was challenging not only for Swiss private banking, but also for other companies in comparable situations. As already mentioned, the need for banks to be able to communicate quickly and efficiently with their clients during the crisis pushed them to improve their existing channels of communication and establish new ones. Clients could take part in online chats or sign up for direct updates on the pandemic, its political and economic impact, and developments within the financial markets. Banks also offered an increased number of 'expert calls' with external specialists or internal investment managers, where clients could dial in.

As most clients were also working from home at the time, demand for this type of communication increased substantially in the first half of 2020.

A laboratory study carried out in 2015 by a team of US anthropologists found that 'under conditions of stress people's behaviour tends to become more rigid and repetitive – in other words, more ritualized' (Xygalatas 2020). In the early months of the Covid-19 crisis, banks reacted to stress in a similar way by increasing the number of updates they provided to clients, both in written form (letters) and in the form of webcast sessions by top people (chief investment officers or heads of advisory) where bankers and clients could either dial in or, if they were unable to participate 'live', hear the session afterwards on 'reply'. Anthropologically speaking, we witnessed a 'ritualisation' of communication within private banks in March and April 2020, as the financial markets underwent a major correction, clients suffered anxiety and people lost hope. Increased digitalisation enabled the performance of new rituals and allowed existing ones to be enacted through new channels. Rituals are highly structured: they have to be performed in the 'right' way, by the same actors over and over again. They are predictable. They give the impression of control by 'imposing order on the chaos of everyday life' (Xygalatas 2020). Collective rituals require coordination and, when people unite for a ritual, they build more trust with one another (Xygalatas 2020).

During the Covid-19 crisis, private banks used their economic capital (financial resources), social capital (people near the top of the hierarchy) and cultural capital (knowledge) to generate symbolic capital, enhanced by formal or ritualised communication. It is significant that the banks chose CIOs and heads of advisory as their main communicators, as at most major Swiss private banks (UBS, Credit Suisse, Julius Baer, Pictet, Lombard Odier, Zürcher Kantonalbank, Vontobel, etc.), these are currently white men in their 40s, 50s or 60s. They have assumed the role of 'ritual leader or wise man', showing the way forward in difficult times.

This symbolism was enhanced by images posted alongside the comments of senior executives. For example, a communication from the CIO of UBS in August 2020 was accompanied by a picture of a man standing on a hilltop, in a dominant position, looking into the distance. In order to reach the summit successfully, the image suggests, bankers and clients must follow a complicated path that requires

both cultural capital (knowledge) and the symbolic capital associated with high-level institutions.

Figure 28: Communication with clients during the Covid-19 pandemic

Source: UBS

The CIO reiterated this message in his comments:

> We think that the post-crisis world will be more indebted, less global, and more digital. Investors will need to contend with higher taxation, financial repression, and moderately higher inflation, along with populism and protectionism, while navigating the transitions from global to local supply chains, and from physical to digital. (UBS 2020)

In a passage discussing the work of Catherine Bell, Terry Rey writes that, for Bell, 'Both "myth-making" and "ritual-making" constitute forms of what Bourdieu refers to as "world-making processes that produce and reproduce the social world and the way it is perceived"' (Rey 2014: 111). Bell herself asserts, 'Ritual is a tool for social and cultural jockeying; it is a performative medium for the negotiation of power in relationships' (Bell 1997: 78). The ritualisation of communication in private banking during times of crisis, enabled by digitalisation, has reinforced the power position of CIOs and other investment specialists both within the social order of private banks and in the eyes of the clients.

Because the coronavirus pandemic was a different type of crisis – one that touched people personally, endangering the health and the lives of investors and those close to them – it made clients more fearful and caused them to turn to their banks for guidance on what was really happening in the world. The new or enhanced means of communication that banks have put in place have enabled knowledgeable bank employees to contact clients directly on a regular basis, increasing the level of trust between bank and client and decreasing the level of stress among clients.

Technology and communication as a resource for trust, capital and profit

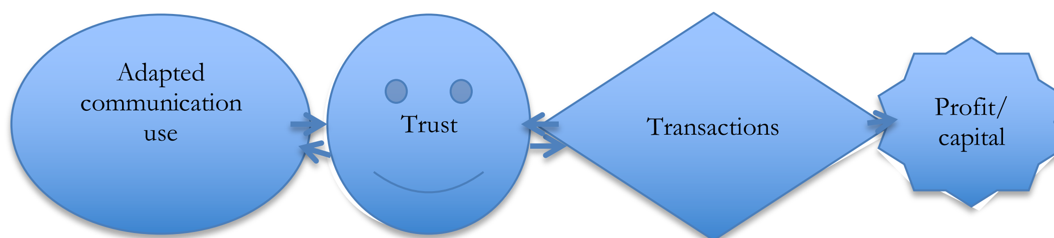
From 2008, communication practices began to change in the Swiss private banking sector, as digital tools became more widespread and the importance of bank secrecy decreased. The 'subprime' crisis highlighted the need for transparency and better communication between bankers and clients, as clients required more information and control during the financial market downturn. However, although the sector was starting to catch up with other industries, most private banks were still poorly equipped in this area.

In 2014, I had the opportunity to take part in a seminar about communication practices, held in Switzerland and attended by 20 bankers from 15 different banks. During one discussion, it became clear that the issue was a concern for everyone present, and still relatively unresolved. How should bankers communicate in this 'new' world, without banking secrecy and with digital tools everywhere? How should bankers and banks use technology in order to get to know clients better and to present their own image? Was it possible that technology would soon replace bankers?

Different opinions were expressed on these questions, but the general consensus was that, for Swiss private banks, the digital world is a new battlefield, and banks and bankers will not survive unless they brainstorm together about how best to make use of new technologies. Adapting existing means of communication and mastering new communication practices can become part of

banks' and bankers' resources for building long-term trust capital and profit. This requires them not only to take advantage of new tools, but to pay careful attention to the way in which those tools are used. Efficient communication in banking means carrying out transactions that are well understood by both parties. Where this is achieved, the outcome will be improved cooperation, higher levels of mutual trust and increased profits for both bank and client. A satisfied, well-informed client is likely to bring long-term, sustainable profits to the bank, as well as personal satisfaction to the banker.

Figure 29: Trust as a capital good and source of profit



The discussion reproduced below took place within the framework of a general brainstorming session on the use of technology and communication tools (for example, web searching and social networks) in private banking. Although some of it now sounds a bit dated, it shows clearly that Bourdieu's analysis of how material agencies can be used to create trust and display social, economic, symbolic and cultural capital is equally applicable to digitalised ones. Bob was a specialist in new technologies; *Jack* was an artist and motivational coach. The other participants were bankers based in Switzerland. Jack and Bob were at the centre, while the bankers were arranged in a circle around them. It was a complex discussion, and the bankers did not really know how to react. It is rare for bankers to be confronted so directly, so this was a rather new environment for them:

> Bob: Collection of photos, all these platforms are about the same issue – the EGO!
>
> Jack: People need to take advantage of current techniques.
>
> Bob: It is the EGO! Pinterest, another platform ... you can share what you know about art with the world by just posting all kinds of beautiful

> paintings. Instagram; it's very visual. So it's a very easy way to investigate what your client or his family or office members are interested in.
>
> Adul (banker): It's quite difficult because you are talking, I think, to people who have been formatted to be very discreet, very secretive for at least the last 20 years or whatever.
>
> Bob: But that's the opportunity!
>
> Jack: Yes, that's the opportunity! What he says is that now it is out there for a lot of people!
>
> Adul: The information is there.
>
> Bob: They show what they like and you know how to go for it.
>
> Jack: I know it sounds totally counterintuitive to you. It sounds totally counterintuitive to you, but that kind of ... we talked about changing a mindset, that's what is going to happen!
>
> Bob: The way you do it now, you step into the office of a client, you look at his walls, you see family pictures, you see golf balls. Now there is all kinds of this stuff, which is already available before you go! Instead of 12 meetings, you can do it in four meetings, because it's out there! Because you are well prepared, you are a rich man when you come in! You can know a lot about the guy, upfront!
>
> Jack: You are a rich man when you come in ... [*Laughs*.] It's a Belgian talking ...
>
> Bob: You don't have that much time, so you have to be direct.

Several bankers began to complain about the practical difficulties of using technology:

> Jack: Hold, hold, hold – we haven't discussed that yet.
>
> Bob: I haven't mentioned Facebook yet.
>
> Jack: Just listen to what he has to say. Nobody said it is going to be easy. Just let him talk. Nobody said it's going to be easy, no! Nothing is easy. Sometimes there are easier solutions you want to know!

Bob: Let's be honest. You have a secretary, you have a researcher, you have a back office where you say, 'Give me everything'.

Mario (banker): What you are saying is that we underestimate, as private bankers, the power of the web.

Jack: Totally.

Mario: You say, 'The information is there for you,' and we just have to learn how to manage it, but some people here are saying that some specific information which can be used for our markets is not there.

Jack: Some very deep information might not be there, but I am not sure.

Bob: There are different platforms you should explore to find if different data isn't there. Maybe very specific, for your business, but there are other platforms which can be very specifically focusing on what is happening there – in Brazil, for example – on financial markets.

Jack: You know that there are companies out there that are trying to clean up all the stuff [the clients] don't want to have out there! So it is there. Most of the time there is much more there than you think. There is a lot out there, it is just amazing. That is the idea, even for your business. The digital [world] will become bigger and bigger, more and more important, so use it. That is the big message in the room, and we are just giving you the words of experts. We could talk for hours. Did you see the drawings? [*Points to drawings being done by an artist based on the discussions*.] There is the one with the two waves – one with 'Google' [on it], the bigger one, and one with 'Digital' [on it], coming right at you. It's all there, it's all in this picture.

Bob: Yesterday, I said the digital [trend] is a disaster for your business model, for your operations, a disaster, but for you it's a great chance to be a front-liner. You can use these data, organise them. Very easily. Then [there is] the example of Facebook, which is a little bit of a different one. Facebook is intended to be very personal. But you see there are all kinds of new collaborations coming up, within Facebook also. But Facebook is a threat. That is why you see, especially in

Silicon Valley, there is an enormous resistance to bringing more to Facebook. It is a bit too powerful and now everybody is afraid of the next thing.

Ela (banker): Yes, I see that kids don’t want to be on the same platforms as me and their grandmother. I think that the new generation, or second generation, will probably keep away from it.

Charlie (banker): Yes, and then they will just buy [the new platform], like WhatsApp.

Bob: Exactly. And what will happen? The profile on your Facebook will tell companies all about your behaviour and they will blend it. They can sell your profile to whatever brand.

Jack: What does that mean for behavioural finance?

Charlie: We are surrounded!

Unknown banker: Many people are scared of that.

Ela: You cannot fight it. Yes, and then you will get in your Gmail exactly what you have been searching for. Expedia or something like that.

Bob: That’s behavioural targeting. We are not marketing specialists, but believe me, all these data are very useful. I am so surprised it is not in your organisations yet. You should probably have a social listening team in your company.

Jack: Who wants to explain what ‘social listening’ is. Do you know what social listening is?

Adul: You collect information about a person?

Bob: You use LinkedIn, Instagram, Tumblr and a couple of other platforms etc. Every day you receive the top 10 data collections back in your email. You can build the story!

Adul: Which would be the best one to start with?

Jack: Hold, hold. Social listening.

...

Bob: Let’s take the example of Angela Ahrendts, making the company

transparent. Burberry marketed through social media.

Rose (banker): Now it is so digital that if you need something you go to the shop, [and if] it is not there they have to order it and you have to come another day to collect it!

Jack: What was totally hidden, she put it out, and people loved it! Because they could see how things are made! She pushed it so far that they invented direct catwalks. You could comment on it directly. You could tell them what you thought about the new collections, etc., about what you have just created.

Adul: I came across a start-up where they are just following the information about a company, making a report. They are just following what is written, just to know what the sentiment about the bank is.

Jack: It's marketing. And they trade it!

Bob: There are companies out there working on new webs, much better structures. It will be easier, if you embrace it, it will make your life easier. That's the beauty of it. There are other platforms, Snapchat – it's ridiculous.

[*Noise in the room*.]

Ela: It's quick!

Bob: Popular, but also in criminal organisations. It's paranoiac. Stay away from this and take care of your children. Ten seconds, there is a reason for that.

...

Please, think about it. We are not talking about vision, it is about now. It's a structure to build work on, if you want to embrace the digital.

This discussion provides a useful snapshot of the situation in Swiss private banking in 2014, when digitalisation and the use of social networks were growing in importance but had not yet been fully embraced. It shows that at this time – just seven years ago – bankers were still grappling to come to terms with these new technologies. For those working in the industry, it was a big step to move in

such a short time from having a very small number of carefully cultivated personal connections to operating in a hyper-connected digital world. However, as I have shown, by 2010 clients were already going digital. By embracing new means of communication, bankers can add to their capacity to create trust, maintain relationships and carry out transactions, and thus to construct different types of capital, in the form of more satisfied clients, new partnerships, increased wealth, success in the rankings and so on.

Trust can be also built digitally through objects, documents or products generated from a combination of human and technological inputs. For example, a trade confirmation recording the purchase or sale of a share, bond, structured product or private equity investment, or well-prepared supporting documents for a tax return, sent via digital means, can be trust-building elements, as they are the product of knowledge, cultural capital and social capital, and have the potential to create economic capital for both sides. Conversely, they can also be vehicles of mistrust, if the trading platform has technical issues or there is an error in the execution of a trade. If a trade execution following a client order is delayed, it can be an operational risk for the banker, who may be blamed if in the meantime the product's price goes down and the clients incurs a loss from the transaction. This is one reason why private bankers are rarely away from their phones and why, as the speed of communication increases, teamworking has become so important.

Bankers are connected to clients, colleagues and companies through their phones. In all five meetings that I observed at the 2014 seminar, the meeting facilitator referred to bankers' relationship to their phones. During one meeting, Jack appealed, 'Please hold one more moment. I know your BlackBerrys are exploding. You can go now. I know you are dying to see all the things on your BlackBerrys after two days!' On another occasion, Giuseppe, a financial structuring specialist, told those present, 'Please put your BlackBerrys on the tables. Whoever touches it first will buy [people] a drink!' Five minutes later, his telephone rang in the middle of the meeting. During the breaks between sessions, the first thing that bankers did was look at their phones. Technology and communication have clearly become vital to building trust and a basis for operational success. However, technology is also a threat.

In their book *Sociality: New Directions*, Nicholas J. Long and Henrietta L.

Moore (2012) apply the concept of 'sociality' to interaction through virtual worlds. For Long and Moore, any approach to sociality must 'begin with its conceptualisation as a dynamic relational matrix within which subjects are constantly interacting in ways that are co-productive, and continually plastic and malleable' (Long and Moore 2012: 4). The social construction of trust based on capital resources operates in a similarly dynamic fashion. In a chapter entitled 'Avatars and Robots: The Imaginary Present and the Socialities of the Inorganic', Moore references Bruno Latour's well-known actor-network-theory (ANT), which emphasises the agency of technology within networks of relations:

> ANT, with its emphasis on distributed forms of agency and actants (human and non-humans) in assemblages returns us forcibly and profitably to focus on the material world and to larger concerns with context and environment. (Moore 2012: 33)

The potential threat that forms of non-human agency pose to bankers is encapsulated in a question asked at a recent private banking conference: 'Will private bankers be necessary in five years, or can IT systems do their job?' As one private bank director proclaimed during a meeting of top management, 'Well, it's time I got an avatar.' Behind this playful remark lurks a real fear that, in the future, advances in technology will leave bankers with a much more limited role in private banking. However, this is to underestimate the ability of human actors to assimilate technology and to deploy it as part of their extended agency. In Zoom conferences held during the Covid-19 pandemic, some people replaced their video feed with an avatar when they were not actively participating in the conversation. For Moore, 'the contemporary use of avatars, another "inorganic sociality", reveals the distinctively human capacities to project notions of "the environment" forwards and backwards in space and time, including into parallel, virtual realms, where things of the imagination can be ascribed with attributes, qualities and attachments' (Long and Moore 2012: 6). This supports my hypothesis that human agents – specifically, private bankers and wealthy elites – can dynamically shift the trust construction process from physical to digital fields, using the same kinds of capital resources to maintain their power position in the relevant social fields.

Like other industries that had to 'go online' during this period, in February and March 2020 the major Swiss private banks moved most of their employees to home offices, something that would previously have been unthinkable. Employees were able to work from home, using secure IT platforms. Whereas only a few years ago the 'central file' containing client information was still a highly protected place in many banks, in 2020 bank employees were able to access it from home. The level of trust towards bank employees working at home had increased and there was less risk for the banks, as tax and client information was transparent for most countries. New or improved communication tools (web conference calls, group emails, chats, etc.) were made available to clients, who were generally happy to use them at critical moments. There was also an increase in the use of phones calls to compensate for the lack of physical meetings during lockdowns, when people could not circulate freely. The Covid-19 crisis was a disruptive event for the private banking industry. However, the fact that the big banks and most financial services companies were able to work successfully online and to use technology to continue to serve their customers helped to restore trust during the crisis and maintain the flow of business transactions.

Technological devices – namely, algorithmic trading programs – played a key role in creating market volatility during the crisis, as the prices of company shares, bonds and other securities fell and then rose sharply. Therefore, they also participated indirectly in the creation of trust and mistrust towards private banks, bankers and their wealth management capabilities. Algorithmic trading platforms base their actions on existing data and do not react well to unforeseen events. In such situations, traders may pull out of the market temporarily, causing the price of securities to fall significantly. The classification of Covid-19 as a pandemic by the World Health Organization was an unexpected event for many algorithmic trading programs, which responded by selling many securities. The price of securities fell sharply and portfolios lost a lot of value. As the value of a portfolio is a guarantee for loans made by banks on the securities that it contains, banks asked their clients to send additional money. This is called a margin call. Where clients were unwilling to send additional assets, banks had to sell some of their securities to improve the so-called loan to value (LTV) of the portfolio, as LTV is higher for cash than for securities. In a market where there were a lot of forced

sellers, sale prices fell even lower. However, once the situation with Covid-19 became clearer, purchases of securities quickly pushed prices back up.

Algorithmic trading programs are used primarily by hedge funds, mutual funds, pension funds and institutional traders (although I have also seen a sophisticated private investor using them). What are these programs, and who are the human agents who influence them? According to Investopedia,

> Algorithmic trading (also called automated trading, black-box trading, or algo-trading) uses a computer program that follows a defined set of instructions (an algorithm) to place a trade. The trade, in theory, can generate profits at a speed and frequency that is impossible for a human trader. The defined sets of instructions are based on timing, price, quantity, or any mathematical model. Apart from profit opportunities for the trader, algo-trading renders markets more liquid and trading more systematic by ruling out the impact of human emotions on trading activities. (Investopedia 2020)

The article provides the following example of algorithmic trading in practice:

> Suppose a trader follows these simple trade criteria:
>
> - Buy 50 shares of a stock when its 50-day moving average goes above the 200-day moving average. (A moving average is an average of past data points that smooths out day-to-day price fluctuations and thereby identifies trends.)
> - Sell shares of the stock when its 50-day moving average goes below the 200-day moving average.
>
> Using these two simple instructions, a computer program will automatically monitor the stock price (and the moving average indicators) and place the buy and sell orders when the defined conditions are met. The trader no longer needs to monitor live prices and graphs or put in the orders manually. The algorithmic trading system does this automatically by correctly identifying the trading opportunity. (Investopedia 2020)

A specific type of algorithmic trading is high-frequency trading (HFT). This ‘utilizes sophisticated algorithms to execute thousands of trades per second. Most often

utilized by large hedge funds, they seek to gain from micro movements in markets' (Investopedia 2021).

Because the majority of the liquidity in financial markets nowadays is provided by 'algo-traders', the market's capacity to absorb short-term shocks is much lower than in the past. As traders with the fastest execution speeds are potentially more profitable than traders with slower execution speeds, the agency of speed is crucial. Algorithmic trading has become part of the technological agency of some players, an advanced tool using IT resources, human resources (programming algorithms and mathematical formulas) and even artificial intelligence resources in the service of a group of investors, enabling them to profit from rapid market movements and to limit losses by exiting the market quickly.

The ethics of algorithmic trading, especially high-frequency trading, have frequently been called into question. According to James Chen, writing on Investopedia:

> HFT is controversial and has been met with some harsh criticism. It has replaced a number of broker-dealers and uses mathematical models and algorithms to make decisions, taking human decision and interaction out of the equation. Decisions happen in milliseconds, and this could result in big market moves without reason. As an example, on May 6, 2010, the Dow Jones Industrial Average (DJIA) suffered its largest intraday point drop ever, declining 1,000 points and dropping 10% in just 20 minutes before rising again. A government investigation blamed a massive order that triggered a sell-off for the crash.
>
> An additional critique of HFT is it allows large companies to profit at the expense of the 'little guys,' or the institutional and retail investors. Another major complaint about HFT is the liquidity provided by HFT is 'ghost liquidity,' meaning it provides liquidity that is available to the market one second and gone the next, preventing traders from actually being able to trade this liquidity. (Chen 2020)

However, algorithmic trading companies are now widely accepted and used by institutional investors in the financial industry. Other investors may complain about them, but they have become a fact of life in the industry, as traders benefit from their execution speed. Although algorithmic trading has become a topic of

ethical discussion, regulators have not sought to take down algo-trading platforms or restrict their use. The growth of private markets over the last 10 years has helped to limit share price volatility, however, as it means that companies do not enter the publicly traded market until they are relatively big.

Bourdieu frames ethics as ‘unconscious competitive strategies to maintain and advance one’s position and to acquire and legitimate power’. The power so acquired he terms symbolic power, ‘by which he means the kind of power that is reinforced by authority’ (Pellandini-Simanyi 2014: 655). From Bourdieu’s perspective, the fact that highly sophisticated trading tools have been widely accepted by regulatory authorities and the financial sector implies that they are in a position to acquire symbolic power – legitimacy – and to transform it into symbolic and real profits. The use of algorithmic trading has also reinforced inequalities within the trading community, as the performance of traders is dependent on the technology that they have at their disposal. When an investor was asked why he was transferring money from an account in one country to another account within the same institution in another country, he explained:

> There is one important reason for me. The K bank in country A doesn’t have the automatic trading application that I use many times every day at the K bank in country B, which has it. I can achieve much better results in high-frequency trading with smaller amounts, since the application is ultra-fast for my home market compared with other banks. If I have to call or write emails and wait for execution by a live trader, most of the opportunities are simply gone.

