



**Investment & Actuarial Consulting,  
Controlling and Research.**



**[www.ppcmetrics.ch](http://www.ppcmetrics.ch)**



## Investment Consulting

# UBS Takeover of Credit Suisse

## Brief Assessment: Implications For Investors

### PPCmetrics AG

Dr Stephan Skaanes, CFA, Partner

Dr Luzius Neubert, CFA, Partner

Romano Gruber, CFA, Managing Consultant

Zurich, 20 March 2023

# Initial Situation

---

- On the evening of 19 March 2023, **UBS announced** its intention to fully **acquire Credit Suisse** in close coordination with the Swiss Financial Market Supervisory Authority (FINMA), the Swiss National Bank (SNB) and the Swiss Confederation.
- According to the SNB's media release, the transaction is necessary to **secure financial stability** and **protect the Swiss economy**.
- In addition to the usual emergency liquidity, the SNB is providing the two institutions with further **liquidity assistance totaling CHF 200 billion**.
- The **Confederation** is supporting the transaction by granting UBS a **guarantee in the amount of CHF 9 billion** to cover potential losses from certain assets of Credit Suisse.
- In the following presentation, we summarise the **most important facts about the takeover** and possible **implications for investors**.

Source: Media releases from the SNB, FINMA and the Federal Department of Finance

# Key Facts About the Acquisition

Key Points	Brief Description
<b>Acquisition Price</b>	<ul style="list-style-type: none"> <li>Total transaction volume of CHF 3 bn.</li> <li>Indicatively CHF 0.76 for every CS share as of 17.03.2023 (closing price of the CS share on Friday, 17.03.2023: CHF 1.86)</li> </ul>
<b>Transaction Structure</b>	<ul style="list-style-type: none"> <li>Share exchange (Credit Suisse shareholders receive 1 UBS share for every 22.48 Credit Suisse shares)</li> </ul>
<b>Approvals</b>	<ul style="list-style-type: none"> <li>No consent of the existing CS shareholders is required for the transaction (emergency law of the Swiss government)</li> <li>The Swiss authorities (government, Swiss National Bank and the Swiss Financial Market Supervisory Authority) support the transaction</li> </ul>
<b>Expected Closing of the Transaction</b>	<ul style="list-style-type: none"> <li>Q2 2023 (subject to accelerated regulatory approval)</li> </ul>
<b>Future Management</b>	<ul style="list-style-type: none"> <li>The current Board of Directors (with Chairman Colm Kelleher) and the current management of UBS (with CEO Ralph Hamers) will lead the combined bank</li> </ul>

Source: UBS presentation on the takeover of CS on 19 March 2023

# General Implications for Investors

---

- In the short term, the **counterparty risk** and the **default risk of Credit Suisse were reduced** by the transaction and the support of the Swiss authorities. For diversified investors, **no immediate measures** (e.g. transfer of liquid assets) are necessary.
- The exact **implications** of the transaction for the two institutions are **difficult to assess** at this time. There are also **legal risks** in the settlement of the transaction.
- We assume that the Confederation, the SNB and the banks involved have a **great interest in a successful takeover**. In the medium and long term, however, there are significant **operational and legal risks** for clients of the two banks.
- These risks differ depending on the business relationship with Credit Suisse (e.g. investment in **direct investments** of Credit Suisse, Credit Suisse as **custodian bank /global custodian**, investment in **financial products** of Credit Suisse).
- The following pages show possible **measures and monitoring issues**.

# Implications for Investors with Direct Investments

---

- Shares, bonds and convertible bonds (contingent convertibles / CoCos) as well as derivatives are **affected differently** by the takeover.
- The following **measures** are recommended for investors with direct Credit Suisse investments:
  - **Quantify investment** in affected assets and **monitor default risk**. It should be noted that certain Credit Suisse financial instruments must be written off.
  - In the medium term, the **counterparty risk of UBS and Credit Suisse** will **accumulate** as a result of the takeover. It is advisable to analyse whether the new counterparty risk is compatible with the **risk tolerance** and the **regulations** (e.g. investment regulations).

# Implications for investors with Credit Suisse as custodian bank / global custodian

---

- Credit Suisse is one of the most important custodian banks / global custodians in Switzerland.
- The following measures are recommended for investors with Credit Suisse as custodian bank / global custodian:
  - The main risk of the acquisition is operational. The custodian bank business requires significant investments in software and systems. For investors, it is important to monitor in the long term what the future **system landscape** of the new bank will look like and which systems will be further developed and which will not be continued.
  - Staff departures cannot be ruled out as a result of the merger. It is advisable to closely monitor the **stability of the teams** including **key persons** as well as the **satisfaction / motivation of the staff**.
  - For investors with UBS and Credit Suisse as custodian banks, the **counterparty risk** and the **operational risk accumulate**.

