Credit Suisse Takeover in a Black Box – Untransparent Deal. Implications for the Failing Structures of Global Banking

By Peter Koenig
Global Research, March 24, 2023

Region: Europe
Theme: Global Economy

***

The Credit Suisse (CS) takeover by UBS, the largest Swiss bank, has taken place over the weekend, 18/19 March, when people are distracted and don't focus on actions behind dark curtains. The merger was untransparent like in a dark room. See this on the build-up to the fusion to the UBS – CS fusion.

***The Swiss bank, Credit Suisse (CS)**, Switzerland's second largest bank, apparently one of the 30 most important players in international banking, which makes it a **Too Big To Fail (TBTF) bank**, has been in trouble for a while. Risky operations and several financial scandals around the world have eaten away on people's trust in the bank. Billions of funds were withdrawn, and the share value plummeted from week to week, then from day to day.*

International banking interlinkage and connectivity may only be challenged by international pharma. The duos dominance and control of worldwide business and people have never been stronger than it is today.

It's frightening, when unbeknownst by most people, our very survival is exposed to the goodwill – or not – of these two economic monsters. Humanity needs food, water, and shelter to subsist. They control these too.

Given the global banking behemoth becoming more powerful by the day, is it wise to salvage a cog in the wheel of this financial predatory apparatus?

This is a fundamental question humanity must ask itself, when confronted with the collapse or saving of a TBTF bank. In the west such questions are not asked. They don't even occur to the politicians. Private banking for the benefit of the shareholders, is widely overarching the need of the people, the needs of the real economy, as may be provided by public banking.

Private banking *über alles!*

Converting the failing CS, with a solid network of infrastructure, branch offices, sophisticated internal and external communication networks throughout Switzerland and abroad, into a public bank, belonging to the Cantonal (States) authorities, was never an option on the table for serious consideration.

The hundreds of billions that might have been saved, plus the infinitely more appropriate role for a potentially projected precarious economy ahead, was no consideration.

A Swiss sovereign, people-oriented solution was not even looked at. Instead, the Swiss Finance Minister consulted Washington on how to proceed.

Back to the UBS – CS merger

The Swiss banking "regulator", FINMA – which is made up mostly of former bank and insurance execs – assured customers just a week before the alleged CS collapse that everything was fine. FINMA (**Fin**ancial **Ma**rket Supervisory Authority), is considered biased and lax towards the banking sector, when it comes to enforcing rules.

Over the past weekend – 18 / 19 March 2923 – the CS takeover by UBS, was brokered at ridiculous conditions, 3 billion Swiss francs (about US$ 3.2 billion). CS's infrastructure throughout Switzerland alone is a worth a multiple of the take-over price.

Only about two weeks ago CS was assessed to be worth between 7 and 10 billion Swiss francs.

At the end of 2022, CS's total assets were US$ 556.8 billion (CHF 531.4 billion 2022 end-year exchange rate); a decline of 32.7% from 2021. The bank's liabilities were US$ 509.3 billion, a decline of 34.6% from 2021. Hence, CS's net worth by end 2022 was US$ 47.5 billion (CHF 45.2 billion).

By the end of 2022, Credit Suisse had approximately CHF 1.3 trillion in assets under management.

It is true, with rumors of CS in crisis, combined with the memories of CS's past 15 years of controversies and scandals in international banking, trust in the bank was fading. Here are some of the most talked about CS scandals:

- 2007 mismarketing (over-valuing) of security positions;
- 2009 assisting residents of sanctioned countries transferring money, an infraction against US and New York State laws;
- 2013 illegal Forex (foreign exchange) manipulations
- 2014 US tax fraud conspiracy;
- 2015 Malaysia Development *Berhad* scandal (*Berhad* is a public limited-liability company – PLC);
- 2017 Mozambique secret loan scandal;
- 2018 US Foreign Corrupt Practices Act violation;
- 2018 Climate Controversy;
- 2019 Espionage scandal;
- 2021 Greensill Capital – a supply chain investment fund liquidation causing a US$ 3 billion loss to investors;

- 2022 Drug money laundering scandal;
- 2022 Swiss secrets leak; and
- 2022 Russian oligarch loan-documents destruction after invasion of Ukraine – delinking them from their yacht properties.