As this example illustrates, in the financial sector sophisticated IT can generate symbolic and economic profit for those actors able to use it to their advantage. It becomes an extended agency of a trader or a banker, increasing his or her cultural, symbolic and economic capital. This is the new doxa in finance, where inequalities in technology are accepted as natural, without much criticism, by members of the financial community. IT tools are seen as a skill, based on economic and cultural capital, and have become a symbol of domination in finance.

Conclusion

In this chapter, I have discussed the use of technology to create trust, based on the various types of capital identified by Bourdieu, and the complexity of communication practices in the international private banking sector. This is a topic of particular importance because of the significant technological and regulatory changes that have occurred between 2008 and 2020, which have had a profound impact on the population of private bankers and clients. The most important of those changes were the gradual disappearance of banking secrecy after the financial crisis, which created a need for greater institutional control of tax payments, and the development of new communication technologies, which accelerated during the Covid-19 crisis.

My main aim was to document the impact of market devices on bankers' and clients' technological agency, and to show how the communication practices related to this enable the creation and maintenance of trust and mistrust within the private banking community. We have seen that the basic principles of trust creation, based on habitus and capital, are replicated in interactions via new communication tools and social networks, albeit in a slightly adapted way. The trust is not different – it is just 'digitally enabled'. Technological devices and social networks allow trust to circulate more quickly and to reach people who could not be accessed without these tools. As a result, more people can participate in an individual's trust and capital construction process and in the materialisation of that trust via words, pictures, symbols, relationships and so on. In private banking, technology and communication are one of the extended agencies that come together to complete the individual, creating an impact not only on his environment, but also on his own personality.

Not long ago, the 'perfect' private banker in Switzerland was one who communicated extremely discreetly, or not at all, respecting the rules and the wishes of his clients. His agency was silence. However, regulatory changes, increased compliance requirements and the introduction of tax transparency, plus the arrival of new technologies, have forced bankers to review the way in which they communicate with and get to know their clients. The move to more modern communication practices has created considerable anxiety among staff at all levels, from bankers right up to top management, but those working in the sector

have had no choice but to adapt. As we have seen, successful communication is the basis for trust construction and the transactions and profits that flow from that. It can also enable bankers and clients to navigate periods of difficulty such as the Covid-19 crisis. Successful communication reinforces social capital – relationships with clients or contacts – and confirms existing power fields. Technology also has the power to break relationships and decrease an individual's total capital, where improperly used or performed.

The new technologies have also brought changes to the way in which trust is created online. Coming to grips with these changes has been challenging for bankers and their clients, and they are still learning how to operate in this novel environment. However, the basic principles of trust construction have remained unchanged. Interpersonal trust is constructed both online and in the physical world by agents empowered (or not) by their tools, communicating about the types of capital that they possess. Despite fears some years ago that private bankers would be displaced by a new type of purely digital banking, the human factor remains crucial. The advantage of digitalisation for the banks is that it provides them with new ways of maintaining clients' trust, improves bankers' motivation by keeping them connected to clients at times when they cannot meet face to face, allows banks to operate efficiently within a transparent regulatory framework and helps them to address the needs of a younger generation of clients who are at ease with technology. The proper use of technology to support clients and bankers can empower people on a day-to-day basis, leaving them with more time to communicate and to create trust and capital.

6

Mistrust, trust and networks of capital: The historical evolution of Czech and Slovak wealthy elites

In the previous chapters, I explored the construction of trust based on different types of capital constructed on agencies, in the environment of private bankers in Switzerland, and among wealthy elites located mostly in central Europe. The objective of this last chapter is to describe the social process of trust construction and circulation within a specific group of wealthy individuals connected to a geographical region, and to look at evolution in the way trust and mistrust circulate over time.

For this analysis, I have chosen to focus on the wealthy elites of central and eastern Europe (CEE), who, following the end of communism in 1989, have experienced some of the biggest politically driven changes seen in Europe at the end of the twentieth and beginning of the twenty-first century. More specifically, I will focus on the wealthy elites from the Czech and Slovak Republics, as I have been working a great deal with these individuals due to the fact that I am Slovak. Moreover, the population of wealthy elites in these two countries has rarely been analysed by anthropologists, especially from the point of view of trust building and circulation. My knowledge of the local languages was a great help during the fieldwork and investigation.

My research took place mainly during the 2008-2013 crisis, which was the first of its kind to occur in this region's new 'capitalist' environment. The crisis ultimately lasted beyond 2013, continuing for another seven years until 2021. As a result, it also covered the Covid-19 crisis of 2020-2021, albeit in a lighter form. This enabled me, as a banker and an anthropologist, to make observations of these unique periods, during which I dealt with issues raised in the environment of private banks and among bankers and wealthy clients.

During this period – and especially in Slovakia after 21 February 2018, when Slovak journalist Jan Kuciak and his girlfriend Martina Kusnirova were murdered

– the population started to express dissatisfaction about the circles of trust and mistrust that existed among certain political, business and police elites, as I will show later in this chapter.

I trust my scientific work will be a useful aid to better understand this strategic group of elites, who have such significant decision-making power for all people of the region.

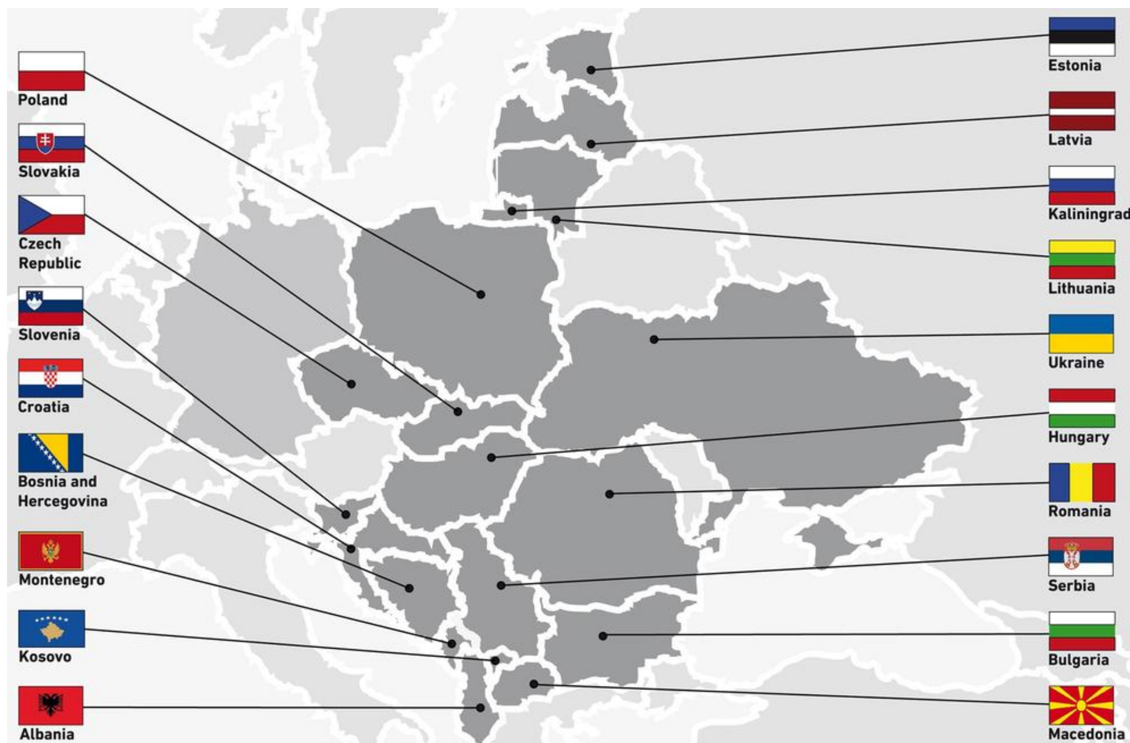
The hypotheses I will address in this chapter are drawn from several areas. Firstly, based on a historical analysis, I will investigate the relative novelty of the position of wealthy elites in the region and the way in which their trust circles were organised before. I suggest that this class re-emerged and re-created itself around specific issues, in particular privatisation. After the change of regime in 1989, I presume that a complete reconstruction of the wealthy class had to take place, based on specific trust parameters determined by historical heritage. These parameters encouraged corruption, reciprocity and exchange relationships. One of the conditions that might have enabled these kinds of activities, and that arose from communism, was people's lack of trust that they could influence justice in their own country and use social control, because some elites in politics, business, the judiciary and the police were working together.

In this chapter, I will pay specific attention to the evolution of the international aspect of trust circulation and networks. Networks were partly de-internationalised during the communist regime, with businesses focusing heavily on central Europe and Russia. This enabled wealthy individuals to take advantage of small networks several years after the end of communism, obliging them to behave in a certain way in order to protect their common interests. In fact, the circles of trust and mistrust that arose in these networks aided the execution of transactions that led to the creation of fortunes based on unequal treatment. Only an increasingly international field of business enabled some wealthy elites to generate revenue streams more independently.

One of the social changes whose beginning I observed and will illustrate in this chapter concerns people's gradual engagement in politics and an increase of social control, making elites more accountable for potential acts of corruption. In 2014, it was expected that the situation would improve, especially in Slovakia. However, things actually became worse, culminating in 2018, before they started to get better.

The position of the Czech and Slovak Republics in the CEE region is shown on the map below.

Figure 30: Map of CEE



Source: dbu.de – CEE Fellowships

This region is often shown with different borders. Depending on the map, it might include or exclude parts of southeast Europe, Ukraine, etc. CEE is generally defined as a

> Generic term for the group of countries in Central Europe, Southeast Europe, Northern Europe and Eastern Europe, usually meaning former communist states in Europe. It is in use after the collapse of the Iron Curtain in 1989–90. (Inotai 2009)

In accordance with the OECD definition, it can be also referred to as CEECS:

> Central and Eastern European Countries (CEECs) is an OECD term for the group of countries comprising Albania, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic, Slovenia, and the three Baltic States: Estonia, Latvia and Lithuania. (OECD 2001)

The term CEE can sometimes be used to describe a region that also includes Montenegro, Bosnia and Herzegovina, Macedonia and Kosovo.

Those whom I have labelled 'CEE wealthy elites' are individuals from the region who have assets generally valued above CHF 1 million. In my fieldwork, I had the opportunity to speak to bankers covering a variety of countries in this large region, so examples used in this thesis and some in this chapter come from many different CEE countries. As I said, this chapter will primarily focus on Czech and Slovak wealthy elites, but the shared communist past has raised similar issues of elite reconstruction in several CEE countries. Therefore, research results from these two specific countries could give us a better understanding of the behaviour of wealthy elites throughout the region. Is this similar history enough, though, to describe theses wealthy elites as a homogenous group?

Self-defining elites

Looking at the CEE map, with its multitude of countries, languages and divergent histories, it would be very difficult to make this assertion and to tell whether there is a common cultural definition for the group. However, what these wealthy elites have in common is the fact that they amassed their wealth during the recent recovery of their economies after communism collapsed in 1989-90. Some of this wealth was inherited, but most of these newly wealthy individuals are self-made. The term 'self-made' implies that these entrepreneurs were not wealthy when they started and did not have economic capital. However, from the perspective of Bourdieu's total capital volume, they might have been very rich in other types of capital, such as cultural, social, symbolic or some degree of economic capital. Many of them are now, in 2020, able to transfer wealth to the next generation. During communism, though, they had very little scope for independent, individual wealth creation, and most entrepreneurs had to maintain a connection to politics.

The 'old' elites who didn't comply with the Communist Party principles were often replaced by political elites, even in leisure activities. One example of this is the exclusion of people who were not in the Party from hunting associations, membership of which is usually a sign of elite status and circles of trust. Post-1989, social codes and total capital connected to the party had to be slowly converted into different resources, and the habitus and taxonomies in which the individuals operated had to be adapted. The 'newly reconstructed' wealthy elites could now be extravagant, family oriented, freethinking, charitable or aggressive. They could dress differently and talk rudely or politely, depending on their previous backgrounds and new networks. Some three decades on, in 2021, I observed a certain global code of conduct emerging, based on international exchanges, experiences and the maturity of the wealthy elites. This transformation period was also a great opportunity, as I will later show, to occupy space in the re-adapted power fields and to secure even more economic and political power within newly constructed networks of wealthy individuals in an environment still defining itself in terms of regulations, controls and anti-corruption measures.

I will now specifically address the situation of wealthy elites from the Czech and Slovak Republics. I will begin by summarising the history of wealthy leaders in these two countries, focusing on the twentieth century until the fall of communism. Afterwards, I will present observations of the characteristics of these elites 'from within', focusing on aspects such as their culture, the role of gender and the structure of their networks. I will then show, based on anthropological observations and interviews, how the wealthy elites react in times of social change, as demonstrated during the recent financial and political crisis that occurred between 2007 and 2020. Finally, I will use several case studies to show the circulation of trust and mistrust among the wealthy elites in daily business, and their use of types of capital as resources. I will examine how the circulation of trust can influence the concentration of networks and resources in both countries. When analysing wealthy elites from publicly available information, I will use their real names or omit their names. In the case of interviews, I will use pseudonyms.

The history of Czech, Moravian and Slovak wealthy elites

With the dissolution of Czechoslovakia in 1993, the Czech Republic and Slovakia became two independent states, with Prague and Bratislava becoming their respective capital cities. Both countries have been part of the European Union since 2004. Here is a short summary of their history from the fifth century to the end of the communist era, as described by Goodman (2007):

> The Czechs and Slovaks are two distinctly divergent historically rooted nations. They have been neighbors since their arrival into the region in the 5th century C.E. Their cultures developed separately until they came to live together in a common state during the period after World War I and before World War II. Their attempt at democracy was short, as Hitler dismantled and conquered Czechoslovakia in 1938. After World War II, Soviet Communism was installed in Czechoslovakia with far reaching effects on the lives of all who lived within the country. After poor economic performance, a series of reforms that came to be known as Prague Spring brought the promise of changing the fundamental relationship between the people and the state. This came to a crash as Soviet tanks rolled into Prague. The display of military might collapsed the reforms and deposed the leadership of Czechoslovakia. A conservative administration was put into place and life under communism continued until 1989 when massive protests that would not be stopped by repressive government actions toppled the communist regime in few months. (Goodman 2007: 2)

So who were the wealthy Slavic elites throughout this era, and how did they live? The Slovak historian and archaeologist Branislav Kovar has this to say:

> The Slavs came to the area of central Europe as a relatively poor nation (in the sixth century). We have guessed that their first form of social organisation was more egalitarian than a form with great social differentiation and wealth differences. During the era of Great Moravia (ninth century), a social elite had already appeared in the form of earls

> and their comrades. Recent archaeological findings prove that there were people who could afford luxurious items at the time. This wealthy class was probably connected with the governing powers and their wealth was directly dependent on them. A Frankish merchant named Samo (first ruler of the Slavs) best fulfilled the definition of a wealthy person during that time: a person who owns wealth and has the capacity to influence social events. (Kovar 2013, my translation)

During the creation of the Kingdom of Hungary and the Czech Kingdom, a new social order also arose in central Europe: feudalism. This persisted in Slavic lands until the reign of Maria Theresa and her son Joseph II (eighteenth century) in Hungary, up to the second half of the nineteenth century. The basis of feudalism was the ownership of the land (lat. *feudum*) The biggest owner was, in most cases, the ruler. He gave parts of his land to his vassals who could exploit it or rent it. In return, they had to promise the ruler some services, usually of a martial character. We can simplify this by saying that the wealth of people in the Middle Ages could be measured by the size of their land.

Some aristocratic families – such as that of Matúš Čák in Slovakia, the well-known lord of Vah (river) and Tatras (mountains) – had more status and power than the ruler.

During the rule of the Přemysl families, the wealthy in Hungary and the Czech Kingdom also included religious dignitaries. Second sons of noblemen were mainly recommended to senior positions in the Catholic Church in order to avoid the division of property.

Figure 31: Matúš Čák Trenčiansky, a medieval oligarch

Source: e-stredovek.cz

In the thirteenth and fourteenth centuries, cities developed. Rulers encouraged their creation, as the inhabitants became a kind of counterbalance to the aristocracy. The cities organised the markets and had other privileges. Commerce and crafts prospered. Craftsmen formed guilds. From this arose a new, rich social class: the bourgeoisie. An important element in these cities was the German ethic minority. They settled in Hungary in the thirteenth century, and established themselves earlier in the territory of the Czech Republic. They came mainly for business in mining, but also developed other crafts, bringing viticulture to Slovakia, for instance (see Kovar 2013, my translation).

Connected with these arrivals from Germany was probably the most successful central European 'company' – the banking house of Fugger. This family business was founded by Jacob Fugger in the first half of the sixteenth century, and it grew to become one of the most powerful commercial and banking companies of the time. The basis of the family business was mining. The ownership of mines in both countries contributed significantly to their assets. Their trade in copper almost became a European monopoly. The family strongly influenced policy, and even the powerful and proud Habsburgs were grateful for the funds that the Fuggers lent so 'selflessly'. The most business-oriented of the Slovak families

were the Thurzos, who worked with the Fugger family to establish a joint trading company. Together, they were active in mining and trade.
In the Middle Ages, finances were in the hands of the Jews. Religion forbade Christians from lending at interest. Judaism forbids it too, but only within its own diaspora. Because of their financial services, Jews had the direct protection of some rulers, who were also their clients. (see Kovar 2013, my translation)

The main activity of the nobility and the medieval rich was military service. Knightly tournaments and hunting were preparation for real war. The estates of aristocrats were used predominantly for the purchase of equipment to supply their own soldiers and horses. However, aristocrats differed enormously in terms of the property they owned.

Conversely, the city bourgeoisie was closer to today's entrepreneurs, even if they also had to fight on behalf of the monarch in the case of war. Both groups, however, were able to enjoy their life, even if it is difficult to imagine by today's standards. They surely imported luxury goods such as wine. The city bourgeoisie invested in real estate, in the form of houses in the city centre. The nobility initially built castles, but because these were not comfortable (too cold, for instance), they later built manor houses.

Central Europe did not have a mass of rich people who, in the manner of patrons in Renaissance Italy, supported the arts or education. However, it did have some. A typical example was the knight and patron Magister Donč, who had vast estates in central Slovakia. In the Czech Kingdom, the largest patron of the arts and sciences was probably Rudolf II. (Kovar 2013, my translation)

The end of the Middle Ages brought the beginning of entrepreneurship and other big changes. New production centres and manufacturers appeared. The new enterprising spirit was mostly seized by the city bourgeoisie, but some members of the nobility also participated. The Industrial Revolution gradually arrived, particularly in the Czech territories, and affected many branches of business (thanks to steam engines, mechanical looms, etc.). Sometime during the late Middle Ages and early modern period (sixteenth century), differences began to emerge between the Czech and Hungarian Kingdoms. Even though both were ruled by the Austrian Habsburgs, Czech cities became more developed and their inhabitants were more enterprising. This could have been

caused by political aspects – the seventeenth century was a disaster for Hungary (e.g. Turkish attacks, uprisings) – but in any case, the Czech Kingdom gradually became the most productive and most enterprising part of the monarchy.

The diversity of development was fully reflected in the national revival of the eighteenth and nineteenth centuries. Czech intellectuals, by promoting the identity of their nation, had a stronger financial foundation that came from the activities of their own wealthy classes. By contrast, Slovak *štúrovci* (a group of intellectuals) were often more reliant on financial assistance from wealthy individuals in other Slavic nations (such as the Croatian prince, Miloš Obrenovič), though there were exceptions. Although much of the Czech nobility was of German origin, supporters of a national revival were more easily found there. In Hungary, the aristocracy identified with ethnic Hungarians rather than Slovaks. The Slovak elite was more modest; with a few exceptions, they were all priests, notaries and teachers.

Modern entrepreneurs in Slovakia emerged in the second half of the nineteenth century. The biggest expansion of business in the Czech Republic also came in the nineteenth century, a period when companies such as Laurin & Klement (1895), the forerunner of today's car producer Škoda, were created.

The wealthy class knew how to enjoy their money. The dominant artistic style was the luxurious Imperial aesthetic. To entertain themselves, the wealthy went to the opera or to the Masonic lodge. A city fashion appeared as well, previously seen in Napoleon's French Empire in the form of sumptuous interior decoration and luxurious clothes. This was followed by a fashion for Biedermeier tails and bell-shaped skirts. The first modern banking institutions, such as Pressburg Czech Savings Bank (Prešporská sporiteľňa) and Czech Savings Bank (Spořitelna česká), were also created in the nineteenth century. (Kovar 2013d, my translation)

In 1918, towards the end of the First World War, the Austro-Hungarian Empire collapsed and the new state of Czechoslovakia was proclaimed:

> Despite the discrepancies, the new state was standing on very firm ground compared to the other parts of the former empire. Leff writes, “Not only were the Czech lands the most economically developed part

> of imperial Austria, but even less-developed Slovakia was still the most industrialized part of Hungary; together they siphoned off only one fourth of the population of the former empire, but over two-thirds of its industrial base." (Carol Leff in Goodman 2007)

A typical example of successful entrepreneurs of this period was the Bata family from the western part of the country. Their example shows us how typical Czechoslovak millionaires behaved.

As well as investing in developing their factories, the Bata family invested in the lives of their workers – for instance, by helping to establish schools for the workers' children. They also dedicated considerable funds to the arts, and in their case especially architecture. Millionaires also spent money on 'adult toys' such as cars and motorcycles, often from domestic manufacturers. The wealthy spent their free time in the spa cities, but tourism was also developing in the High Tatras, for instance.

As already mentioned, the situation was worse in Slovakia – not only because there were fewer successful entrepreneurs, but also because some of the economic elite had emigrated to Hungary. On the other hand, many Czech entrepreneurs, including the Bata family, were arriving on Slovak territories. Slovak businessmen were often unable to compete with them and were also in an unfavourable situation because they had lost contact with Hungarian businessmen.

> One of the evils of the First Republic, which to some extent has survived to this day, was corruption. Even the first Czechoslovak prime minister of Slovak origin, Milan Hodza, was accused of taking bribes. Wealthy people were connected to the political elites of the time. (Kovar 2013c, my translation)

Economic crisis came in the 1930s and affected Czechoslovakia deeply. At the end of this period, the Czech and Moravian regions were taken over by the Third Reich, and Slovakia became an independent satellite state of Germany.