# Implications for Investors with financial products at Credit Suisse

---

- Credit Suisse is one of the most important asset managers for institutional and private investors in Switzerland. The following **measures** are recommended for investors with investments in financial products or with mandates at Credit Suisse:
  - One of the main risks in asset management is **staff turnover**. It is advisable to monitor the stability of teams including key persons.
  - For investors who have mandates with Credit Suisse and UBS, **diversification** across different asset managers is **reduced**. At the same time, the **operational risk accumulates**.
  - In the long term, the merger leads to **less competition and a reduction in product diversity in the area of asset management**. It is advisable to ensure the market conformity of the conditions in the long run.
  - It is expected that the **legal conditions** (e.g. asset management contracts) will be **adapted** in the medium term. It must be ensured that the adaptation of contracts does **not result in a worse position** compared to the status quo.



# Conclusion

---

- The takeover of CS by UBS will **reduce Credit Suisse's default risk** in the short term. Accordingly, diversified investors do **not need** to take any **immediate measures**. We assume that the Swiss Confederation, the SNB and the banks involved have a **great interest in a successful transaction**. In the **medium and long term**, however, there are significant **operational and legal risks** for clients of the two banks.
- Depending on the **relationship** with Credit Suisse (investment in **direct investments, custodian bank/global custodian** as well as investment in **financial products**), investors are currently faced with different **monitoring issues**. However, the following **measures** are certainly appropriate for all business relationships:
  - ▶ **Checking whether the accumulated counterparty risk is compatible with the investor's risk tolerance and regulations**
  - ▶ **Monitoring the stability of the teams, the system landscape and the operational risks**
  - ▶ **Detailed review of any new contracts**
  - ▶ **Ensuring long-term competition (including market conditions, manager diversification and product variety) in asset management**

# Contact



Investment & Actuarial Consulting,  
Controlling and Research

**PPCmetrics AG**  
Badenerstrasse 6  
Postfach  
CH-8021 Zürich

Phone +41 44 204 31 11  
E-Mail [zurich@ppcmetrics.ch](mailto:zurich@ppcmetrics.ch)

**PPCmetrics SA**  
23, route de St-Cergue  
CH-1260 Nyon

Phone +41 22 704 03 11  
E-Mail [nyon@ppcmetrics.ch](mailto:nyon@ppcmetrics.ch)

Website [www.ppcmmetrics.ch](http://www.ppcmmetrics.ch)  
Social Media 

## About PPCmetrics

PPCmetrics AG is a leading consulting firm whose services include investment controlling and investment consulting, selection of financial service providers (asset manager selection) including public procurements for such selection, asset liability management (ALM), definition of investment strategies, asset allocation, portfolio analyses, drafting of investment regulations, consulting on sustainable investments, legal consulting (BVG/LPP, financial market legislation, pension fund governance) and actuarial consulting as well as activities as pension actuary.

Our clients in Switzerland and abroad include institutional investors such as insurance companies, as well as renowned professional investors such as pension funds, employee benefits foundations, public social insurances and pension funds and other public-law entities, large companies, foundations, associations (in particular non-profit organisations) or ultra-high-net-worth individuals (UHNWI) and their consultants (e.g. family offices).

## Legal Notice

PPCmetrics AG advises its clients upon their own initiative and carries out its analyses according to the processes it has developed. It does not make any investment decisions on behalf or for the clients and expressly does not make any investment recommendation. As well-informed investors it is in the clients' responsibility and at their discretion how they decide and act based on the advice offered by PPCmetrics AG. PPCmetrics AG assumes that the clients possess the necessary knowledge and sufficient experience in the financial field to make their investment decisions and assess the associated risks. PPCmetrics AG does not perform an assessment of appropriateness or of suitability pursuant to the FinSA. Based on the clients' specifications, PPCmetrics AG assumes that the investments are compatible with their investment objectives, in particular their risk capacity as well as the asset allocation and the time horizon of the investments.

PPCmetrics AG is not involved in the development, management or recommendation of financial instruments. It does not participate in the distribution of financial instruments, does not accept any compensation from third parties in connection with the provision of its services and is compensated exclusively by its clients according to a fee agreement. The partners of PPCmetrics AG are registered as investment advisors in the advisor register of BX Swiss AG ([www.regservices.ch](http://www.regservices.ch)). PPCmetrics AG is affiliated to the financial ombudsman FINOS, Talstrasse 20, 8001 Zurich ([www.finos.ch](http://www.finos.ch)). Furthermore, PPCmetrics AG is accredited by the OPSC as a pension actuary. Please consult [www.ppcmmetrics.ch/de/uber-uns/regulierung/](http://www.ppcmmetrics.ch/de/uber-uns/regulierung/) for further information and notes.

We publish more than 40 articles on various topics per year.



Our experts share their knowledge and opinions with the public.



Experience our conferences, which we organize several times per year.



PPCmetrics AG  
Investment & Actuarial Consulting,  
Controlling, and Research.  
[Read more](#)