> It is difficult to say much about the behaviour of the wealthy during the

> war, as the war events overshadowed nearly everything. (Kovar 2013, my translation)

In 1948, the communist regime took over. As one can imagine, this regime did not want to promote the amassing of wealth, even though some officials did enjoy a life of luxury. At this time, four main events influenced the wealth of people:

> First, there was the Beneš decree that forced ethnic Germans living in Czechoslovakia to leave their property without compensation. Second, another of the decrees nationalised and confiscated property: on 28 October 1945, more than 9,000 businesses were nationalised. The third event that directly affected the property of the inhabitants of Czechoslovakia was the currency reform of 1953. In accordance with historians and economists, this reform was intended to hide the fact that the ruling communists had led the state to the brink of bankruptcy. To address this, they decided to dip into citizens' savings. The fourth event was the emergence of individual, peasant cooperatives (single collective farms), where individual farmers had to give their produce to socialist organisations. (Kovar 2013, my translation)

During the rule of the Communist Party, it was difficult to clearly identify a wealthy class – even though, as mentioned earlier, some of the party members had significant access to luxury. Some professionals belonged to the wealthy class – particularly workers in butcher shops and retailers of electronics. Unfortunately, a large number of these professionals obtained funds through illegal means. The communist regime particularly supported workers and peasants, who secured a higher income than intellectuals. Among the affluent, we might also consider people who participated in the black market. This group mainly consisted of truck drivers selling in the markets, but also forex traders (*vekslaci*). Despite the fact that there was no real 'rich' class, there was a group of people who had managed to save money, but could not really spend it because there was an insufficient supply of goods and services, and few opportunities for investment. Even foreign travel was limited to allied socialist countries. So instead, this group invested in small properties like garden chalets and cottages.

At the end of the 1980s, there was a loosening within the economic sphere (Gorbachev's famous policy of reconstruction). In 1987, trade licenses were allowed.

> A considerable number of stalls selling 'true Adriatic ice cream' emerged. Such small traders also formed a higher-income strata, but again could not cultivate their finances further. Loosening also occurred in industry and agriculture. Some businesses received a certain amount of freedom in the decision-making process. The cooperative farms could also start to 'do business' in non-agricultural areas (for example, the famous Slušovice collective farm). We can therefore consider these developments as the 'seeds of the business class'. Despite the options outlined here, the communist regime did not encourage the amassing of assets, and a wealthy class in its current form did not exist. (Kovar 2013b, my translation)

The state's impact on the rise of financial and wealthy elites after 1989

The fall of the communist regime after the Velvet Revolution, which began on 17 November 1989, brought big changes to Czechoslovakian society. The first free elections enabled the formation of parties seeking business development, social change and an economic opening to the rest of the world.

Small- and large-scale privatisations, and sale of state property to private buyers became symbols of economic freedom. The small-scale privatisations began with the adoption of the relevant law in 1990. According to one of the fathers of this process, then-finance minister Václav Klaus, most small businesses and workshops had to be privatised. In most of the cases, former state-owned companies were sold at auction. Very often, the former managers became the new owners.

The next class of wealthy individuals started to emerge from large-scale privatisation. The basis of this kind of privatisation were share-like coupon books, *kupónové knížky,* through which citizens could invest in joint-stock companies. This attempt by the state to evenly divide wealth among citizens

largely failed.

Figure 32: Kupónové knižky (coupon books)

Source: Jet by J & T Banka

Most people did not understand the opportunity being offered to them and sold their vouchers to various investment funds or groups. In the first wave, which ended in 1992, more than 1,500 companies were privatised. (Kovar 2013, my translation)

> After 1989, a new class, which we could describe as the new rich, emerged. The sources of its wealth were mainly privatisation and restitution. Here, however, the differences in the historical development of Slovakia and the Czech Republic appeared. The returning of estates occurred more often in the western part of the former Czechoslovakia than in the eastern. In Slovakia, as in the Czech Republic, a new class of wealthy individuals emerged, but it was not only from privatisation or other businesses, but also from the return of the properties that had been seized during the communist dictatorship. (Kovar 2013a, my translation)

The impact of restitution was small, and very few of the wealthiest people based their success on the returned properties.

Differences in economic development manifested themselves immediately after the establishment of an independent Slovakia, when the Slovak government, led by Vladimír Mečiar (prime minister from 1993 to 1998, with a brief interruption

from 1993 to 1994), stopped privatisation and replaced it with government bonds. In the Czech Republic, the privatisations continued.

In Slovakia, privatisation then happened directly through the government (Ministry of Privatisation) and through special institutions which managed the state properties, such as the National Property Fund. The process was controversial, because some companies were sold for relatively small amounts to people who did not have the necessary skills, meaning the state was losing considerable funds. Despite the controversial beginnings of Slovakia in the 1990s, a capital-rich, entrepreneurial or simply wealthy section of society was emerging.

> Slovakia's economic boom occurred during the two governments led by Prime Minister Mikuláš Dzurinda, and was encouraged by many economic reforms that involved the development of business activities and the flow of foreign investment. As in the Czech Republic, the economy has benefited from membership of the European Union. Developments in the Czech Republic were positively influenced by earlier inclusion in international organisations (NATO, the EU). Slovakia adopted the common European currency - the euro - but to assess its significance, we need more time. (Kovar 2013, my translation)

In my opinion, it is important to detail this historical and political context, without which it would be difficult to understand and analyse the current situation and reactions of local wealthy elites. In what follows, I will describe more recent features of wealthy elites and provide an anthropological analysis of these features.

Anthropological observations of Czech and Slovak elites after 2008

Czechs and Slovaks represent two different nations of Slavic origin. As we have seen, their history has been more separate than shared. In the past, the wealthy elites were more 'international' – largely of German and Austrian descent.

Looking at the top 100 wealthiest people in the Czech Republic in 2013 (Pluska.sk 2013) and 2020 (Forbes 2020[16]), and in Slovakia (Forbes 2020[17]), most of them are of Czech and Slovak origin – with the exception of Jannis Samaras, son of Greek war refugee Kostas Samaras, who came to the Czech Republic as a child. In 2013, the top 30 wealthiest people in the Czech and Slovak Republics (with assets between EUR 180 million and EUR 8 billion) included 20 Czechs (two of whom were Slovaks domiciled in the Czech Republic) and 10 Slovaks. Ethnically, 18 were Czech and 12 were Slovak, born during the existence of Czechoslovakia. People who benefited from the post-1989 revival of the private sector were therefore mainly locals.

Historically, wealthy elites also included members of the former nobility and of the Jewish business community. Many emigrated to America, Austria, Hungary, the UK, Canada or elsewhere. This is also the case in other CEE countries. During dinner, Ruten, one of the leading individuals in the Slovenian banking system, told me: ‘Slovenian aristocracy left and was assimilated into the Austrian aristocracy. We certainly miss it.’

During my fieldwork, I had the opportunity to meet descendants of Slovak nobility. One of them has Austrian nationality and divides his time between Austria, London and Romania. He worked in finance and energy, and now looks after his restituted properties in CEE. Although he was active in a business based in Slovakia for a while, his principal networks consist primarily of other noble descendants from Europe, and not Slovak wealthy elites. Another member of the Czech nobility I met had returned to the Czech Republic from Canada to take care of his land and build a business. He and his family are part of wealthy international networks based in the Czech Republic.

Regarding the gender structure of the wealthy Czech and Slovak networks, just three of the 100 wealthiest individuals were women as of October 2013. The first among them was a widow who inherited her husband’s wealth. The second inherited a part of her father’s company, and the third was a self-made entrepreneur in the retail business. The percentage of purely self-made female entrepreneurs in the top 100 was therefore 1%. Looking at the figures, it has been difficult for women to become successful, self-made entrepreneurs in these

[16] https://forbes.cz/nejbohatsi-cesi-2020/
[17] https://www.forbes.sk/najbohatsi-slovaci-rebricek-2020/

transitional times. In 2020, five of the 100 wealthiest Czechs were women or men with family, showing an increasing trend for women to feature among the wealthiest people.

For comparison, Forbes' list of the 100 richest people in the US in 2013 includes 13 women (13%). Sixty-five of the top 100 entrepreneurs are self-made; of these, one is female (1%), the same percentage as in the Czech and Slovak Republics the same year. It would be interesting to perform a detailed study in this milieu, exploring why it is difficult for women to succeed, even after gaining similar qualifications to men during their studies.

Based on these figures, we can expect that the number of women in the Czech and Slovak rankings will further increase in the coming years, mainly thanks to inheritance (I will later provide concrete examples of how wealthy entrepreneurs have started to deal with this wealth transmission).
In light of this trend, it is likely that women will play a larger role in the process of trust construction among networks of wealthy elites in the future.

Networks: relations, capital and circles of trust.

To better understand the way in which both trust and mistrust circulate within a network of wealthy individuals, and how total capital is built within various fields where wealthy elites act, a part of the analysis in Jeremy Boissevain's (1974) *Friends of Friends*, appears to be valuable. He says:

> A social network is more than a communication network, for the messages are in fact *transactions.* (Boissevain 1974: 25)

Boissevain's definition supports the hypothesis confirmed in my previous chapter, in which I assert that the communication in private banking creates trust and social and symbolic capital, and that this enables transactions that bring economic capital. Money in finance is a proxy for trust. Various financial crises were largely rooted in the fact that, as trust between institutions and individuals decreased, so the money stopped circulating, institutions did not want to lend money, and clients did not want to buy securities. Efficient exchanges enable

successful transactions in private banking, theoretically creating more satisfaction and profit for both parties – if the transactions are well chosen. According to my analysis, the basis for these exchanges is, in fact, trust and total capital trust as a resource for cooperation within networks, which ultimately enable the transactions.

Examining the case of the wealthiest individuals, we might ask how the social processes of trust construction is organised within their networks and what types of capital it is based on. To what extent do they reconvert themselves? How does this influence the transactions that wealthy elites conduct in business and in their private lives, and that enable them to win their positions of power, defend them, exercise symbolic domination and impose the taxonomies most favourable to their characteristics?

Boissevain analyses networks in terms of zones of interactional criteria and structural criteria. Interactional criteria include diversity of linkages, multiplexity, transactional content, directional flow, and frequency and duration of interaction. Structural criteria include size, density, degree of connection, centrality and clusters. Boissevain mainly performed his analysis on the two specific examples of Pietru and Cecil, his two Maltese informants. Here, I will make minor use of the concepts of multiplexity and clusters (the two criteria most relevant to my analysis), as a complement to Bourdieu’s framework.

Top 30 analysis: sector, age and source of wealth

To complete my anthropological field experiences, I will analyse the top 30 wealthiest individuals from the Czech and Slovak Republics (Forbes SK 5/13), based on a study from 2013.

To establish how their networks are organised, I will begin by examining the group in terms of industries, partnerships, age and source of wealth, and will share examples of their life stories. I will then examine their network structure and inherent trust relationships based on theoretical models, answering such questions as: Are the relationships many- or single-stranded? Do clusters exist? If so, what type are they, and what effect do they have?
This analysis was based on my interpretation of publicly available information.

Table 5: Quantitative and qualitative analysis of the top 30 wealthiest people

Forbes no.	Gender	Nationality	Sector	Direct company partners, current or former	Family	First source of wealth in privatisation	Parents' input in the creation of wealth	Age group	Capital
1	M	CZ	Finance/ Telecom / Private equity	1		1		42-60	Social, symbolic, economic, cultural
2	M	SK domiciled CZ	Agroindustry			only partially	family contacts and experience helped	42-60	
3	M	CZ	Real estate		contacts	1	family contacts and experience helped	42-60	
4	M	CZ	Coal / Energy	1		1		42-60	
5	M	CZ	Coal/Real estate			1		42-60	
6	M	CZ	Oil and gas/ Gambling/ Travel		1	1	family contacts helped	42-60	
7	M	SK	Real estate	1		0		42-60	
8	M	CZ	Finance	1		1		42-60	
8	M	SK	Finance	1		1		42-60	
10	M	CZ	Finance/ Gambling	1		1		42-60	
11	M	SK domiciled CZ	Steel/Energy			1		42-60	
12	M	CZ	Retail	1		0		42-60	
13	M	SK	Finance	1		1		42-60	
14	M	CZ	IT			0		18-41	
15	M	SK	Finance/ Real estate/Energy	2		2	family contacts helped	18-41	
15	M	SK	Finance/ Real	2		2	family contacts helped	42-60	

			estate/E nergy						
15	M	SK	Finance/ Real estate/E nergy	1		1	family contacts helped	18-41	
18	M	CZ	Energy	1		1	family cultural capital	18-41	
19	M	CZ	Retail	1		0		42-60	
20	M	CZ	Energy		1	1	family contacts and experience helped	42-60	
21	M	CZ	IT	1		0		42-60	
21	M	CZ	IT	1		0		42-60	
23	M	SK	IT	1		0		42-60	
24	M	SK	IT	1		0		42-60	
24	M	CZ	Real estate			0	family contacts and experience helped	18-41	
24	M	SK	IT	1		0		42-60	
27	F	CZ	Coal/Tra nsport		1	1	family contacts and experience helped	18-41	
28	M	CZ	Coal			1		42-60	
29	M	SK	Real estate	1		0		42-60	
30	M	CZ	Coal	1		1		42-60	
			0	20	3	18	9	0	

Results of the analysis

The listed industries are ranked according to the number of individuals for whom this industry is their focus and source of wealth, starting with the most popular. The sector is their extended agency.

Nine entrepreneurs are active in the field of energy. Five of these entrepreneurs are active in the coal industry, and four are active in other large-scale energy industries (oil, gas, electricity). All are from the Czech Republic,

where the energy industry has historically been a part of the region's development. The actors in this specific field know each other very well. In the media, they are often referred to as 'fossil barons'. Two of them are partners, another two are members of the same family.

Eight of the 30 are active in the private equity sector. Three of these individuals are or have been partners in one of the biggest Slovak financial groups; three are or have been in another Slovak finance and real estate group, also active in energy; two are former partners in one of the biggest Czech finance groups, and also had a former interest in the energy business. These individuals frequently cooperate with people from the energy sector, and the social capital enables them to use common financial and social resources in order to increase their economic capital. For example, in recent years, one of the 'energy' businessmen has co-invested with another person (active in finance) in a new international acquisition in the domain of gambling. In another case, a top player in the Czech finance industry sold their part in an energy company to another Slovak and Czech business player, giving them a huge loan in the process and reconverting their social capital into economic capital. Hence, the two most significant sectors are visibly interconnected. Businesses are based on economic interests but also on social relationships, in which trust enables the transactions, even on a very professional basis. I will return to this point in greater detail when I analyse the clusters.

The next-largest group in terms of representation among the most innovative entrepreneurs in 2013 was the IT business, which totalled six people. Three members of this group came from the Czech Republic, and three from Slovakia. Three companies had, respectively, three partners, two partners and one standalone executive. Five of them work in global IT security, and the fourth created the most popular search engine in the Czech Republic. The Czech entrepreneurs joined forces to fund a philanthropic project for education, symbolically confirming their intellectual leadership and cultural capital.

Four of the top 30 found their wealth in the real estate sector. Of these, two are from the Czech Republic and two (partners) are from Slovakia. Others in the top 30 also invest in real estate, but it is not the main source of their wealth.

Two of top 30 (who are partners) created their wealth in the retail sector. In more recent years, entrepreneurs have diversified their interests and financial

engagement to include other sectors, and classifying them according to a single sector is important, but not exclusive.

The richest Slovak, and the second wealthiest individual in the Czech and Slovak Republics overall, is active in the agroindustry. Andrej Babiš draws his wealth from chemistry, agriculture, the food industry, ground machinery, renewable resources and, more recently, from forestry, timber harvesting and woodworking.

Since December 2017, Babiš has been prime minister of the Czech Republic. A short analysis of his family shows that he did not create his wealth completely from scratch, with some of his success also coming from various forms of inherited family capital. During communism, his father was a well-respected professional and member of the Communist Party, with local and international roles and contacts at the highest level and with individuals in Switzerland.[18] His mother was also a member of the Party, having worked in research institutes and in so-called civic people's judgement trials. She was known for being highly intelligent, educated, energetic, elegant and passionate about clothes, even knitting them for herself (Pergler 2014). Babiš' success is therefore also based on the cultural, social and probably also economic capital he has inherited from his parents.

Having looked at the industries in which the wealthy elite are involved, I will now examine the network through the lens of age groups. Six of the 30 are aged 41 or younger. Those older than this would have been at least 18 when communism fell, and therefore possibly able to have experienced conducting business in the changing political landscape. For four of the six who are 41 or younger, we can say that family business experience and guidance from trusted contacts directly helped them to begin practicing business soon after the fall of communism. Their success is therefore based on reconverted capital.

In the sixth case, we find a person who joined one of the big financial groups founded during the era of privatisation and became one of their partners. He is not, therefore, considered to be fully self-made. He is integrated into the 'old circles', but not a true member of these.

[18] https://www.forum24.cz/neuveritelna-historie-babisovy-rodiny-kontroverzni-neni-zdaleka-jen-andrej/

Based on my analysis, the term 'new wealthy' is actually rarely fully applicable. Ultimately, the starting capital of successful wealthy elites after 1989 was not so radically different to that found in other power circles, despite being embedded into Communist Party regime principles between 1945 and 1989.

A self-made young person who created their own wealth without family contacts, inheritance or membership of a stronger, pre-existing group of older and more-experienced individuals is the IT entrepreneur who created the web search portal.

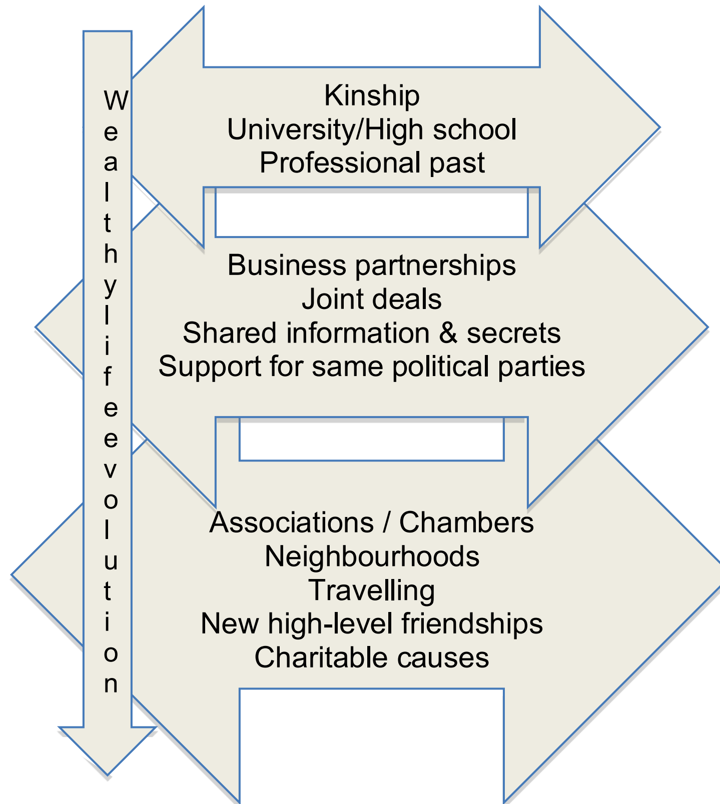
For 19 of the 30, the source of their first significant entrepreneurial gain was the coupon privatisation or the company privatisation that occurred during the period of wealth transfer from public to private hands. This is the case for nine of the ten wealthiest individuals, but only concerns three cases from the last 20 of the 30 most wealthy. I will show the meaning of these figures in a moment.

First, though, I will turn my analysis back to the theory surrounding the wider interactional criteria outlined by Boissevain. For Boissevain (1974):

> Perhaps the most important characteristic of a personal network is that it is composed of persons linked in a large variety of ways. The social relations that link people derive from the many different activity fields in which each participates. They are in fact role relations. […]
> Many of the people in a given activity field also play roles in other activity fields. Each is thus sometimes in touch with the same people in different capacities. A person may know his brother, as a neighbour, member of the same religious association, fellow employee, and supporter of the same political party. This is very often the case in relatively isolated communities. It also happens, however, that people, especially from open (non-isolated) communities, such as cities and villages in industrialized societies, are in touch with certain persons in only one of the many roles they play. (Boissevain 1974: 28)

The following diagram illustrates the main relationships identified in the sample of the wealthiest individuals in the Czech and Slovak Republics.
Trust relationships are based on the multiplexity links noted during my analysis.

Figure 33: Multiplexity trust flows



The top arrow in the diagram concerns the period prior to their main business life (before they became extremely wealthy). The second arrow represents their main business period (acquiring wealth). The third arrow represents the period in which they reached the ranks of the wealthiest individuals, and the later period in which their wealth became established and ongoing. Each arrow contains activities and linkages unique to that period. For example, a person can only live in a wealthy neighbourhood if they are wealthy enough to buy a house there. To Boissevain's description, I would therefore add levels of multiplexity links and differentiate between life-periods.

Boissevain classifies linkages as 'many-stranded' and 'single-stranded' relations. He also hypothesises that multiplex relations would be more intimate (in the sense of friendly and confidential) than single-stranded relationships (Boissevain 1974).

I would add the term 'trustfulness' to his description of intimacy resulting from multiplexity of relations. Multiplex relations can, therefore, be seen as multiplex

(or multiple) trust resources. In fact, in my observation, internal partnerships in companies have often been based from the outset on long-term family contacts or friendships established during school times, and on common values and education, which provides a large basis for interaction.

As one example, four founders of the Penta company, the biggest financial group in Slovakia, were former classmates. Three of them are now among the 30 most wealthy. One of the founders stated:

> The four of us who own Penta Holding were classmates. Two of us, Martin Kúšik and I, attended high school in Banská Štiavnica together. I then went in 1987 to study in Moscow at the Institute of International Relations where I met Jozef Oravkin and Marek Dospiva. (Nicholson 2001)

The elite Moscow school MGIMO, which the founders attended, was the basis for their common cultural and social capital, which over the years has been transformed into economic results. The ability to even access this reputable elite school is also built on cultural and social foundations.

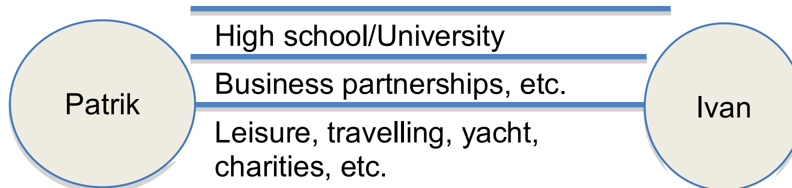
Another example is J&T group, which, after Penta, is the second main business group in Slovakia. Three of its partners – two of whom are father and son – are in the top 30. Often, the two youngest men are presented as sole owners, but as the father of one of them says:

> If I was a purist, [my son] would not be in the charts because I'm quoted officially as an owner, together with Ivan Jakabovič. However, it is correct to say that J&T should be considered as property of the Jakabovič and Tkáč families. (Tyden.cz 2010, my translation)

Patrik Tkáč and Ivan Jakabovič, the two sons, got to know each other in high school, where they apparently sat next to each other. In their early days, Tkáč Senior, who was president of the Investment and Development Bank at the time, helped the young men to start their business activities. This is why they were among those who could seize the opportunities of privatisation in spite of their youth, using resources that stemmed from their family's past experience.

Below is a diagram of the types of relations that existed between Patrik and Ivan, the co-owners of J&T.

Figure 34: Multiplex trust links between partners

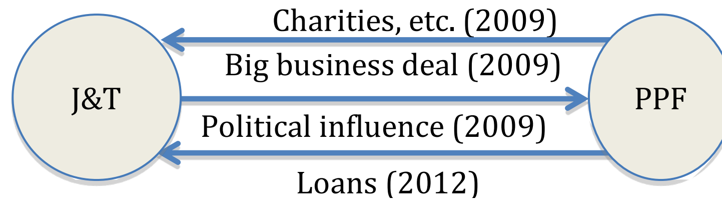


The diagram shows that there is a multiplexity of links and that relations are clearly multi-stranded. This also means that the degree of intimacy is high. I want to illustrate how these multiplex links are constructed and evolve over time, using the concrete case of wealthy elite business partners. I will further extend this analysis to two companies, as illustrated below, where these links point at common defence strategies in the businesses.

The first company is J&T, owned by Patrik and Ivan, and the second is PPF, one of the biggest investment groups in the Czech Republic, owned by the country's wealthiest man. The arrows in the diagram below (Figure 35) show the different interests and 'gifts' that I identified as having been transferred from one company to another. In 2009, PPF gave money as a friendly gesture to a foundation created by J&T. That same year, a joint business deal was made in Slovakia between these two companies and in cooperation with the state. The deal was controversial and covered extensively in the media, as it was considered to be disadvantageous for the state. The ruling party at the time, Smer, which is publicly known to be supported by J&T, backed the deal. As discussed in the media, PPF would be able to take great advantage of J&T's local contacts in Slovakia. In 2012, PPF gave a loan to J&T, which is financially weaker than PPF and works with leverage, meaning credits from banks. We can therefore see that there might be a multiplexity of relations and trust flows between the two groups, enabling transactions. Together, both are strong and protect their common interests in the Czech and Slovak Republics.

The structure of the links between the two companies, at both the individual and company levels, is similar to the one Boissevain suggests as being typical for relatively isolated communities. There are two possible reasons for this: first, the

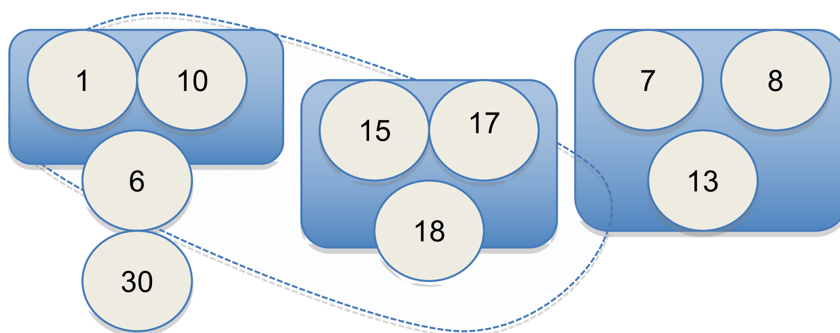
Figure 35: Multiplex trust links between investment groups



long-term isolation and self-made character of the Czech and Slovak wealthy elites, and their situation in a relatively small geographical zone; second, the fact that very few of the wealthiest individuals can access and manage a certain type of transaction and maintain a certain type of lifestyle. Such individuals therefore belong to a small group. We could compare it to an international 'tribe' of ultra-high-net-worth individuals and wealthy elites, who tend to form relationships within this social group of 'fellow villagers'. Once they have achieved their business objectives at a certain level, they often start to invest their capital in new businesses created by other entrepreneurs. They convert their economic capital into social capital by acquiring new relationships and a potentially dominant position among economic capital providers, further strengthening their position as an elite. This increases the symbolic capital of the wealthy agents as investors and, in the case of successful investments, also enlarges their economic capital. Typically, a successful investor gives funding to a start-up company as seed capital (USD 0-250k) or to more seasoned companies as venture capital (> USD 250k generally). Co-investments and private equity space are therefore a field where long-term cooperation is based on both economic parameters and social capital, as partners are often chosen because of personal appreciation, sympathy and cultural capital, and companies often seek investors with additional knowledge. Common investments and personal links enable the creation of clusters. According to Boissevain: 'Clusters are segments or compartments of networks, which have a relatively high density. The persons performing clusters are relatively speaking more closely linked to each other than they are with the rest of the network.' (Boissevain 1974: 32)

In terms of cluster analysis, I found that the wealthiest people in the Czech and Slovak Republics often work in close clusters or circles of trust. In fact, based on the data previously mentioned, 23 of the top 30 have partners who are also in the top 30 (76.7%). Many are current or former business partners in the same company (20 cases) or family members (3 cases). Amongst the remaining seven, five are from the same industry, so they know each other well. I suggest, and my analysis confirms, that the level of trust will be higher within the clusters. The diagram below illustrates three clusters within the top 30 (identified by their Forbes ranking) I identified these on the basis of official information, combined with trust-network analysis (multiplexity trust links). The diagram shows that seven of the 30 people are very closely linked thanks to a combination of two clusters. A recent case suggests that they also protect each other: for example,

Figure 36: Cluster analysis



a person from the first cluster uses their contacts to defend an important person from the second cluster who is accused of bribery. The remaining three individuals are in a separate cluster.

This setup shows a high concentration of trust within and also between the clusters. The potential consequences of this kind of setup might be an increased concentration of wealth within these networks, based on various trust factors, when the clusters jointly increase their total capital via various types of capital. For instance, family connections, marriage, and romantic relationships can help to increase symbolic, social and economic capital. However, this can also have the opposite effect: when families break up over wealth issues, it can potentially

decrease their total capital.

Based on the analysis of past business deals, nearly all of the wealthiest individuals who started their wealth-building in the era of privatisation have also done business with individuals in other clusters or circles of trust, whose wealth was generated by privatisation. Those who were not directly connected to these clusters were well-connected with others on a professional level, but through a wider community of individuals among the 100 most wealthy, rather than the top 30. Most of the 30 wealthiest people are connected through their experiences of the privatisation period and the immense opportunities it offered.

A high degree of proximity between individuals or investment groups is positive if trust is being transmitted. However, if problems arise it can quickly become negative and damage businesses and reputations. This is the case with one of the groups. In 2020, a Slovak investment group, Arca Capital, declared insolvency. Another financial group, J&T, which was heavily engaged in Arca, mainly via financing, also suffered reputational damage and financial issues caused by unpaid loans. Social capital trust, which was probably the reason why J&T gave Arca loans it shouldn't have, turned into financial risk and losses.

The concentration of informational and economic resources in the hands of wealthy individuals also means that resources and capital in various forms can circulate easily, which can give members of the interconnected groups considerable advantages. Part of the success of several of the wealthy elites is also due to their relationship with political elites, which might be considered part of their social capital. According to Casey (2008), Bourdieu does refer to political capital in his work, but his definition is limited. He defines political capital as a variation of social capital. Casey therefore sees political capital as an amalgamation of different types of capital combined in various ways for specific political markets. Within the field of wealthy elites, political capital has been used by politicians for political power acquisition, but also to support projects of wealthy elites tied to political parties. In turn, this leads to an increase in wealth.

The economic capital built during the period of privatisation is therefore connected to the social capital that provides access to information based on the relationships in the trusted circles.

Because the market has also been relatively small, the top 30 share, to a certain extent and with some exceptions, common friendships, connections and social events. Between 2013 and 2020, the situation and structure of wealthy elites continued to evolve.

As we have seen, many of the wealthiest and most successful entrepreneurs in the Czech and Slovak Republics got their start during the privatisation period, which was not without controversy. However, there were some exceptions, such as those who emerged from the IT companies and were not connected to government deals but still succeeded internationally. Owners of these companies have been less connected with other local sectors and networks, meaning their success has had less to do with local positioning and links to the political elites. They have had more freedom to address issues such as corruption, because there was less chance that it would have a negative impact on their businesses and networks.

The analysis of the population of Czech and Slovak wealthy elites and the trust networks they have created can be enhanced by looking at the life stories of two of the most successful Czech and Slovak entrepreneurs.

The real-life stories of two billionaires in the top 30, outlined below, were drafted using information found on the new Czech web portal *Mapovani.cz* ('mapping'). The portal was created by another Czech billionaire, Karel Janeček, founder of RSJ.

> Mathematician Karel Janeček runs the firm RSJ Algorithmic Trading, one of the world's biggest financial derivatives traders of its kind. Located on just two floors of a building in Prague's historic Malá Strana district, the company has an annual turnover more than 230 times bigger than the Czech Republic's budget. Last year, the 38-year-old entrepreneur established a foundation to support science and research, while recently, he created a fund to fight corruption in the country by supporting whistleblowers. (Richter 2011)

As this profile shows, Janeček can be considered an internationally successful and wealthy person. As such, he is highly independent from his local contacts. The main objective of his portal is to describe, based on general knowledge, the

last 20 years of the Czech Republic, particularly in terms of the relations between politics and business. This is to help the general public understand the various links and historical ties. As written on the web page:

> The stories of the last 20 years are influencing us significantly even now. During this period, networks of relations were formed and are still active. If we want to think responsibly about the future, then it is important to know about our past, including our recent past. (Mapovani.cz 2014, my translation)

Two of the life stories mentioned on the portal are those of Zdeněk Bakala, a Czech citizen residing in Switzerland, and Patrik Tkáč, a Slovak residing in Prague. They are examples of highly successful and wealthy business trajectories. Their life stories show how various types of capital and trust have influenced their lives, and how they cope with the challenges of public opinion.

> Zdeněk Bakala, MBA, was born on 7 February 1961, in Opava, Czechoslovakia. He married an American, Marguerite A. Bakala, with whom he has one son. They divorced in 1997. He married his second wife in 2010, the former Miss Czech Republic, Michaela Maláčová Bakala.
>
> Bakala is a Czech businessman. According to journalist Erika Besta, he is one of the five most influential people in the Czech Republic.
>
> Although a native of Opava, Bakala grew up in Brno. The weekly journal *Reflex* said that, according to the file that the StB (secret police) created on Bakala after his emigration, he comes from a family of laboratory technicians. After not being accepted to high-school, he trained as a women's tailor and worked for a year in the clothing cooperative VKUS Brno. At the age of 19, in 1981, he emigrated to the USA. He studied at the University of California at Berkeley, and later at Dartmouth College. He worked for Credit Suisse First Boston in New York, in London and, finally, in Prague.
>
> In 1994, Bakala founded his own investment company, Patria Finance, and in 2000 he sold it to the bank KBC. In 2004, the group purchased

Karbon Invest. The origin of the capital with which the largest Czech mining company was bought remains unclear and Bakala refuses to clarify it. In the deal, he received 45,000 apartments, which he publicly promised to sell to tenants. However, the rights have been transferred partly to other entities with unclear ownership, and he has rejected responsibility for the apartments. Dissatisfied residents have repeatedly pointed out that he promised not to transfer the flats to any third party for five years. Instead, he would transfer them to his own real estate company, of which he claims only partial ownership. He also publicly promised that he would offer the apartments to the tenants at a reduced purchase price. In 2006, Bakala acquired a share in the magazine *Respekt*. In August 2008, he bought a majority share of the company Economia, which publishes the daily newspaper *Hospodarske noviny* and dozens of scholarly journals. In March 2011, *Forbes* magazine listed him as the 595th richest person on the planet. The Zdeněk Bakala Foundation was created in July 2007. Its most important activity is the scholarship program that was established in 2010 to financially support Czech students who are committed to studying at prestigious foreign universities. Bakala, who claims that his success has been due to his excellent foreign education, describes the scholarship program as a top priority among his philanthropic activities and donates up to CZK 10 million to it annually. As part of his foundation, he also makes financial gifts in other areas. For example, in 2009, about CZK 4 million went to the parish choir of the Evangelical Church in Prague, for the reconstruction of the organ, and about CZK 2.745 million went to the primary and high schools of St. Agnes for renovation.

From July 2006 to November 2011, Bakala was chairman of the Václav Havel Library, where his wife Michaela has been a member of the board since March 2012. He has also been mentioned as a sponsor of Entropa plastic artwork. In June 2010, Bakala announced that, during the election campaign, he gave CZK 28.5 million to three political parties: the Civic Democratic Party received CZK 15 million; TOP 09 received CZK 7,500,000; and Public Affairs received CZK

> 6,000,000. Since these three parties subsequently formed a coalition under the leadership of Petr Necas, journalists at the daily newspaper *Referendum* and other members of the media often refer to this government as *Bakalova koalice* (Bakala's coalition). In 2011, Bakala financially supported a rock festival in Trutnov. On 22 November 2012, he gave CZK 500,000 to Karel Schwarzenberg (a presidential candidate) for his election campaign. In 2013, he gave Schwarzenberg another CZK 2 million. (Mapovani.cz 2014a, my translation)

This life story shows how wealth is created and how life evolves for someone within the wealthiest circles of the Czech or Slovak Republics, and hints at Bakala's possible trust networks. The story outlines his trajectory from early foreign studies and jobs, where he probably constructed the main part of his cultural capital, through (not always very clear) early business dealings that created the basis of his economic capital, and on to his purchase of a publishing company that brought him more symbolic and cultural capital, as well as opportunities to mix with other wealthy individuals and to further use and develop his social capital and circles of trust. Bakala also developed very close relationships with politicians by financially supporting three parties. In this case, he probably transformed his economic capital into political capital and, by extension, social capital, which increased his symbolic domination and position of power. His second wife is a former Miss Czech Republic, which gives him even more symbolic capital among successful men. He set up a foundation, sponsored charities and art, and performed cultural roles, which increased his symbolic capital and helped legitimise his persona and position. Within the field of wealthy individuals, he has become a powerful and globally acceptable figure, in spite of the unclear initial source of his money. Through his diverse roles, he has been able to use economic capital and resources to reconvert this into other types of capital and vice versa. Bakala has been active in the most populous sector among the wealthiest Czech individuals: the energy sector, specifically coal.

The second entrepreneur I will present in detail, Patrik Tkáč, was already mentioned in my analysis of multiplexity links. The first part of my information comes from the same web project as for Bakala: www.mapovani.cz.

Patrik Tkáč is a Slovak financier who was born in 1973 in Bratislava. He is the founder of J&T Securities, Ltd., and one of the most colourful figures of the period during which capitalism was built in Slovakia and the Czech Republic. He is the son of Joseph Tkáč, former head of the Investment and Development Bank. Tkáč graduated in 1996 from the Faculty of National Economy at the University of Economics in Bratislava. In 1994, while still a student, he obtained a broker license from the Ministry of Finance of the Slovak Republic. After his studies he worked at Procter & Gamble. In 1997, he became a member of J&T Finance Group, a.s. (joint stock company). A year later, he became chairman of J&T Banka a.s.. Tkáč is currently on a long-term stay in the Czech Republic. He lives in Malá Strana. In 2008, he became chairman of the housing association, Nad Kampa. Tkáč is co-owner of the J&T investment group. Officially, he does not own shares in the company. However, he was a business owner of Czech Energy Holding, which owns energy producer United Energy. At the time of his ownership, the value of the company was around CZK 8 billion. The company was sold in 2008 to a 'sister' company, J&T Private Equity, in the Netherlands. J&T was founded by Patrik Tkáč and Ivan Jakabovič. They first began to earn money together in 1990, during the visit of the Pope to Slovakia. They bought cartons of juice and sold them for twice the price to the crowd. They made only a little money, as it was winter and few people wanted to purchase cold juice. Their biggest opportunity came during the period of voucher privatisation (*kuponova privatizacia*), when both partners, not yet 20 years old, bought coupon books from other people. By 1993, both men had earned their first million. According to Tkáč, his beginnings in business were unrelated to the position of his father at Investment and Development Bank. However, in Slovakia it is still widely believed that the J&T Group did indeed grow from money invested by Investment and Development Bank, which gave J&T credit to purchase the shares that facilitated its start. Josef Tkáč is now an honorary president of J&T. Today, the J&T financial group manages CZK 10 billion worth of assets, both in Slovakia and in the Czech Republic. The group includes a bank

> that specialises in private banking and is not oriented towards retail clients. Together with the Polish company Prokom, they bought the computer company PVT for CZK 1.5 billion. They finance several medium-sized Czech companies: Kablo Kladno, Vulkan and Masna Kroměříž. The company also has a minority stake in the Slovakian oil company Slovnaft. (Mapovani.cz 2014b, my translation)

In Patrik Tkáč's life story, we can see that his father, Jozef Tkáč, earned cultural and social capital from his position as a top bank manager. During communism, this was as a member of the state-owned Czecho-Slovak bank. Afterwards, it was in the newly created Investment and Development Bank. The opportunity to gather economic capital was, however, largely limited, but he could receive and collect resources that enable access to economic capital. This was very probably the basis for the foundation of the J&T Group, which has been one of the most important players in Slovak and Czech business, and in Slovak politics, since 1994. Jozef could also educate and transfer the necessary cultural capital to his son so that he would be able to co-manage the company. The picture that this story paints about the nature of trust circulation is complemented by another description of Tkáč's recreational pursuits, which originally appeared in the journal *MD Dnes* in 2007:

> Patrik Tkáč is a member of the exclusive motorcycle club, whose members drive a series of 21 Jawa 650 Classics that was created last year in the Týnec factory of the famous Czech brand. 'We have not yet agreed when the auction will be exactly,' says Milan Urban, former minister of industry and a 'spokesman' of the club of 20 owners of these custom-made motorcycles. Jawa is considering a more limited collection of its greatest model, the 650, a retro-style model that is based on the famous fifties Jawa 500 OHC. The group of powerful people on these unique Jawas includes both Patrik Tkáč – the face of the investment group J&T and a vocal opponent of the proposed reform of public finances – and the former finance minister, Vlastimil Tlusty. These men are linked not only by the same motorbike, but also by a special belt that says 'Jawa' and a Prim watch. 'Now we agree

> that we have to have a jacket made for us, too,' says Urban, who began riding a motorcycle seven years ago. (Mapovani.cz 2007, my translation)

Economic capital has enabled these men to pay for expensive motorbikes, which became part of their extended agencies, and to enter the club and further enhance their social relationships within the group. The group is a mix of businessmen and politicians, who together create a well-connected and powerful elite, as Mills described in his book (*The Power Elite,* see Chapter 1).

This life story presents a member of the Slovak wealthy elite who created his wealth after 1989, mainly in the CEE region. As shown in the case of Tkáč, both Czech and Slovak wealthy elites are also very much connected by aspects that go beyond their family and school ties – such as being Slovak and living in Prague, sharing the same space, or sharing chosen leisure activities. As a result, information circulates very rapidly within the interconnected circles of certain Czech and Slovak wealthy elites. This is also visible in their businesses.

Mistrust of wealthy elites: behaviour in times of social change

Several social changes that occurred after the fall of communism are connected to the wealthy class. The first was the reconversion of various types of capital – mainly social and cultural, but also economic, as it was still possible to have some savings and wealth during communism – into more accessible economic capital for the entrepreneurial elites, as illustrated by Patrik Tkáč's life story. A second was the potential adaptation of practices, symbols and habitus of wealthy elites who were less limited by formal communist expectations. There was also an increase in access to foreign cultural and symbolic resources, such as education or material things. The communist regime only constituted a short period of time in the history of the region, and the process that formed the wealthy elites after 1989 was a reconstruction based on the historical roots of the elites and the communist heritage within the forces of new political frameworks such as the re-created Slovak republic. The re-emergence of the wealthy class was closely linked to the emergence of a capitalist financial system and its renewed access

to the international financial system.

In this section, I will use examples from my fieldwork to show what factors influence the level of trust based on total volume capital in society after 1989, and how, more significantly, mistrust is created and why. I will look at how these factors impact corruption, and how mistrust can be used to maintain the power of wealthy elites.

Sources of mistrust

After 1989, the wealthy elites of the region built on their various experiences and culture. Some tried to differentiate themselves, acting in accordance with their new positions and showing external signs of success, though without having many cultural references or understanding of the rules governing various types of wealthy elites. Certain forms of behaviour could therefore engender mistrust from the general public. As Slovak historian Branislav Kovar states:

> Members of the new wealthy social class were somehow 'pioneers' in all areas. Their symbols have become 'coloured jackets' and the huge interest in goods that previously were not accessible in Czechoslovakia. This is no different from the rest of society who regularly went on shopping trips to the Austrian border.
> New rich people still lacked social experience, and showed no charm or elegance, but rather bad, provincial snobbery. Perhaps this was the source of society's increasingly negative attitude towards the rich. Again, however, we cannot dangerously generalise – there was no question of a general phenomenon, and the story about the owner of an unnamed investment fund who ordered a bottle of rare wine in a Swiss restaurant and then used it to cook with cloves should just be a humorous warning. (see Kovar 2013a, my translation)

While those with little experience of the applicable manners might be understandably insecure about knowing how to behave in their new positions, people from previously wealthy families who were able to recover their wealth were still very careful about showing it. I have already introduced Ruten, a finance

leader from an old wealthy family who was taking care of assets of families who had also been wealthy in pre-communist times. He once said:

> History of mémoire! Losing money. People are worried about discretion, the leaking of information. They do not trust, they are afraid that their information will be revealed. They would rather trust an outsider. People do not like rich people.

For those who had memories of being wealthy, difficulties in trusting the reactions of others to wealth was a legacy of communism.

In the 20 years after 1989, mistrust between people, different parts of wealthy networks, investors and other power elites such as politicians was even greater because the diaspora was mixed and conflated with 'grey-zone people' – the mafia. Peter, a successful entrepreneur from Slovakia and now based in the Czech Republic, wrote to me in 2010 to answer some questions about his business experiences:

> My experiences with the mafia are negative and probably will not help, because they are of local character: two dead distant cousins – two years ago they dug them out of the woods in March, it was a huge event; one short feud with entrepreneurs from BB, during which I received a few threats and during which there were miraculous changes to the statements of people involved, otherwise relatively powerful people. After this experience I can say that my confidence in the security of investments in BB declined sharply.'

In these examples, we can see that the environment was full of mistrust for different reasons and that the wealthy trusted only their close acquaintances.

Another phenomenon that helps us to understand the trust circulation is that, within the group of wealthy elites, there are several 'classes' of wealthy people with similar lifestyles who recognise and help each other, and spend holidays together, though this also depends on the size of their wealth. As I have already shown in my earlier analysis of the top 30 wealthiest individuals, nearly all members of the group who gained part of their initial wealth in privatisation during

the first decades after 1989 know each other and used to spend time together. Over time, they drifted away from less-wealthy individuals, and tend to mistrust them more the wealthier they get. During discussions, some ultra-high-net-worth individuals from CEE, as they are called in private banking, like to mention other comparatively wealthy people from their environment as members of their close networks. This increases their own symbolic capital by extension. In a way, this means that, for business opportunities, the communication network of well-informed people is even smaller than one might expect, and therefore highly efficient. For example, I regularly observed access to opportunities for direct loans between wealthy individuals, even of different wealth levels, meaning that the loans are generally advantageous for the ones who are granting them. Gaining entry to the wealthy circles is a relatively complex process, as many anxieties and barriers have been built up over time. A personal introduction, ideally based on common interests (a relevant type of capital that brings value), is one of the ways in.

One example is Radek, a professional asset manager and one of my business contacts. He regularly meets wealthy people, but he told me he only got to know the most wealthy of them after he was invited to join them on a trek in Africa, where they often socialise. Once integrated into this small elite group, Radek told me that one of the wealthiest individuals then just came over to him as they were walking and asked: ‘You are doing this money management for them right? And how much is your return? Would you do it for me as well?’ The fact that very wealthy individuals had introduced Radek during their informal holiday created a large amount of social capital for him, which in turn created an environment of trust. In other transition countries, and among clients from older ‘western’ countries, I have observed similar behaviour. As the following statement shows, one of the possible reasons for this is that the social network of the wealthy elites becomes smaller with time. This is largely due to the difficulties connected to the cost of their lifestyle, but also because they increasingly mistrust others. I regularly met with Eduard, a successful entrepreneur in real estate from Slovakia, who once told me, just between us:

> It is lonely at the top, you know? While getting richer you have fewer and fewer friends who can go with you on the holidays you like, [who

> can eat] in the good restaurants, who can keep up with the lifestyle and the things you are getting used to and you like.

I observed groups of businessmen who spent their free time together, mainly because they shared hobbies and business interests, not sympathies. Looking at the issue from the other side, one of the successful businessmen mentioned that less-wealthy people in Slovakia were increasingly afraid to ask their wealthy friends to go out together. They didn't want to be ashamed of asking them to go to more inexpensive restaurants, etc. As a result, the wealthy elites often slowly began losing their friends from the past and meeting their wealthier friends more often. It was also a personal choice: moving in the wealthy elite circles, sometimes connected to different types of elites – such as cultural or political – has disadvantages, but it also brings advantages for their power and position.

Informality, corruption, reciprocity and exchange

The political and economic history of the region has created space for corruption and the pursuit of personal benefits for some members of the emerging wealthy class and the state administration. For other members of the wealthy elite, this can be a reason for frustration or even motivation to leave the country.

The Swiss anthropologist Professor Christian Giordano has been working with Nicolas Hayoz and some other interdisciplinary authors on exploring the informal practices and the concept of informality in networks in Eastern Europe during periods of social change (Giordano & Hayoz 2013: 9). A particular focus has also been the 'extent to which informal institutions and practices can be considered as transitional phenomenon, to be observed in certain fields, areas and periods, or whether we are confronted here with a rather more structural or persistent phenomenon.' It is worth noting that informality is not automatically a problem for democracy. Informality also exists in established democracies, being part of informal governance. However, as Giordano and Hayoz write: 'Authoritarian regimes show typically more problematic and illegal forms of informality, for example corruption, and networks of power find a natural 'biotope' in non-democratic contexts.' (Giordano & Hayoz 2013: 15) Concrete examples below illustrate this aspect of society, even when the countries are democratic ones.

Jiri is a successful real estate entrepreneur from the Czech Republic. He is about 60 years old, and is usually in a good mood and very positive. Once, in 2014, looking very tired, he complained to me: ‘It is really terrible now. You cannot make a deal without having somebody listen to your last price on your cell phone’. His statement highlighted the prevalence of corruption, which led Jiri to express a desire to sell his business and move. He sold one of his two companies, and moved partially in the following years, spending more and more time in Greece. Several younger entrepreneurs arrived at the same conclusion between 2010 and 2012, pointing out the importance of reliable institutional frameworks, such as a functioning legal system. However, freedom of speech and democracy have not been described as failing. After the murder of journalist Jan Kuciak and his fiancée in 2018, the opposition party OĽaNO won the 2020 parliamentary election. This put into opposition Smer-SD, a party led by Robert Fico, which was considered to be increasingly corrupt and had governed Slovakia for nearly 14 years.

In 2013, I met Ivo, a 45-year-old professional from the Czech Republic and a successful entrepreneur in the highly sensitive world of environmental business. Like Jiri, he also mentioned that he was thinking about selling his companies and living elsewhere for part of the year. When I asked why, he said: ‘You know, I am so fed up of being anxious all the time about what is going to happen in the political sphere, and being obliged to compete in an unequal environment. And all of these controls are imposed on me just because the state needs money.’ When I asked for more information about this, Ivo told me a story about a local politician who, without reason, invited Ivo to his office and asked Ivo to pay him a ‘sum of money regularly, just in case he needed it for some business in the future.’ Ivo went home angry and, after talking it over with his wife, refused to pay. He was afraid that he would be punished and that his employees would be harmed, so he sent the politician a message saying: ‘Maybe in the future, in case of need’. He hoped that this gesture, even though it was against his will, might protect him. When I asked him why he didn’t denounce the man, he told me a story about an entrepreneur who, after denouncing another politician, found himself in jail for a year as ‘revenge’. This shows the symbolic domination of the entrepreneurs by the administrative officers within the specific field of controls managed by the state. Ivo mentioned that some other entrepreneurs do not refuse these kinds of

offers, either because their companies need them to survive, or because they are simply greedy.

Ivo also talked about several investigations he had undergone in his business. In each case, because the investigators found nothing, they just cited some unknown rule and found a problem so that they could give him a fine. When he complained, the state control officer told him that he was sorry and that he knew what was happening, but explained they have to meet their targets in terms of fines. In these two examples of Jiri and Ivo, it is clear why entrepreneurs also feel mistrust towards institutions and members of the state administration. The presence of corruption obviously influences relationships between those who cheat and those who do not participate in certain schemes. It also influences the way networks of wealthy elites organise themselves and choose to trust or mistrust members of different clusters and circles of trust within the business environment.

Emil, one of the businessmen I met in private banking, has lost money, status, friends, acquaintances, and all his economic, social and symbolic resources. When I first met Emil, he appeared to be successful in every respect: he had good connections, a beautiful wife and an opulent lifestyle with expensive cars and clothes. Then, he made financial promises to banks that he never fulfilled. In the end, in 2010, he even started asking me to lend him money. I later learned from other sources that, after losing money in the crisis and through bad investments, Emil ended up in jail. Another source told me that an even more important cause was potentially his then-wife, who was also wealthy and well-connected. She had had an affair with a man who was in the top 30 most-wealthy list and led an investment group in Slovakia. This group was very well known for its influence in corrupt circles. It has lost a lot of influence over the past ten years, and the man was not in the top 30 list in 2020. In 2010, however, since Emil and his wife could not agree on several issues during their divorce, one of which was what would happen to their children, she used her contacts to make sure Emil ended up in jail. Having lost his family support, wealth and contacts, Emil's total capital decreased radically and, in an insecure and easy-to-manipulate legal environment, the doxa of the time, he went bankrupt.

The fear of going to jail and losing their freedom has been an anxiety of several very wealthy people in the Czech and Slovak Republics – regardless of whether

or not they have done anything wrong. The corruption of the justice system after 1990 has been a source of both power and threat for wealthy elites, due to various power struggles between the wealthy themselves and in cooperation with political elites, etc. The informal and formal trusted power networks between actors from the wealthy elite, politics, the police and legal institutions enable them to maintain the position, money and power that protects them from jail, whether deserved or not. Mojmir, a financial advisor from Slovakia who frequently works with wealthy investors, told me the following during an informal discussion in Bratislava in 2011:

> You know, a group of people who are taking advantage of some political structures has to pay for elections. If not, they would lose their status and protection. And they pay huge amounts, believe me.

Based on public and private information, it is clear that the wealthiest entrepreneurs do indeed often support politics. We have seen this in the life stories shared earlier in this chapter. They do it either officially or unofficially, by supporting political parties or specific candidates. According to public information, most of the 30 wealthiest individuals from 2013 support various political parties. Their connections to political parties are part of their social capital and are based on their cultural capital. If misused, the connections can also support their economic capital. The political capital of politicians is therefore indirectly and symbolically part of the extended capital of their wealthy supports. They pay in order to guarantee support for similar ideas or services. It takes the form of a gift and is supported by exchange. This is nothing new, as the earlier discussion of the region's history showed. However, one may well wonder what kind of impact these relationships might have on the quality of the political system. On the topic of corruption in the Czech and Slovak Republics, historian and archaeologist Branislav Kovar has written another interesting article:

> The emergence of the new rich has also been associated with a negative phenomenon – corruption. Entrepreneurial circles in both countries, especially in their early days, were too closely linked to the political representatives of the people. Especially during the abovementioned privatisation, negative phenomena such as

> corruption and cronyism expanded.
> Bribery has a long history in central Europe. We find it with certainty in the nineteenth century, but it probably existed much earlier. Even the first Czechoslovak Republic, seen by some as a very clean and ideal nation, was no exception.
> Unfortunately, the communist dictatorship in central Europe 'improved' the environment for corruption. Nearly everyone was accustomed to 'giving' something to somebody if it was needed to 'arrange' something in a preferential way. This corruption had various forms – from the famous domestic eggs for physicians, to large sums of money for 'facilitating' entry exams for universities.
> After the revolution and the division of the two countries, neither country was prepared to reduce corruption and, in many cases, legislation which might be connected to the crime was not yet in force. This meant that those who engaged in bribery had often done nothing legally wrong. Critically, we must admit that in both countries, there was no government that did not have some corruption scandals, even though in some cases the scandals were just a trick of the media. Annual reports from organisations such as Transparency International do, however, make for sad reading.
> This negative phenomenon has still not been fully resolved by a single human community, though in developed countries the corruption has decreased thanks to improved living standards and the activities of civic associations. It is positive for the two Republics that initiatives against corruption are being further developed by successful entrepreneurs themselves. (Kovar 2013a, my translation)

I will go into detail on this anti-corruption development in the last section of this chapter. Now, though, I will summarise the phenomenon I observed: mistrust, symbolic domination and culture as a defensive tool for protecting the interests of personal power.

Mistrust, ethics and symbolic capital as a tool for protecting power

With today's changing, post-crisis environment, the time has come for the new wealthy elites to protect their positions and wealth.

Wealthy elites in the Czech and Slovak Republics are a group of individuals, but also a group composed of numerous smaller networks of wealthy individuals. During my private banking work, I had the opportunity to get to know several different networks of wealthy elites and to observe how these networks were created and maintained. Concretely, these networks are embedded into fields of trust and power based on various habitus of the elites, complementary resources and sets of existing or newly developed practices. Some groups share things like extreme travel, yachting, golfing, partying or religion. Moreover, another important bonding factor exists – namely, mistrust towards 'others', which is based on fears, either real or imagined.

Individual anxieties and moral judgements play an important role in the way these networks are created. In relation to the previous topic of corruption, I observed that trust networks were sometimes created by sharing common uncertainties and enemies. They were created and reinforced by common experiences, both good and bad. For example, to share an illegal or 'borderline' transaction creates a sort of unsought trust with others from the group, or perhaps mistrust about the possibility of the other person revealing the deal. Sharing imagined uncertainties also enhances the trust between individuals. In December 2011, in the middle of the crisis, Eduard, the wealthy contact from Slovakia I introduced earlier, invited me for lunch. In spite of his typically rational attitude, he was very scared about the extreme financial, political and even physical impact of the crisis in general. He told me:

> I just spent six months preparing a plan by which I can, in the worst-case, escape to Australia or New Zealand. I have a full list of the most important things to take with me: for example, food and tools. I have tried to imagine how life would be there with a few other wealthy guys. We have even already distributed roles on our future, imaginary farm!

He was deeply afraid for his life and this was a frequent topic of discussion between him and other wealthy friends. Fortunately, no measures of that kind turned out to be necessary. We stopped meeting up for a while, and years later I learned from other sources that his activities were not fully compliant in all aspects. This could have contributed to him being afraid of also losing positions of power in his field.

Another way wealthy elites can defend their positions is by using what Bourdieu calls legitimate power. This can be also based on ethics. Pellandini-Simányi (2014) says that Bourdieu 'suggested that people incorporate different conditions of existence as well as existing moral frameworks through the habitus'. According to Bourdieu, our ethical stances and view of good and bad become part of our habitus through our upbringing. This does not necessarily mean that norms and ethics are automatically unconsciously used to legitimise power. However, within the fields of politics in CEE and also among wealthy elites, criticisms based on ethical stances – for example, one circle of elites criticising another for their corrupt dealings – can be considered as tools for defence and maintaining power.

There are several further ways in which wealthy elites seek to protect and defend their 'social territory' through simple, daily life decisions. I have already mentioned Eduard's feeling, shared by many others, that it gets 'lonely at the top', and that the wealthiest slowly and quite consciously close their networks.
To give an example of the way this territory might be defended, I have chosen the most obvious method: the manipulation of 'space'. Space has always been a delimiting factor for wealthy people, and an important way to manage anxieties is with concrete 'separation tools'. The more abstract field of powers as described by Bourdieu are seen here more concretely in practice.

The very wealthy tend to live in the wealthier suburbs; their networks or clusters meet in specific places that only they know about and can afford; they have favourite clubs and choose similar holidays, such as skiing, beach or thematic trips, as part of the habitus they share. They are also neighbours, friends and, for instance, members of the same think thanks. For example, one of my wealthy contacts bought an apartment in an extremely well-protected building, which is also home to other people from his sector of activity, from other businesses and from politics. The official reason for separating oneself off in this

manner is to protect one's wealth and ensure privacy – but in terms of the circulation of trust, it is also an excellent way to ensure a long-lasting relationship with one's close business partners and politicians, to gain their support, and to arrange regular, quick meetings. However, as my contact did not agree with some of the values shared by those in the building, he eventually moved away.

Another way that the wealthy who emerged after communism can defend and consolidate their power positions is, as a logical extension of shared practices, to create alliances by marriage. In 2010, a young couple got married – they were, respectively, the son and daughter of two of Slovakia's wealthiest individuals, considered to be significant sponsors of the biggest political party, Smer. The newlyweds also worked for Smer. (Pluska.sk 2010).

Using field examples, I have shown different situations in which local wealthy individuals position themselves in an attitude of mistrust, whether consciously or not, in order to defend their power positions. In his work in Mauritius, Dutch anthropologist Tijo Salverda (2010) analysed the idea of the power of elites – in his case, political elites – being applied defensively. My research extends this concept by introducing the phenomena of trust and mistrust based on capital resources, and their application to the business sphere and wealthy elites.

To overcome this mistrust, there is what I call a 'third-party trust factor', which is equivalent to the extended agency and the capital trust based on various types of capital as resources. This factor can be an individual such as a friend, agent or business partner, or an institutional entity such as a reliable judicial, tax, law-enforcement or political system. In ex-communist countries in the past, people could not count on the institutional trust factor.

In private banking, individual and institutional trust factors have often been used in a positive way to create trust and as part of social capital. However, they are also misused in order to 'win points' against the competition by 'scaring' others. During the crisis, I also observed how stories designed to create anxiety were commonly shared in wealthy elite circles, as well as among their bankers and their institutions, sometimes as a 'sales' argument to destroy the social and symbolic capital of the competitors, and to defend or enforce their power and position. For example, a banker might mention that a rival bank is not safe enough and should not be trusted, or that the rival bank is 'cold-selling' a lot of products purely for their own profit and not the client's benefit. This destroys total capital

and trust. Especially during times of crisis, some private bankers try to win clients by destroying the trust and social capital of their competition.

In the example of Emil shared earlier, I illustrated that in an unstable environment, loss of money can mean loss of protection. That is why ‘first-generation’ Czech and Slovak elites are often mistrustful about investment decisions. Even if they are wealthy, the loss of capital can cause them significant pain. This is particularly true for members of the wealthy elite who earned their money themselves during last 25 years and do not have so much experience with financial markets. Seeing their wealth decline by 20% during the 2008-2009 crisis was very difficult for both the clients and their advisors, as CEE clients were not historically used to losing on the financial markets. Certain types of clients couldn’t bear it psychologically. They sold risky assets when the markets went down and it took them a very long time to recover the capital they had invested. Another type of client held on to their risky assets, such as shares, and waited to get back their capital. Once they had, they turned away from such risky investments. After gaining more experience of how much the markets oscillate, and seeing the cycle of downturns and upturns accelerate after 2009, most CEE investors have become more tolerant to, and able to bear, the fluctuations of the market. They understand more clearly that bankers are not automatically responsible for the performance of their portfolios and cannot influence certain parameters and events – such as the appearance of Covid-19 in 2020, which caused the Nasdaq-100 Index to fall 30%. Hence, it was also easier for bankers to communicate with clients during this crisis, as the clients held the bankers less responsible for world events and the corresponding fluctuations. When I asked several private bankers what type of reactions they had experienced during the crisis caused by Covid-19, they said it was mostly positive: instead of blaming them, clients asked about their health and that of their families.

Figure 37: Nasdaq-100 Index, YTD 2020

Source: Nasdaq 2020

In addition to the fluctuations of the financial markets, the degree of mistrust in investments and hence investment advisors was enhanced by the poorly regulated and controlled financial institutions that appeared after 1989. Examples include BMG in Slovakia and, in 2020, the Arca investment group, which filed for bankruptcy and resulted in investors losing money. BMG was a Ponzi scheme, using money from new investors to pay existing investors profits of 10-15% p.a. Arca was considered as an investment in a private equity group that issued bonds which were never paid. Many small investors and banks lost all their money or had delayed payments. However, I did hear that Arca was planning to pay back some of its closest friends before filing for bankruptcy.

Generally, for personal and historical reasons, the wealthy elites and people in their close circle tend to restrict the trust relationships to a small number of similarly wealthy contacts gathered in limited places. This conscious exclusion is 'justified' by logical arguments: for instance, it is necessary to protect their lives, or to maintain their status and convenient friends. At the same time, the power of

wealthy elites is enhanced through convenient alliances that are agreed within the circles and protect their economic and social capital. In general, a limited number of chosen contacts help and protect the wealthy and their families if needed. Hence, this defensive strategy is based on mistrust and the concentration of power and wealth within a small group of people. If the wealthy elites use it to help improve a sector, though, it could have also positive impact. The owners of IT security company Avast, for example, set up a foundation called Edouzmena to help improve the education system in the Czech Republic.

Trust and the next generation: the learning curve

In January 2012, public protests against corruption in the political and business classes erupted in Slovakia. The protests were mainly connected to a scandal commonly known as ‘Gorilla’ (*Kauza gorila*), which involved the secret police, political leaders, leaders of privatisation and members of Penta, a major financial group. Thousands of people attended the numerous protests. In 2020, the case was re-opened and Jaroslav Hascak, the head of Penta, was investigated.

The election of independent president Andrej Kiska, a millionaire philanthropist who beat the prime minister, Robert Fico, in the 2014 election and served until 2019, was an expression of trust towards corporate leaders who prioritised anti-corruption values over political ones.

In 2019, Zuzana Čaputová was elected as the first woman president in Slovakia. She was endorsed as a candidate by the Progressive Slovakia party.

In Slovakia, Miroslav Trnka, who is on the list of the 30 most wealthy and is one of the three founders of ESET, an internationally successful IT company, founded the anti-corruption organisation *Zastavme Korupciu* (‘Let us stop the corruption’) (Zastavme Korupciu 2014).

In terms of trust circulation in the networks of the wealthy elite, a lot can be explained by looking at the field from the perspective of institutional and individual trust. During communism, the legal framework, which was the basis for institutional trust, was poor. Therefore, people had to rely on individual trust and informal networks, and they had to focus on relationships. Social tolerance of corruption was higher and social control was lower. When acting in a functioning

institutional environment, formally facilitating and framing an exchange seems to be less necessary. As the quality of a country's judicial system increases, so the incidence of corruption and the need for dependence on individual trust will slowly decrease.

Miroslav Trnka, one of the wealthiest individuals mentioned earlier, shared his thoughts on this problem in the following statement from an interview in 2011:

> Interviewer: Don't you see that corruption and its acceptance by the country is a big problem? People often say, 'Well, he accepted bribes, but in his place I would have done the same thing'. And the fact that they do not see their money as their own resource.
>
> MT: Yes, of course. In fact this is the real core of the problem. If everyone refused to engage in this behaviour, there would be no corruption. And corruption is so widespread, and not only in Slovakia (for example, it seems to me that in the Czech Republic it is even worse), so this shows that, yes, a certain part of society tolerates it. Of course, it is sad but it does not make sense to wonder too much about it. I personally think that to a large extent this is a consequence of the moral deterioration of the former regime, when many things worked through bribes and it was not possible to deal with it differently. So it remained in people. (EurActiv.sk. 2011, my translation)

In 2020 in Slovakia, a political party called OĽaNO won the elections with a campaign based on anti-corruption. This is a sign that social tolerance of corruption is slowly decreasing. However, nepotism and granting of favours continue in society and are expressed through various symbols and via the use of social capital to gain exceptions from the rules. In 2020 and 2021, some politicians – such as Boris Kollar – used their political capital and protection to bypass rules connected to Covid-19, such as obligations to quarantine, limitations on the number of hospital visitors, and rules regarding access to vaccines.

For some of the wealthy and political elites, coronavirus also became a sign of symbolic domination if they managed to overcome it successfully.

The choice of people to meet when the number of people has been restricted by the state adds a new dimension to the construction of circles of trust. I chose not to specifically address it in this book, but coronavirus has become part of the extended agency of an individual or group of people as well.

In his book *Nova Slachta* (2021), meaning 'new aristocracy', Miroslav Beblavy writes about the impact that minor but visible advantages of the political and wealthy elites has had on the trust of people in the country. I interpret these advantages as the expressions of symbolic domination, confirmation of specific preferred places in their respective doxas and taxonomies. According to Beblavy, these 'papalastvo' (a set of exceptional symbolic advantages) has a worse impact on people's trust in politicians and the running of the state than big corruptions do (Beblavy 2021: 12). In the context of Covid-19, these small symbolic advantages have not only created mistrust towards political elites in Slovakia, but also in other countries, where politicians or wealthy elites did not respect the same rules during the lockdowns. In Slovakia during the first wave of the pandemic, all restaurants and bars had to close, but the one in parliament stayed open. Beblavy says that, although some journalists mentioned it, the public's reaction was very mild compared to other countries. This is probably because it is such a common occurrence that people now avoid getting angry about it for their own well-being.

Conclusion

In the previous chapters, I analysed the ways in which trust and mistrust are created and built up on social practices, types of capital and symbolic domination within the population of international private bankers and their clients: wealthy individuals. In order to better understand both the phenomenon and the region in which the bankers and wealthy individuals were acting, it was necessary to present the CEE region in general and to look specifically at the situation in the Czech and Slovak Republics. I concentrated on this part of the region because it was impossible to research the whole region in sufficient detail, and several parameters are common to the whole region. The region was interesting to study, as it has gone through significant social changes since the end of communism in 1989.

The historical review showed that wealthy families, landholders and prosperous businesses were continuously present in the region from the sixth century until the Second World War, and that their interactions with political elites, or their own political roles, were present along the way. A bourgeoisie arose in the thirteenth and fourteenth centuries, and in the sixteenth century there were 'modern' family banking houses, trading and mining companies. Great industrial family companies appeared in the nineteenth century. As I illustrated in the sector analysis of the wealthy elites after 1989, similar patterns were present in the Czech Republic and Slovakia. The wealthiest people in the region mainly own mining, finance and trading businesses, possibly in connection with state administration, and constitute the influential power elite. These industries have been empowered by IT, and by other IT-based companies, many of which did not previously exist. Information technology was one of the ways to start a business with good technological skills, as cultural capital and with relatively low economic resources after 1989. In my brief historical survey, I showed that the communist period, with its partial nationalization, disturbance of family-based wealth transfer and privatization, had an important impact on the habitus of wealthy elites, as various types of wealthy elites emerged with different social and cultural capital. The class of wealthy elites has been newly composed and now includes wealthy elites who succeeded thanks to various types of capital – cultural, social and economic – and to their connections with political elites. This is also due to the fact that both countries, particularly Slovakia, have been independent states for a longer period of time since the break-up of Czechoslovakia on 31 December 1992. The only time Slovakia was previously a politically independent state was during the (First) Slovak Republic, which existed between 1939 and 1945 and was a clero-fascist one-party state. A reconstruction of the wealthy class had to take place after the change of regime and new political landscape in 1993. Some of the wealthy elites who were present in the region before 1918 and were more diverse in terms of ethnicity and background (Germans, Austrians, businessmen, aristocrats, etc.) never returned after 1989, and the new wealthy class is nearly exclusively of Czech or Slovak origin. Some of those who are now in the top 30 list of the most wealthy used accumulated social and cultural capital from the communist period to establish themselves, particularly in the early days of their careers.

In the processes of wealth reconstruction, two ways in which wealth was rapidly recovered were privatisation of state wealth and, to a minor degree, the restitution of private estates. The new, wealthiest class has also been mainly masculine, Czech and Slovak. My fieldwork amongst these individuals showed that the habitus of new elites has been changing in recent years, and varies across different clusters and circles of trust. The set of practices has been important for trust creation, and internationalization via business, schools and leisure activities has also brought the development of a standard or set of expectations for the habitus of the wealthy. The definition of their lifestyle and manners has been an evolving process for the last 25 years, for both the wealthy and their recognition by general public.

In my further network analysis of the circulation of trust and mistrust, I showed that, with some exceptions, the 30 wealthiest individuals are often very closely linked in business or family relationships. They have multiple links that establish relationships in various fields such as business, family and philanthropy, and they work in clusters where messages and trust circulate very quickly. The linkages are multiplex, long-term and evolve with time, which helps to build up common cultural, social, symbolic and even economic capital, enabled by an increased level of transactions based on trust. This confirms my hypothesis that trust and mistrust can circulate very quickly in this kind of network, in the fields of power where the wealthy also meet other types of elites, such as political or cultural figures. I further claimed, and showed through several examples, that quick information circulation within trusted networks enables transactions and thereby further enriches the wealthiest. The real-life stories of two men from the top 30 list illustrated examples of Czech and Slovak success stories and the social construction of their capital using capital reconversions that evolve over time. The clusters of local wealthy elites have evolved together since the 1990s. These individuals have also been very much engaged in financing politics, which supports their power positions. However, since 2010, newer groups of wealthy individuals have been emerging who are not among the 30 wealthiest individuals, but are nevertheless growing, for example, after having sold their IT companies to Silicon Valley companies. They are creating their own circles of trust, either in parallel or integrating the older ones. One way to enter into circles of trust is by means of capital: for example, a start-up company receives financial capital and

mentoring from wealthier elites, which gives the start-up more economic capital with which to succeed, and symbolic capital from accepting the elites as mentors.

My analysis also illustrated how some circles of wealthy individuals use mistrust as a defensive tool to keep their networks small. This helps to limit information access and protect their positions. However, this also potentially creates conflicts of interests and encourages corruption, reciprocity and quid pro quos. This causes dissatisfaction amongst certain entrepreneurs who were not 'in' dedicated clusters of wealthy networks and for whom it was impossible to conduct deals in the fields where the clusters of wealthy elites operated, for example the energy sector.

If the trust amongst the wealthy elite increases due to the enlargement of their circles – Delhey, Newton and Welzel (2011) hypothesise that the level of general trust increases more rapidly if the circle of trust is wider – and cooperation becomes more efficient, this could enhance support for, and the impact of, charitable activities. Historically, this was not the trend in CEE and its absence prevented countries in the region from achieving long-term evolution.

Several of my findings on the circulation of trust and mistrust in wealthy circles can be applied to other CEE countries to help us better understand their elites. A specific analysis would need to be done for each of these countries to more accurately reflect the local situation.

Conclusion

Thoughts on the circulation of trust in private banking

Over the past twelve years, the international and Swiss private banking industries have dynamically evolved, as did the relationships that exist between bankers and their wealthy clients, and within their respective communities. My informants became older, retired, resigned, were promoted, found new challenges, changed career, became more risk averse, and engaged with new technology and the digital age. Clients' habits have evolved as well. Private banking business is about money, or transactions, but it is also about human agents, individuals and families in the long-term. This is why, in this book, I have approached it from an anthropological perspective. In the past, a private banker was often compared to a lawyer or to a doctor. In spite of all the changes in the industry, this is still a partial truth. Private banking existed centuries ago and, for now, it continues to exist and adapt itself to regulations, and to the client's and banker's needs. What also continues to evolve, or rather is being built up in various forms, is the social process by which trust and mistrust within circles of these elites are created, and the kind of resources they are based on. Bourdieu's theory of capital offered a very relevant framework for this. Cultural, social, symbolic and economic capital come together to create a capital volume, which forms a basis for trust. According to my analysis, the necessary volume of capital does not change, nor does the way it is constructed. *What changes is the way in which people build up various forms of capital and the proportions of these types in the total volume over time.* This applies to wealth management but can, in my view, also be extended to other types of social spaces. Additionally, in various fields of the private banking space, these forms of capital can be based on various practices that are founded on the habitus of the involved actors. As an example, symbolic capital will not be made of different rituals, practices or symbols depending on various fields and within specific clusters of elites. The taxonomies will, however, evolve in a way that strengthens the dominant class.

In this conclusion, I will summarise the key achievements of my research, point out the most important outcomes, and then review some of the methodological challenges I experienced during my research. After summing up my results thematically, I will discuss how they can be extrapolated from local to global situations and describe the possible applications of my theory about the circulation of trust in different fields.

What I first and foremost tried to achieve with this book was to dare to 'look up'. Studying up and trying to analyse elite populations is, methodologically speaking, not the easiest way for an anthropologist to work. One of the women I met, a wealthy individual currently living in Monaco, mentioned in 2020: 'You know, Monaco is a village, everyone knows each other. We might consider leaving, as it is too small'. The groups of wealthy individuals might therefore be described as, but not reduced to, specific population groups who have extensive knowledge and social capital within their domestic networks, clusters and social fields. In addition, some of them are very international, not particularly embedded in a certain space, highly flexible, and integrated into additional international networks and ecosystems, all thanks to finance professionals. I took the challenge to study wealthy elites as well as private banking elites, responding to calls by several researchers to extend studies on elites and on structures of power impacting society. I believe it was the right choice. My work is part of a small group of studies focusing on elites, power, trust, social change and finance.

The second challenge was to accept the risk connected to my 'double position' as an anthropologist and a private banker, to juggle these intellectual and practical roles while maintaining enough distance to perform anthropological research. I will still be a banker when this book is published, and doing my research exposed both positions in a certain way. In spite of the situation being delicate, I have done everything I can to protect the privacy of the wealthy and private banking elites while showing how these powerful and elite systems of relationships or fields are constructed, the impact they potentially have on society, and the realities of capital accumulation and the symbolic domination by interest groups.

The third aim of this book is to build on the existing literature in the growing field of the social studies of finance while also uncovering for the first time the

various actors of private banking – mainly the client-facing 'front' population of wealth managers and their wealthy clients, but also the internal power dynamics between various groups of employees of private banks. Up to 2015, no anthropological and sociological works had been published focusing on the field of international private banking and specifically Swiss private banking. In 2016, Brooke Harrington, in her book *Capital without Borders*, immersed herself in the wealth management business, focusing on how clients and their advisors avoid taxes from within the legal framework. Two years later, Stefan Leins, in his book *Stories of Capitalism: inside the role of financial analysts* (2018), offered an insight into the Swiss banking industry, focusing on the market practices of financial analysts in a Swiss bank and their ability to 'create and circulate narratives that frame financial markets movements as meaningful and assessable'. My research about the populations of both private bankers and wealthy elites, especially in CEE, is therefore the first one with a long-term view covering a period that starts with the subprime crisis in 2009, moves on to the period of the implementation of automatic exchange of information within the framework of the OECD, and ends with the Covid-19 crisis of 2020. Additionally, my focus on the wealthy elites included those in post-communist CEE countries.

The fourth aim of the book was to conceptualise the anthropology of private banking via the concepts of trust, mistrust, and social, cultural, economic and symbolic capital, which create the total capital volume within the framework of Bourdieu's theory of distinction. Though the concepts of trust, mistrust and forms of capital as a resource demanded complex and multi-sited fieldwork, they are the ultimate connectors within my field and enable a deep understanding of the dynamics of the private banking industry and those within wealthy elite networks. I also aspired to enrich the existing theory on trust by researching the quality of trust as an anthropological concept that is built on forms of capital, perceived consciously or unconsciously, based on a human agent's habitus or cultural knowledge, and used for legitimacy and to influence power struggles, also via various extended dynamic agencies identified in this thesis. These agencies act as resources for capital; both the agencies and capital serve to create trust or mistrust, and thus have the capacity to make or break cooperative relations. Regarding trust and mistrust in elite circles, I have observed their evolution and have explored their role as a tool for defending power in post-communist societies.

By following the circles of trust and mistrust, using the trust and capital approach, I have tried to shed additional light on the way these resources work and can be reconverted in order to win and maintain power and legitimise doxa, creating an impression of natural order in various fields and taxonomies, which are internalised symbolic representations, making the social world what it is for human agents acting within it. Circles of trust and mistrust in specific private-banker groups and sub-groups that share common values are part of the structures, rituals and even myths used to maintain narratives about bankers, managers and CIOs that protect and maintain the power of banks and individual positions on the market.

Within wealthy elites in CEE, reconversions of capital – mainly social and cultural, but also political – enabled the surge of first-generation and family companies after 1989. Functioning in interconnected clusters, in some cases with the use of corruption, further enabled the consolidation of power and resources that has allowed the wealthy elites to grow their wealth. In more recent years, wealthy elites have been using their economic resources to legitimise their positions and gain additional social, cultural and symbolic capital through international education institutions for themselves in the case of the younger generation, or for their children in the case of the older generations. In various clusters of wealthy elites, different taxonomies may exist and the resources have been used to maintain defined doxas, to make changes in a specific direction and to acquire symbolic dominance. The concentration of networks giving access to opportunities and support increase legitimacy in connection with public and private markets, further enabling the elites to consolidate and enhance their positions and wealth – in cooperation with private bankers and other advisors if needed. The current model in CEE does not yet involve enhancing legitimation through strong social commitment and philanthropic engagement, although a trend for this is emerging.

For CEE elites, the internationalization of opportunities, including mobility of elites and international expansion of businesses, supports the concentration of networks and growth of certain types of capital – economic, social or symbolic. This concentration of resources, along with access to private wealth management as a resource and the low philanthropic engagement of wealthy elites in CEE, are among the reasons for wealth inequality in the region.

Tax evasion (which is criticized by anthropologists and sociologists) has, with the implementation of the exchange of information, become less of a concern for European clients and other OECD countries in the past two years. What private banks call 'tax optimization', however, can still be found. It involves working within a client's official domestic tax rules and, for instance, compensating capital gains with losses, holding securities during a period after which they can be sold without taxes, or choosing types of financial instruments which are the least taxed by local tax rules. Other ways to decrease personal taxes within the legal framework involve using a certain type of adapted structure such as insurance wrappers, transferring wealth to inheritors. However, it is still possible to optimize taxes by using official double tax treaties between countries while changing the effective residences – if personally and structurally relevant – of individuals or companies to lower tax countries such as Monaco, Luxemburg, Ireland or Cyprus. For Slovak individuals, even the Czech Republic can be interesting from this perspective, although it is not necessarily perceived as a 'tax heaven'. On a corporate level, setting up a holding company in lower tax jurisdictions requires an effective activity and team of individuals in the new jurisdiction, not only inactive nominee directors, within the legal framework. This is often based on the analysis of the Big 4 advisory firms, law firms or tax offices. The minimum activities required to prove an engagement in the country have often been challenged and criticised by regulators. The Big 4 have assumed the main role in supporting wealthy individuals with their tax matters, while regulations have forced the private banks to concentrate mainly on giving wealthy individuals access to capital growth opportunities and asset management. The matters concerning company holdings are addressed by the CFC rules (Controlled Foreign Company rules), which are designed to limit deferral by using offshore low tax entities.

Methodological challenges in doing an anthropology of trust in private banking

As I described in the introduction, I faced numerous methodological challenges in carrying out an anthropology of trust in private banking. However, having explained many of these methodological challenges in previous chapters, I find it

necessary now to deal more explicitly with those connected to the definition of my research site and my interdisciplinary approach.

Multi-sited and conceptual ethnography fieldwork

The initial objective was to conduct the main part of my research outside of a certain geographical frame and to extend the existing theories based on concepts of trust and mistrust. I also aimed to show how trust circulates in private banking and on which basis it is constructed, while enriching our knowledge of the international populations of private bankers and wealthy elites. A multi-level analysis was required to achieve these objectives. In Chapter 2, in the section on the geography of private banking, I first documented the current organisation of international private banking cities, and showed how clients and bankers are moving between these cities, causing trust and mistrust to circulate. This was challenged with the arrival of Covid-19, when various actors of private banking had to stay at home and the trust circulation and creation moved into the digital space. However, this digitalisation enabled – probably in a similar way to other industries that digitalised – better local and international cooperation for like-minded teams with the same objectives, in a manner that was less connected to the physical space. Unlike other industries, however, the cross-border rules prevent Swiss bankers from working outside of Switzerland, and big Swiss private banks do not allow access via laptops in foreign countries. Bankers have not found it easy to replace personal contact with clients, and one of the senior Swiss bankers mentioned in 2021, after nearly one year of limited activities, that his international clients are becoming quieter every month and it doesn't make him feel good, because he prefers in-person contact with his clients.

An analysis of trust circulation, its digitalisation and changes in one private banking location could be relevant for the analysis of many such locations.

Through a focus on the geography of private banking in Zürich and an analysis of bankers' mobility and spatially mediated behaviour, I then claimed that a dense organisation of institutions results in a large number of actors having complementary or different roles, which encourages the circulation of trust and mistrust via various channels, based mainly on types of capital. These individuals work cooperatively, but there is also a struggle for clients between international

private banking cities and local private banks, and between banks and independent asset managers, with each of them using their own narratives to win clients. For several years after 2010, in addition to providing differing kinds and degrees of service and engagement, one of the biggest differentiating factors between the various players was their diverse interpretations of the new directives on compliance and tax issues, and the way these new regulations were implemented. I illustrated this through a description of the movements of bankers between different types of institutions. In 2020, the differences have nearly disappeared. In a similar way, it appeared for some years that independent asset managers and banking cities with more flexible conditions, like Singapore, would benefit from this increased individual mobility. However, regulations in Singapore are now on a similar level in terms of the obligation to exchange information. Following a significant consolidation in the private banking market between 2010 and 2020, with an increased numbers of mergers and acquisitions motivated by decreasing margins and a need to mobilise resources to keep banks' technology up to date, it seems that big banks within a solid jurisdiction and with symbolic, cultural and economic capital, such as those in Switzerland, benefit more than other European private banks. Even though this multi-sited overview of private banking was very challenging and, ultimately, not fully achieved, I believe it was necessary to zoom from a global view to that of one city, and even to the level of several regional teams and sub-teams. Without doing so, it would, I think, have been impossible to perceive the essence of the circulation of trust and mistrust that takes place in the international private banking industry and to identify the role of the mobility of clients. For me, Zürich has become a 'village' with its own bankers' clans, just like Monaco and Dubai, within the global population of international private bankers. With Covid-19, these villages of wealthy elites have become more connected in the virtual space around private banks, the clients and their providers.

On the side of the follow-up of the wealthy elites, the methodological challenge of multi-sited ethnography was even greater, as they came from several countries and moved more freely between Switzerland, their home countries and other parts of the world – until 2020, when their freedom of movement also became more limited, though wealthy elites still had more freedom than others. I therefore chose CEE as my main 'site', due primarily to the nationalities of my private

banking informants and their clients. Chapter 6 was more geographically focused; it looked specifically at the creation of trust, mistrust and reconversions of forms of capital, and how these developments increased the power positions and the legitimation of given taxonomies amongst wealthy individuals from the Czech and Slovak Republics. The Swiss-based private bankers I interviewed specifically on the topic of communication in Chapter 5 had clients based all around the world. However, in this case the issues encountered were very similar across the globe, as the technological environment has been evolving in a similar way for everyone. Therefore, I claim that this multi-sited approach, even if not typical of a standard ethnographical analysis, best enabled me to understand how trust was circulating in the conceptual field of bankers and clients, based on practices in various groups of private bankers. Another site categorisation which appeared complex in my case is that of ‘at home’ versus ‘abroad’.

When an anthropologist begins to conduct fieldwork, it is usually clear when she is ‘at home’ and when she is ‘abroad’, the latter usually meaning ‘in the field’. In my case, geographical classification did not work very well. Though I am not Swiss, I live in Switzerland; it is my home and it is also home for a lot of private bankers. However, when I go to my fieldwork site in Slovakia for example, it is my original ‘home’ but for my research and life, it is ‘abroad’. I have therefore defined Switzerland as my ‘home’ for the purpose of this research. Good knowledge of my ‘abroad’ location (my original home) in terms of language and cultural understanding certainly made one part of my research easier, even if my ‘eye’ was not as foreign as another anthropologist’s might be, nor was I as exotic as an anthropologist coming to a completely new site.

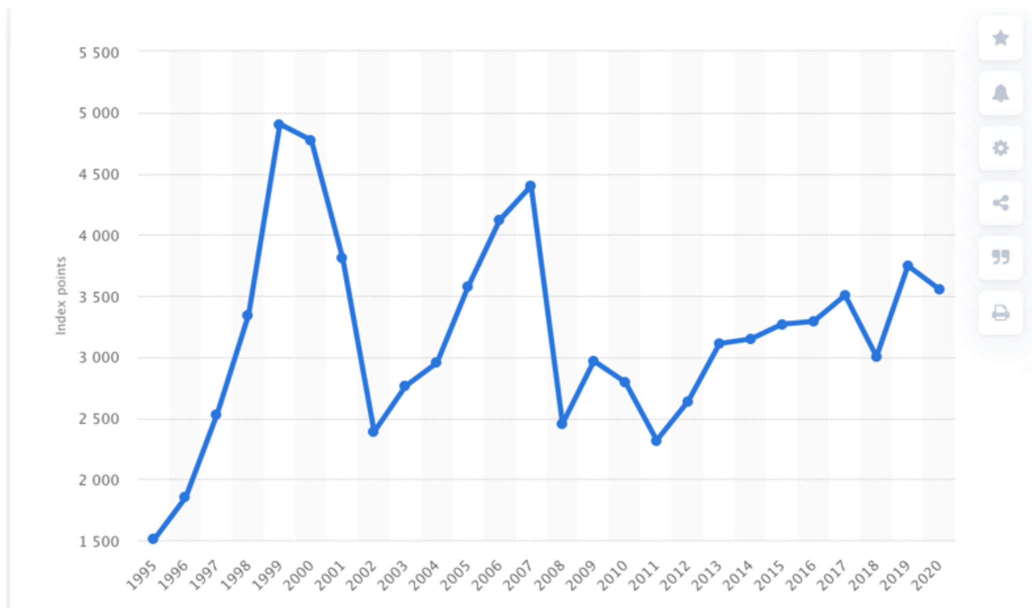
The last issue to mention here is my deliberation about whether to use an interdisciplinary approach. At the beginning of my fieldwork, I automatically assumed that I would incorporate other disciplines over the course of my research, but in the end this did not appear to be the most appropriate approach to my topic. I ultimately discovered that the tools of economics and finance I thought would be relevant and useful in the early stages did not add anything significant to my research topic as defined in this thesis. Even though anthropology, sociology and organisational studies have not treated my topic in very great detail, I was able to assemble the necessary basis of my research from these disciplines alone.

Having reflected on my methodology, I will now summarise the outcome of my results, grouping them around the main themes of the book: trust and mistrust as anthropological objects. Both are based on relationships defined by various forms of capital as understood within Bourdieu's theory of distinction, built on characteristics of human agents and their extended agencies, and creating a connecting thread of the anthropology of private banking.

Results, context and theoretical analysis

These results were collected between 2008 and 2021. It was a period with one financial, economic and social crisis triggered by American real-estate loans (subprime mortgages) between 2007 and 2009. This crisis touched various actors on the economic field: states, companies, financial institutions, households and some of the wealthy elite as well. However, from the long-term charts of the European stock index Euro Stoxx 50 and the American index Nasdaq Composite, which is dominated by technological companies, it is clear that the financial markets viewed the crisis very differently. While European stocks have still not recovered to pre-2008 levels, as of 30 January 2021, Nasdaq Composite stocks had increased nearly seven-fold since 2008. If they had some of their wealth invested in US markets, the wealthy elites have now fully recovered the value, and have benefited from low interest rates maintained by states and from the rise of IT-based companies. IT technology enabled some of the successful companies to obtain very high growth rates with relatively low use of human workers and high use of technology. These companies achieved high growth rates, which, based on indexes, have been appreciated by investors. In a way, they have constituted the leisure class of business, based on technology as their extended agency – and, as we saw in January 2021 when Twitter blocked the account of former American president Donald Trump, they are also part of the political scene.

Figure 38 – Development of the EuroStoxx50 index from 1995 to 2020



Source: Statista 2021

Figure 39 - Evolution of Nasdaq Composite – 45 Year Historical Chart

Source: Macrotrends 2021

In the industry of international private banking, the concepts that allow a conceptual understanding of the private banking business, of private banking as such, and of the wealthy elites, including the changes occurring, are the concepts of trust, mistrust and forms of capital in the frame of Bourdieu's distinction theory.

This book is part of a relatively limited group of studies on financial elites in anthropology. It is also an answer to the call by Zald and Lounsbury (2010) to develop an institutional approach to the study of elites, and a response to the instruction to 'study up' (Nader 1972). Examining the interactions of international private bankers and wealthy elites via the prism of trust and mistrust helped me to better perceive the inherent social processes and power struggles within various social fields.

To understand these populations, I first described the nature of international private bankers and their teams. Historically, private bankers were white and male, and white men still occupy the majority of leadership positions. The number of women bankers has, however, been on the rise. The personal profiles of bankers and banking teams have been very diverse in terms of age, education, culture and interests. The capital volume of the bankers, which is the basis of their ability to create trustful relationships with clients, has been based on their personal strengths and types of capital These also built on their extended agencies, which I have elaborated on in the previous chapters. Forms of capital could be reconverted, during life or in specific situations, to maximise both the banker's and the client's capital volume. We can find bankers from wealthy families who base their success on their social capital in terms of family ties, and on their cultural capital in terms of knowledge of manners, their habitus, or their educational qualities, creating an ideotype of family-based capital volume at the start. There are also types of bankers who did not have specific high-level contacts at the start, but mastered the language and cultural competency as their main asset. This enabled them to use cultural capital to strengthen their social capital within the bank and outside of it, for example by being able to take care of a client previously acquired by another banker and to keep them when the previous banker leaves the bank. By inheriting the portfolio, these bankers are ultimately strengthening their own asset base, managing a bigger volume of assets and if they manage to do successfully – so-called 'retention' – they

increase their symbolic value in the bank and hence their economic capital in the form of better remuneration or if they want to move to another bank. Another ideotype are managers who, when bankers left, kept some of the most important clients or distributed them to relationship managers with whom they have been in close circles of trust, possibly moving to another bank together in the future. We can find professionals, additional ideotypes in the field, with prestigious elite diplomas and MBAs from the likes of Harvard or Chicago, whose symbolic and cultural capital, and managerial and technical skills prevail at the start in their total capital volume. These types can primarily be found among investment advisors and CIOs, who are more visible than those in wealth management roles, and create a set of taxonomies in which the title brings symbolic dominance. Generally, in the population of Swiss-based private bankers, I did not observe the standardised excellence of university backgrounds witnessed by Karen Ho (2009) among private investment bankers. What counts the most in the environment of private banking are the relationships one has with one's clients and within the bank, which enable the bankers to maximise their total volume of capital. Trust, therefore, directly corresponds to the power positions of bankers and perceptions of success.

Within a private bank, it is not the banker alone who builds up the trust. It is ultimately a shared task for both the banker and the front-office team that helps to serve the clients – the assistants, investments advisors, specialists, managers and third-party providers, as I elaborated in the second chapter. From the perspective of Erving Goffmann's theory – which suggests that every social interaction is a show in which each person is a performer who collaborates with other actors to maintain an illusion of a certain reality in front of an audience – the choice of and cooperation between various actors in the bank is the foundation for building capital volume and trust with a team. Most of the time, this involves acting in a polite, consensual and definite way, in accordance with social status and etiquette. If this is not understood by some of the members, it can have a negative effect and create mistrust in the client's eyes or within the team, as witnessed repeatedly among the private bankers I interviewed. The same risk exists if some of the team members and social actors lower the expected level in some of the capital types during the 'performance' in front of the client.

Technology is part of the actors. Within the framework of 'follow the information' or 'follow the security', the transaction, reports and controls done by the back office and middle office are also very important, as they are the extended agency of a bank and taken as reliable. If a problem emerges here and is dealt with incorrectly, it could make a client question whether their securities are being handled correctly. Bankers' trust and capital volume are also dependent on the middle office and its compliance officers, who, with the anti-money-laundering officers, influence the client's service outcome. Trust is a result of the shared effort by the front-office team, investment advisors, asset managers, CIOs and other marketing channels, and also the back office, middle office and IT departments. All of these levels are working to increase the total capital volume and sustain the social relationship between the client and their private bank. Within the universal bank or private banks that also provide investment banking services, there are other banking units that enter into the trust game, such as corporate services or investment banking. An investment banker will not introduce their client to a private banker if they do not trust that the private banker will execute transactions well. This would risk the investment banker's trust and capital.

Private banks are further connected, through extended relations, to a number of other actors in the industry, such as independent asset management offices, agent offices, fiduciary offices, law offices, real estate agencies, insurance companies, relocation offices and even other private banks, all working with the objective of serving the client. States, cantons and cities are also important actors at an extended level. They participate directly in the creation of trust in private banks and bankers, complementing the capital volume. Especially during times of crisis, these various actors participate in efforts to maintain trust, and have at times used mistrust as a weapon.

I have shown, through a mapping analysis, that on both an international and local level, trusted states and cities for international private banking are relatively few, but the list is rapidly evolving on a worldwide level. Singapore, Zürich, Monaco, Geneva, Hong Kong, London, New York, San Francisco and Amsterdam have all been attracting wealthy elites. These cities and their institutions have their own cultural and symbolic capital, which influences the

symbolic capital and trust level of bankers and clients who might take their business elsewhere.

Finally, in my mapping of Zürich as a financial centre, I illustrated how the density of private banking actors around Lake Zürich and in the city centre is important for creating multiple trust relations and a basis for increased general trust. The density of the actors increases the city's attractiveness as a financial district, as the radius of trust (the quantity of trustful entities/individuals) is large. In this section, I also proved how geography expresses the current power relationships in the field of private banking in Zürich: the strongest institutions are found in the centre at Paradeplatz when they are at the top of the field, and firms tend to leave this area as their fortunes decline. This is an example of the extended agency of space, one of the agencies I defined as important for the creation and circulation of trust. It serves as a resource not just for individuals, but also institutions. With Covid-19 and the corresponding increase in possibilities to work from home, the number of non-strategic offices might progressively decline or the offices might become delocalized, as was already announced in the official Swiss information sources. The way in which the geography will evolve will become clear in the next few years.

Qualities of trust as an anthropological concept

Beyond understanding the place of trust in the private banking environment, it was vital to understand how trust is created in the first place. To enable this, I addressed the qualities of trust as an anthropological concept, responding to the call from Jiménez (2011), who argued 'for a kind of theory that elucidates not [the] place [of trust] in the sustenance of (robust/social) knowledge but its very qualities as an anthropological concept' (Jiménez 2011: 177). In describing the nature of trust – and the nature of mistrust – as an anthropological object, I qualify it firstly as a dynamically constructed agency and circulating anthropological object that is based on different forms of capital as framed by Bourdieu: cultural, economic, symbolic and social. Together, these constitute total capital volume. The forms of capital are resources for trust and are themselves based on agencies, through which an individual is 'defined in a more expansive and dynamic manner' (Hanson 2004: 470). I have referred to these as 'extended agencies'. Based on

my research, all forms of capital are dynamically evolving and can be mutually reconverted. Human agents use the reconversions consciously or unconsciously to maximise their symbolic power, to defend their positions within certain power fields, to impose certain taxonomies on others and to legitimise their positions of power and authority. Trust and mistrust have the capacity to enhance or hinder trustworthy relationships and ultimately enable transactions. I have documented the ways in which actors in private banking acquire and build up various types of capital. For private bankers, symbolic and economic capital include the assets they have under management, the revenues they produce, the types of clients they manage, their teams and other resources involved in taking care of clients.

Agents define themselves through various characteristics, relationships and material or materialised objects, which act as extended agencies and are part of the social process of building forms of capital and constructing trust. These agencies include environmental factors, such as space and time; social and personal factors, such as gender; and factors embedded in habitus that build cultural, social and symbolic capital, such as kinship, close networks, verbal expressions, manners or clothing. Cultural capital is further built on education, which also brings symbolic and social capital value. Another category is 'material agency', one of the most important extended agencies for the circulation of trust and mistrust. By material agency, I mean the external expression of taste and social values through material objects that are built on cultural and economic capital, and produce symbolic capital. In the world of private banking, these choices are often used by private bankers and their clients to help them evaluate the type of person they are working with, and to interpret an individual's past, current or likely future behaviour.

Ethnographic information obtained during my fieldwork in private banking and among wealthy elites was used to identify the different agencies present in the private banking environment and in the environment of wealthy elites and private bankers. They include names, manners, ways of speaking, bodily hexis and education, and construct the cultural and symbolic capital that is based on one's habitus and acquired within the family or built over time. Social capital has also been built on family ties, shared education, and shared business or philanthropic projects, legitimising positions and enhancing social capital. Environmental factors like space and time also influence the creation of social and economic

capital, as I have shown in Chapter 3, although digital tools are bridging it. As one client mentioned, he feels potentially more connected with people in the same time zone and it also impacts access to business opportunities. Further elements on which forms of capital are built, and clients' values and habitus are expressed, include events, choice of sport, modes of travel, the wearing of watches, choice of gifts, house and interior design and perceived relationships – and all of these help to build up capital volume and produce or legitimise taxonomies. These and their symbols might change over time. Perception of extended agency can be conscious or unconscious, and depends greatly on the habitus of the individuals who perceive them and their more global, invisible, social framework. For some, a flashy car is a trust element, while for others, depending on their situation and expectations, the same car might create mistrust. As my examples have shown, some wealthy elites and private bankers are aware of the importance of perception and can turn it to their advantage, either by actively manipulating it, or by passively observing it.

Another extended agency that I identified as a resource for creating trust and mistrust – and that has become significantly more important over the last decade – is the agency of technology. It is built on the quality of communication that private bankers, banks and clients have with others via technological tools, enabled by the advancement of the communication tools, bankers' and clients' proficiency in using them, their level of connectivity, and their access to information systems. Technology can empower bankers or diminish their total capital value. A banker who is never reachable is perceived to have a different level of trustworthiness than one who has mastered different communication tools, and this is reflected in the individual banker's social capital. Communication practices and the means of communication employed have a huge influence on the circulation of trust and mistrust in the lives of private bankers, clients and the people around them. Moreover, the Covid-19 pandemic has shown that the circulation and construction of trust and mistrust can be transported into the digital space in a significant way. The process of constructing cultural, economic and symbolic capital is visible on various communication channels and on social networks – and even occurs in an accelerated way here because it is possible to reach and be built up by more agents in a shorter period of time.

Each of these categories of extended agency plays a significant role in creating interpersonal trust or mistrust in every circumstance of our lives, not just within the sphere of private banking. According to my research, the same approach can be applied to the analysis of some investments or of institutional trust relationships between entities such as states or other financial and non-financial institutions. These were not the main focus of my research, but the similarities should be noted. In all of these areas, as in private banking, the role of different agencies in trust creation has been evolving, together with the way in which forms of capital and trust are circulated. Looks, values and symbolic domination can all be replicated in digital spaces, but they potentially have to be validated by more actors, as the information circulates faster than in non-digital spaces. The social changes that have occurred in this area, and their causes, will be summed up below.

Evolving types of trust in private banking

We have previously seen that trust and mistrust are concepts that are shifting and dynamic over time, as are the various forms of capital.

Changes in Swiss banking rules, international regulations, the effects of the crisis and the change in communication practices have slowly transformed the way in which private banking works. In my observation, during several years of transformation, bankers have been kept very busy with increasing administration requirements and stricter compliance rules. This has made it more important to keep a professional distance and has reduced the time and framework for informal socializing. In order to maintain a good level of services, private bankers have had to learn to cooperate more extensively internally, even taking the risk of what I have called 'trust dilution'. Those who did not want to act in this way, or did not have the skills to adapt, have suffered and have left to work for smaller actors in the market, such as independent asset management companies. In the longer term, based on the theory of Delhey & al. (2011) – which explains the level of general trust as a function of trust level and the width of the trust radius (which corresponds to the width of a circle of trusted individuals) – I claim that this evolution could ultimately be positive for international private banking, especially after 2020, when the technology used by private banks empowered bankers and

enlarged teams during the Covid-19 lockdowns. If the trust radius remains large, the trust of clients could increase in the mid-term.

Changes in the materialization of trust and ethics

While trust in private banking has historically circulated significantly through material agencies and objects as the basis for forms of capital construction, this kind of trust building started to decrease because of the changes connected to the crisis, such as increased attention to ethical issues, more objectivity needed from wealthy clients, and restrictions to marketing budgets. As Mauss famously argued, gifts are never free and: 'In all this there is a succession of rights and duties to consume and reciprocate, corresponding to rights and duties to offer and accept' (Mauss 1990: 17). The increased regulation of the industry, the replacement of bank secrecy with exchange of information, the decline in budgets for gifts, and the process of digitalisation have all led to a gradual decline in the material gifts mainly sent to or exchanged with clients. Moreover, banks have been putting pressure on bankers to clear any compliance, administrative and commercial issues in record time, with compliance and adherence to regulations being some of the first criteria for evaluating a banker's performance. Banks preferred to lose clients rather than take legal or reputational risks. The definition of 'clean' and 'dirty' behaviour has become much stricter and more radical, and bankers' profiles have had to adapt to this. It also resulted in the dematerialization of trust through what had been seen as the classical material markers of private banking, as part of the social changes occurring in the sector. However, dynamically, some other practices emerged that made it possible to develop additional forms of creating capital and trust. These have been growing since 2020 and are being enhanced by digitalisation.

Transacting trust through technology

Based on my view that total trust volume had to be maintained somehow in order to sustain relationships, I presumed that the decrease in trust creation through traditional material means must have been compensated for in some other way. My research revealed that the relationship with bankers is indeed still key for

clients, but that interpersonal trust has shifted and is now based more on investment expertise, reliability and access to investment opportunities and to wider professional networks. Moreover, 'classic' material agencies have been partially strengthened, or weakened if not performing, by 'agencies of technology', which are part of extended agencies of human private bankers and the banks.
Fieldwork analysis has shown that trust *can* be built up by the same social process via digital means. The social process of trust construction and building of various forms of capital can be replicated in the digital space, sometimes even more efficiently, due to the potential to reach a wider audience more rapidly.
Human agents can use digital means to show their values and construct their cultural, social and symbolic capital. They can do this by the way they talk, act and look on calls, on video calls or in webinars; by the information they present on their LinkedIn profile; by sharing pictures from their holidays; by writing in a certain way; by introducing new social contacts; and by taking on new roles or criticizing someone in private or through public digital exchanges. Even if some of the HR managers and private bankers said that they need to go to the office and really meet people to get good sense of them, a lot of trust construction can be done in the digital space. This is true for both the younger and the older generations. Technology is not only about communication tools, but also about the execution tools available to clients and bankers, which can either empower them or not. Easy access to the accounts, to trading, and to reports or analysis can also prevent fraud on the part of bankers, which did occur in the not-so-distant past in private banking, when it was not possible for clients to access their accounts on regular basis.
The wider use of social networks has already brought about changes in the way trust is created in the Internet space. I claim that trust in the sphere of social media is built and destroyed quicker, and relies more heavily on 'general' trust: for example, seeing that a stock received five stars from morning star evaluation agents, or that a person received ten recommendations on LinkedIn. By extension, though, these evaluations have been given based on personal trust analysis and built up on agencies. I am not, therefore, joining the group of scholars who claim that cooperation can exist without trust. In these cases, trust is built up in the digital space using the same agencies and forms of capital as are used offline. Understanding the depth and functioning of the new ways in

which trust can circulate has been a learning process for bankers and clients alike. In spite of unanswered questions about the future of the private banker some years ago, 'live' personal contact, be it physical or digital, remains the preferred method of communication that clients search for, supported and empowered by the efficient use of IT tools. These tools, such as voice calls, chats, videos, conferences, social networks and podcasts, are capable of creating, maintaining or transacting trust to a certain extent, depending also on how bankers and clients adapt them. The trust building process is further influenced by a potentially increased frequency of contact by both clients and bankers, and more adapted communication that makes use of completely new communication tools. However, handling this technological change is an ongoing and difficult process for international private bankers, their institutions and even their clients. It appears that modernisation is the only way to maintain the trust of clients and the motivation of bankers, to survive in the newly transparent framework, and to address a younger generation of clients and bankers.

Transacting trust as a capital good

On a day-to-day basis, the messages between bankers and clients are largely passed from person to person or, as I have just shown, through new communication technologies. For Boissevain (1974: 25), 'the messages are in fact transactions'. The messages between client and front offices in private banking are also transactions of trust, which, in the world of private banking, ultimately result in the financial transactions taking place or not, with other actors such as private or public market actors entering and influencing the process. This means that successfully building up trust can result in realised operations or deals designed to increase profit or maintain wealth for wealthy clients and bankers. Here, the 'capital trust' is being transformed into financial and economic capital. The agency of technology and other agencies are, therefore, acting as resources for the construction of trust as a capital good. For Boissevain, each interaction between two parties is also a transaction which is continuously reassessed in the light of different circumstances (Boissevain 1989: 144). In my field, these circumstances were those of a structural and then a health-based economic crisis, and state interventions. The information received from other sources

supplemented the agencies of the clients and bankers. This included information about bank fines, corruption cases and political evolutions, but also honorary prizes like entrepreneur of the year, interviews in newspapers and financial information about the company's results in a positive light. This information serves to build and continuously re-assess the capital volume of clients and bankers. Clients also happily share the information about their successes, which builds up their symbolic power. These parameters also influenced the relationships of bankers and clients in terms of the kind of transactions they experienced, with bankers preferring to give access to rare and exclusive transactions to more reliable and potentially bigger clients. Clients therefore also have an interest in being well understood, positively perceived and trusted by the bank and bankers.

Changing power structures

In the fight for trust as a capital good and the ultimate source of profit, banks and bankers have had to adapt to a variety of social changes. However, the speed of change was not the same in all institutions, and some could temporarily take advantage of these 'delays'. Using Bourdieu's concept of the field (Kerr & Robinson 2012: 247), I conceptualised the sphere of international private banking as a battlefield, a social field of powers, with several sub-fields in which the means of creating trust and mistrust were used as resources and defence tools by various actors. These actors included international private banks, smaller asset managers, local banks and entire states that were seeking to collect the optimum amount of taxes and to access client data. They were all taking part in the trust battle for both clients and economic benefit. Since 2010, the importance of the states has existed via regulatory frameworks, and Covid-19 has made this even more true in 2020, the year we entered what CIO of Julius Baer bank has called 'state-sponsored capitalism'. We can see that the power structures are evolving with time, that they have changed greatly during the crisis as a new 'balance' is sought, and that all actors are fighting with trust and mistrust to secure their long-term interests. Among private banks, the fittest were able to survive, as evidenced by an important period of market consolidation over the past several years.

Circulation of trust through 'links'

Another way of seeing more clearly the circulation of trust through extended agencies within and between the networks of the wealthy elite and private bankers is to understand how trust circulates on a more 'relationship-oriented' basis. To demonstrate this, and to further enrich the theory of trust as an anthropological object and evaluate its circulation and the social process of trust and capital construction within my field, I employed some tools of network analysis. I analysed the relationships between the top 30 wealthiest people in the Czech and Slovak Republics in 2013, based on their single-stranded or many-stranded (multiplex) relations. I used my findings to argue that, to understand the structures of power, relationships and their impact on society, it is necessary to view these individuals embedded into their agencies, as part of a wider anthropological analysis, and to analyse their sources for building common cultural, economic, symbolic and social capital, which are dynamic in time and create a total volume of capital that helps them to gain dominant positions and create or maintain adapted taxonomies, supporting the power positions of the elites. Typically, for some wealthy elite clusters, there is cooperation between wealthy, political and police elites. Using the chosen examples, I further analysed the evolution of their capital volume construction and its conversions during their lives. In my sample, I found that their initial capital was often built on social and cultural capital and that clusters were grouped around kinship and shared school or professional relationships in the early stages. Their capital was further strengthened by business partnerships and common deals, which created further economic and symbolic capital. I identified other ways in which the elites defend their positions within the same clusters. These include shared information or support for the same political parties in the more mature stages of life, which helps the political elites to build necessary political capital that can also be used to defend certain elite interests in business and politics. In the later stages of life, some of these earlier capital blocks were complemented or replaced by additional ways of creating social and symbolic capital, such as membership in associations or support of charitable causes. After communism, wealthy elites in CEE rebuilt significant amounts of wealth using their various sources of capital. Nowadays, we find them investing their economic capital in activities requiring high capital

input, such as expensive leisure activities or schools. In this way, the symbols are further legitimizing their authority. Children having an Oxford accent or a Harvard degree are perceived positively in various elite fields and this allows them to enter wealthy elite circles at an international level. In the circles of bankers and wealthy elites, trust has always existed side by side with mistrust. In my view, therefore, shared mistrust of other groups also plays the role of trust creator within certain circles of trust, and it is ultimately part of trust creation and power defence strategies.

Mistrust as a resource for power defence strategies

I consider mistrust to be the departure point for all relations. In the area of private banking, a state of mistrust among clients or even bankers was often maintained or used by bankers or their managers to create trust within a specific group or to 'win points' against the competition. This was often done by telling clients about potential weaknesses of other banks and states, or about the insufficient competencies of other bankers, in order to create mistrust of others and encourage the client to trust the banker.

In my analysis of the wealthiest elites from the specific geographic area of CEE and, more particularly, the Czech and Slovak Republics, I gave a more ethnographic view of their rise to wealth and influence. I also showed that a reconstruction of the wealthy class was necessary while building up adapted taxonomies in the new regime after the fall of communism in 1989. The reconversions of forms of capital played a key role in rebuilding the new class of wealthy elites, the wealthiest of which were present in the 2013 list of the 30 wealthiest people in the Czech and Slovak Republics. This new class has been partly built on historical relations and social and cultural capital from the pre-communist and, mainly, the more recent communist period. This has enabled some, but not all, elite groups to take advantage of the system and gather the economic capital necessary to rebuild their wealth – for example, via loans or the knowledge necessary to gain access to elite schools and additional contacts. Some wealthy elites have built their wealth on their cultural capital and technical competencies, mainly in software-based companies with low initial capital requirements.

The reconstruction strategy of the wealthy largely consisted of using the profit that arose from privatisation opportunities, often in cooperation with local political elites. The loose institutional frameworks of the time and the entrenched habit of basing trust on interpersonal relationships encouraged corruption, reciprocity and exchange. I have also asserted that the de-internationalisation of networks during the communist period enabled newly wealthy individuals to take advantage of smaller, closed networks for several years, which obliged their members to behave in a certain way and to protect common interests. Later, the maintenance and reinforcement of the status of wealthy elites was achieved using power defence strategies in order to legitimise the elites' positions. In describing this phenomenon, I built on Salverda's theory, arising from his analysis of the white former colonial elite of Mauritius, that 'elites often do not initiate power struggles but apply their power 'defensively'' (Salverda 2010: 385). In accordance with this theory, I argued that the wealthy elite in CEE have, to some extent, been using mistrust to strengthen their networks and their inner trust circles. Relationships were first created and reinforced by common experiences, good or bad, such as sharing an illegal or 'borderline' deal. I claim that involvement in such activities actually creates a sort of trust within the group that is directly produced by mistrust, or by the fear that another person might reveal the case. Moreover, sharing a discourse about mistrust and uncertainty regarding the reactions of 'others' on a day-to-day basis can also be reinforcing for relationships. As I have illustrated with examples, this strategy is especially prevalent in a period of crisis, when individuals seek to protect economic and social capital through convenient alliances. This happens both consciously – through the exaggeration of risks to their lives, to confidentiality and to their wealth – and unconsciously. In terms of the circulation of information, I also showed that small, stable circles of trust and mistrust have helped in the execution of exclusive transactions leading to top wealth. This has resulted in the network of the top 30 wealthiest being extremely dense in 2013. Moreover, this network has been organised, with some exceptions, into a few clusters or extended clusters, which has enabled the further development of their wealth and might have encouraged the defence of their own interests, not always in a completely transparent manner.

Later on, the reconversions of economic capital in certain elite circles aimed to increase legitimacy and symbols of power and authority positions. This was partly

achieved by reconnecting more internationally with elite networks, for example via expensive or exclusive activities like horse riding, sailing or hunting. Another way of reconverting economic capital into potentially more economic capital and acquiring symbolic capital involves investing in new companies founded by younger generations – either via 'seed capital' (up to USD 250,000), venture capital or private equity acquisitions (USD 2 million and more). Within the developing ecosystems, the new entrepreneurs wanted to develop their companies and the existing top wealthy elites wanted to diversify their social capital. Whom to accept as investors is another issue of trust.

Since 2009, due to various regulatory changes, Swiss banks and bankers have to clarify the ultimate beneficial owners of the companies and clearly declare who is the final owner of the assets in all accounts, even complex ones such as trusts or foundations. Banks must automatically report the taxable income of individual European clients to their domestic tax offices. The corroboration of the source of assets required by compliance departments and the bank has become very detailed, and various transactions need to be explained in greater depth. In 2005, half a page was enough to describe a client's source of assets in some of the private banks. Now, structured profiles are required and must provide much more detail than in many of their local banks. Clients are checked by bankers and compliance using various sources of information like World-Check. Discrepancies between transactions done and expected are also often strictly examined, and bankers are often tracked based on what they have written regarding expected transactions. They must therefore be as precise as possible. Some private banks have also included the compliance factor in bankers' remuneration systems and have added a separate bankers' charge for high-risk clients. The system is not perfect yet, but private banks have radically changed in this sense and bankers have had to find other ways of bringing value to clients. In fact, every banker essentially brings something unique to clients that adds value, based on their personalities, the capabilities of the bank they work for and their own ways of building trust with clients. Ideologically, some bankers still do not like the stricter system and I have observed several ideal types of bankers who left banks when their big clients also had to leave because of compliance. They often moved together to dedicated family firms or to different, potentially less strict banks. For a bank, onboarding new teams from other banks is

considered a kind of prey, and is a sign of attractiveness and domination in the private banking market.

As the regulatory sector spread into the networks of wealthy elites, it also influenced the milieu of Swiss-based private bankers working with CEE clients. Increased cooperation between the team members has also increased, to some degree, the social control within the front-office teams. Using client's money to pay bankers' invoices, as we have seen in some fraud cases, has become more difficult. Cases of money laundering and corruption in connection with private banks still occur, but regulations have changed the social perception of the grey zone among bankers and clients, and have also lowered client expectations in this matter.

For Giordano (2004), strategies based on informal networks in low-trust countries 'are used as both socially and culturally legitimate, because they represent the best way for the parties involved to protect themselves from the dangers and traps scattered over the entire public sphere' (Giordano 2004: 3). Could wealthy elites living in specific social and physical spaces – in international 'villages' like Monaco, in the wealthy suburbs of Lake Zürich, in isolated manor houses close to big cities, or on secluded islands – be compared to a low-trust country, using informal networks to protect themselves from the dangers of the general public?

Inequalities, role of wealth management and the leisure class

Harrington, who in 2016 published a book entitled: *Capital without Borders: Wealth Managers and the One Percent*, has compared the bad habits and behaviour of the wealthiest to the supposed pathologies of the poor. She criticised the fact that the wealthy are called bon vivants while the poor would be called lazy for behaving the same way. As the American sociologist and economist Veblen, whom I have mentioned several times, noted: the leisure class canons demand waste and futility, while the workers' instinct asks for a purposeful action. Veblen notes also that in ethnically homogenous countries or in countries where the leisure class is 'younger', this trait is weaker than among old hereditary aristocracy. This could help to explain why, in my research, the profile of wealthy elites and their private bankers in CEE is more nuanced, probably enhanced by

the fact that they did not inherit the biggest part of their wealth, or they inherited capital but in cultural, social and symbolic forms. While the characteristics mentioned by Harrington can be found in part of the wealthy class, I have seen in private bankers' 'books' families who do not fall into the above category. They are served by bankers who define their own limits and do not simply accept the clients' wishes. However, the pathologies Harrington mentions were reflected in the narratives of some of the bankers and clients. The generation of future heirs in CEE is more diverse, however: many are respected and respectable people. What I reflect on, however, is the existence of the leisure class and some of their characteristics in the field of private banking and investments.

As mentioned in the introduction, Veblen defined the leisure class as a wasteful and exploitative class that is based on financial aptitudes. It does not participate in industrial and economic progress, but profits from others' work and sustains the other classes' admiration of elites. Industrial classes are all those who make the economy move forward, people who work and participate in general human progress. For Veblen, the leisure class is also characterized by nationalism, interest in gambling and an inclination to engage in every kind of sport, though mainly fishing and hunting. In the Czech and Slovak Republics, we find conspicuous leisure activities that are comparable to those mentioned by Veblen and require abstention from productive work. The activities are rooted in a passion for sports that demand a significant investment of time – for instance, golf, marathons, cycling, challenging mountain hikes, international yoga retreats, hunting and, in minor cases, fishing. Care for physical health is also important among the elites, who have elaborate body care routines and, in some cases, even go through fasting periods.

Veblen's definition is reflected in several aspects of the private banking field, within CEE wealthy elites and on the financial markets. The type of companies which have benefited from the increase in shareholder value and in share prices over the past 25 years have been, if we compare the evolution of the Nasdaq and Euro Stoxx, mostly software-based companies. The advantage of these companies for financial analysts and investors is that they can use a relatively low number of people to generate high profits and margins. This is because IT tools and systems support them in value creation and automation. The best-performing companies could maybe also be called leisure-class or lazy

companies from a human labour perspective, because they can reach millions of clients worldwide at relatively low costs.

Wealthy elites in the US, who have been getting wealthier over the years and who continued to build their wealth during the 2020 pandemic (with the exception of those in sectors heavily hit by the pandemic), have been benefiting from investments in these companies and their own positioning in the IT-based sectors. The same pattern can be seen in CEE. While industrial classes have been generally suffering for some time, most of the IT-enabled companies have been doing very well.

Private bankers played a role in the enrichment of wealthy elites by helping to protect their wealth during the pandemic and enabling them to benefit from the opportunities it brought. One of the ways in which the private banks and the system supports wealthy elites and defends their existing power positions is by giving them access to exclusive investment opportunities that are not available to retail investors. By providing access to bonds which trade only for amounts above USD 100,000 and – in the name of institutional investors and via grouped orders – by providing access to exclusive private equity opportunities, top equity funds, hedge funds, cheap credit and other investment products, wealth managers in 2020 are less like purely tax-optimising agents and more like social capital brokers within the financial space, enabling growth of social and economic capital. In this way, by providing access and competencies to the wealthy elites, private banks and other financial actors that restrict access to their services via minimum amounts, contacts and knowledge, play a role in maintaining inequalities. Investing in financial opportunities, becoming a shareholder and extracting shareholder value are actions of the leisure class. New technology and increased access to fields of finance previously reserved for institutional and large-scale investors such as banks can, however, destabilise old power structures between different actors in the field, potentially opening up new kinds of power plays in the field of financial markets in general. This was the case with GameStop stocks: in January 2021, a short-selling hedge fund had to realise losses caused by a strategy of coordinated retail investors from the Reddit platform who aimed to beat Wall Street with their own weapons. The democratisation of the financial market and access to exclusive opportunities is not fully in the interests of private banks and wealthy elites.

Based on my regional research, in addition to mobility, a characteristic that classifies the wealthy elites as a leisure class is the use of their economic, social and cultural capital to create and access opportunities empowered by new technologies such as software, automation and artificial intelligence, to increase their wealth. These resources are either difficult or impossible to access for other classes. In this way, the banking sector supports the persistence or increase of inequality. By improving the financial literacy of marginalised groups, women and children, and by improving access to financial empowerment, more people would have better chances of growing their wealth. Based on the above, the challenge for the private banks is how they can help achieve this while also continuously motivating their clients to aim for more social impact and philanthropy to make better use of resources and address inequality.

In spite of the methodological challenges, the results of my study and their large international and thematic application prove the value of the research performed. I aimed to provide a better understanding of financial private banking and wealthy elites. Aside from the potential benefits to future research and business enterprises, the method could also be used to gain an improved understanding of our own habitus, stereotypes and prejudices, and the trust relationships we engage in every day. This book is in some senses an end, but also a beginning.

Extending trust analysis from local to global

Having summarised the results of my trust and capital analysis, a legitimate methodological question is whether they can be extended from a local to a global level of application.

From the perspective of a set of practices, the main arguments about the circulation of trust and the social process of trust building using forms of capital and agencies were tested locally, in Zürich and on Swiss-based teams. However, they can also be applied to other private banking institutions, other cities and other organisations. The same can be claimed for understanding the different networks of wealthy elites and the way trust is built. This is because the principle does not change, only the perception of what trust is creating and what trust and

capital are destroying in specific elite networks.

From a more international perspective, my findings on the circulation of trust and mistrust in wealthy circles within the Czech and Slovak Republics can also be applied to other CEE countries so that we can better understand their elites. A specific historical and anthropological network analysis would be needed to more fully understand each local environment. Based on the local approach I used in Switzerland and its results, comparative research could be further performed by interviewing private bankers working in different private banking cities and in different regions in order to cross-check the current theory and further develop our knowledge of financial private banking elites.

During a brief period of research in Asia, I interviewed several players in the international private banking sector in Hong Kong. While details differed, the core of my research and theory was consistent, which confirms my global approach to the anthropology of networks in private banking. The biggest difference was the influence of Chinese banking regulations, which also helped to explain some differences in the behaviour of Chinese private banking clients. As a result of this observation and my earlier research, I believe that the most important structural parameters that influence the way trust is built between bankers and clients are the regulations applicable in the country of the bank, and in the country of the client, human agents' habitus within specific networks and the current taxonomies.

I have further tested my theory on the social process of trust and mistrust creation, and my analytical methodology for the analysis of elite networks' via the use of different agencies, during a short period of research performed within the Lions Club of Guangzhou, China. The results were encouraging and helped me to more quickly understand different organisational and network power issues and challenges, both on a local Chinese level and on the level of the Lions Clubs worldwide.

This brings me to the suggestion that the ways in which mistrust has been used to defend the power positions of wealthy elites on a local level might also be used within global elite networks. Therefore, network analysis and an understanding of expressions of various forms of capital should be at the start of any research on different social issues where elites play an important role, in order to see what powers, regulations, players, connections and habitus could be

influencing their behaviour and the construction of taxonomies. It is also important to examine the influence of social control on these individuals.

Since trust circulates and is built on cultural, economic, social and symbolic capital in a variety of circumstances, how and in what specific fields might we find the results from an analysis of the circulation of trust useful?

Practical applications of trust and capital building

When I designed my research, I wanted to examine the nature of trust as an anthropological object and to explore the means and consequences of its circulation for two reasons: to better understand how cooperation works and how it can be improved, and to understand why the relationships between elite members of society are maintained or broken. In this way, I could also understand the impact of the social process of the construction of trust in elite circles in society more generally. I am convinced that trust continues to be one of the most important pillars of humanity itself. Some recent studies have put forward the theory that society is heading towards a future without trust. I argue that this is not the case. Society might be headed, in some areas, towards a future in which personal trust is constructed on dynamically changing agencies and forms of capital, with habitus influencing gifts or communication tools and social networks, but this only means that trust will be created in a different way. Indeed, trust and its capital building blocks continue to be among the basic elements of a functioning society.

Given these assumptions, it would be interesting to see how the findings can be applied to further practical issues or be useful for the further extension of theories on trust and financial elites. I will now discuss what I currently see as potential practical applications in the fields of social sciences, politics, finance and business.

In the social sciences, my theories about agencies, forms of capital, their reconversions and trust could help researchers to understand why networks and clusters are created in some cases and not in others. I foresee applications in the analysis of religious networks, the networks of corporate elites and commodity traders, and large and modern social networks on the Internet. Some of these

analyses might result in concrete recommendations about how to improve communication in the workplace, more effective work strategies, tools to facilitate cooperation, and policies which might create a more productive work environment.

In politics, my research could be used to address issues such as the sharing of power relations, the fight against corruption, the detection of anomalies in contractual relationships, the building of support for political causes, and the tackling and minimisation of social and political inequalities.

In finance and business, practical applications exist. Firstly, my research could be used to improve the way trust and mistrust are constructed and understood – not only internally, but, more importantly, with customers and employees. This could help to improve companies in terms of risk management, satisfaction and, ultimately, profits and social impact. As I have established, messages are transactions. By exploring potential applications among private bankers, or salespeople, and among customers, improvements that are beneficial to both sides could be achieved.

The research could be practically useful to bankers by helping them become even more attentive to the ways in which they evaluate a situation or a person based on different agencies; how their own, their group's and their clients' total volume of capital is constructed; and how trust elements work. This could make the process of understanding habitus and taxonomies a more conscious one. Being more aware of these perceptions could help bankers to better understand their own attitudes or the attitudes of clients. As we have seen, some wealthy individuals, such as Bogumil and Slawomir, have already been using this knowledge in their business life – with great success. However, I found that most of the bankers and clients do not use these parameters consciously, but rather unconsciously. Social analytical skills are not included in the training system for bankers, and rarely appear in negotiation courses. This kind of training would help bankers to provide a better service by making them more aware of their clients' characteristics and wishes, thus enabling the creation of more trusting relationships. A second practical application in business would be in the area of communication practices.

Applying knowledge about the social process of trust construction in private

banking could certainly improve the satisfaction and human understanding between clients and bankers, and within bankers' teams. Moreover, adapted training on understanding the client's wider networks could also make banker-client relationships deeper and more efficient with regard to gaining recommendations. It would also make the analysis of compliance more appropriate and targeted. In summary, training bankers to better understand the way trust circulates in their own field and amongst their clients would be a relevant practical application. This would also be applicable to other businesses where interpersonal trust is an important factor and where there is a need to understand clients and stakeholders.

In spite of the methodological challenges, the results of my study and their international and thematic application prove the value of the research performed. I hope that, as well as benefitting future research and business enterprises, the book will also be used to develop an improved understanding of our own habitus, stereotypes, prejudices and the trust relationships we engage in every day, and that it will help to challenge our existing taxonomies.

In addition to the potential practical applications I have already outlined, some open ends to this research remain, which could lead to future work. Firstly, more detailed and comparative research on international and global applications is a worthwhile focus for anyone interested in the subject, as we have seen that important differences exist in this regard.

Another interesting extension and complementary area of research might be the networks of philanthropists active in Europe, such as those focused on conserving Romanian forests, or on international elite clubs that are gaining popularity in CEE, such as the Young Presidents Organisation, which are part of the social and symbolic capital building in the region and worldwide.

An element that I have not previously mentioned, but would be a natural extension of the research on trust and capital building in finance and generally, are cryptocurrencies and networks connected to them. In the US, bitcoin has been one of top 10 most trusted values in recent years for younger Americans. According to J.P. Morgan, as of 4 January 2021, bitcoin is actually akin to 'digital gold' for millennials (Financial Times 2021).

Based on the previous assumption that one of the characteristics of the leisure class is its access to rare and exclusive opportunities as resources, I would like

to study how the most successful private equity elites and their companies work and build trust with the companies, other funds, investors, banks and private equity brokers, and what parameters determine the way they share opportunities and build forms of capital, which is ultimately transformed into economic capital. In the social sector, it would be crucial to understand, using multidisciplinary research, what roles banks can play in helping the public to improve their financial possibilities and access to resources, and in reducing financial inequalities and increasing access to financial empowerment so that more women, minorities and people in general have better chances of growing their wealth. The research could also impact wealthy elites in their decision making, by creating greater sensitivity for the social aspect of finance and maximising philanthropy to make better use of existing resources and to address inequality with the support of social control and trusted advisors.

Glossary of private banking terms

Assets under management - total market value of the investments that a person or entity manages on behalf of clients. (Investopedia 2021)

Back-office - the back office is the portion of a company made up of administration and support personnel who are not client-facing. Back-office functions include settlements, clearances, record maintenance, regulatory compliance, accounting, and IT services. (Investopedia 2021)

Business introducer (agent) - an individual or a company who introduces a new client to the bank.

Compliance officer - person responsible for checking that the company, clients and transactions comply with internal, local and international regulations.

Family office - a dedicated company structure with employees with varying roles who take care of only one or several clients, who are mostly very wealthy.

Farmer - a banker who takes care daily of regular services for clients.

Fixed-income - investments with regular income and capital guarantee, such as deposits with interests, bonds remunerated by coupons or so-called zero-coupon bonds. It includes structured products based on fixed income investments.

Front-office - the front office represents the customer-facing division of a firm. For example, customer service, sales, and industry experts who provide advisory services are considered part of a firm's front office operations. (Investopedia 2021)

Fund - usually refers to an investment structure for investors, a mutual fund, purchasing securities selected by the fund manager. It has no time limit.

Hedge fund - an investment vehicle that pools money from qualified investors managed by a hedge fund manager who invests in asset classes, such as shares, bonds, commodities, and real estate using a variety of different strategies.

Headhunter - a person in charge of identifying the most appropriate employee for a specific job on behalf of a company and/or to find a suitable position for a person seeking a new job.

Holding company - a company holding the financial and non-financial assets, often of private individuals, without a specific operating activity.

Hunter - a banker in charge of acquiring new clients.

Independent asset manager (IAM) - a company or an institution that manages client assets based on an agreed mandate. These are generally not banks but rather independent companies controlled by specific regulatory rules.

Index - a market index is a hypothetical portfolio of investment holdings that represents a segment of the financial market. The calculation of the index value comes from the prices of the underlying holdings. (Investopedia 2021)

Long - defines the purchase of a financial security, such as a stock, bond, currency fund or commodity with the intention of holding it with the expectation of an increase in value.

Short - opposite of long. Sale of a security due to the expectation of a drop in its price and with the intention of buying the asset again later. Gains when market goes down.

Stock - ownership interest in a company represented by a certificate or shares issued by corporations.

Private banker - a finance professional who provides services to wealthy individuals.

Private bank - bank servicing mainly wealthy individuals.

Private equity - investment funds that pool the assets of a number of partners called limited partners. They are generally not listed on a stock exchange. They invest in numerous strategies with the aim of buying part of a chosen company in accordance with the predefined fund criteria. They are shorter-, middle- or typically long-term investments of up to 10 years.

Structured products - products that combine two or more financial instruments, often derivatives and 'plain vanilla' simple investments such as deposits, bonds, shares, currencies and others, into one packaged product.

Swiss Financial Market Supervisory Authority (FINMA) - supervisory authority charged with protecting the interests of creditors, investors and policy holders to ensure that Swiss financial markets function properly. (Finma 2013)

Universal bank - bank providing a range of services to companies and individuals in various services segments (retail, corporate, investment banking).

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