For more details of CS scandals and controversies see this.

Until its acquisition by UBS this past weekend, CS was on Wall Street's list as one of the largest and most profitable banks. It was considered one of the world's most important banks, upon which international financial stability depends. The bank was also one of *Fortune Magazine's* most admired companies.

Nevertheless, these larger and minor scandals have helped gradually nibble away on the public trust in the bank.

Finally, when in 2022 social media rumors projected the demise of the bank, stocks prices plunged. However, according to analysts, CS has a strong capital base and no liquidity problems.

Once a rumor takes hold about financial instability of an institution, the imagined "risk" factors explode exponentially. It has caused steady and ever-larger sums of fund withdrawals from the bank.

Yet, there was never a liquidity security risk, that the bank may collapse, cause a domino effect, and pull large segments of the worldwide international banking sector with it into the gutters.

On Friday March 17, the Swiss National Bank granted CS a "bail-out" line of credit of CHF 50 billion – which according to many analysts would have been enough to restructure and streamline the bank within a year or so into a new trustworthy financial institution.

Then suddenly, during the weekend 18 / 19 March, "*the decision was taken*" to force a marriage between UBS and CS. No transparent reason was given so far for this "fire sale" of a liquid bank with over a trillion dollars of asset management.

Strangely, there are no official figures available of CS net worth by 17 March 2022, when ***the heavily discounted price of CHF 3 billion was decided by the Swiss Government, led by Minister of Finance, imposed by decree, without any consultation with shareholders.***

On Monday morning, 20 March, tumbling out of the black box, this and more aberrant decisions taken over the weekend were revealed. Minister of Finance, Ms. Karin Keller-Sutter, found an obscure law, "permitting" the government under certain emergency circumstances deciding on a *take-over or merger by decree*.

It was also revealed that before the UBS – CS take-over conditions were finalized, Ms. Keller-Sutter consulted with her US counterpart, Janet Yellen, Secretary of the Treasury.

Again, blowing Swiss sovereignty out of the window.

Here are some other facts that emerged since the coerced deal during the weekend:

- The UBS – CS merger should be finalized by end 2023;
- The Swiss Government (Swiss tax-payer) provides the UBS a loss guarantee of up to CHF 9 billion;
- The Swiss National Bank (SNB) grants UBS and CS a liquidity line of credit – called by its true name, a "bail-out" – of CHF 200 billion, of which the Swiss Government (tax-payer) is guaranteeing any uncovered amount.
- Compare the CHF 200 billion with the CHF 50 billion the SNB offered CS to restructure and sanitize itself – which a day earlier was assessed as being sufficient;
- In the context of the huge "bail-out", it may be worth mentioning that on 5 March, two weeks ago, the SNB announced one of its biggest losses in recent history, of CHF 132.5 billion;
- The leadership of the merged banks will remain with UBS;
- The volume of the combined UBS/CS-managed assets will be about US$ 5 trillion.
- This banking giant is expected to gradually control 30% to 50% of the Swiss market and will become an important player in the international arena, next to BlackRock (US$ 10 trillion) and Vanguard (US$ 7.2 trillion).

The Bottom Line

Already on Day One, Monday 20 March, after the coerced shotgun-marriage of UBS and CS, Lawyers are preparing a Class Action Suit in favor of the non-consulted CS shareholders against the Swiss Government.

As reported by the Swiss Tages-Anzeiger, allegedly the world's largest US-based business attorney's office, *Quinn Emanuel*, is putting together a team to challenge the legality of the UBS take-over of CS. Similar steps were announced by the London-based attorneys, *Pallas Partners.*

It looks like this shady deal has not yet seen the end of the day.

In such cases, where shareholders rights are at stake, there is usually a delay of several weeks between the decision and the finalization of the action, for opponents to intervene.

Is there still time to change course and convert the wobbling Credit Swiss conundrum into a public banking institution, at a much lower cost, providing the current CS shareholders with a just compensation?

In the future the "new public CS" would be serving the people, rather than private shareholders – becoming especially useful for the economy, if the predicted rocky times are to play out. See *Forbes* about the highly successful public Bank of North Dakota (BND).

*

Note to readers: Please click the share buttons above. Follow us on Instagram and Twitter and subscribe to our Telegram Channel. Feel free to repost and share widely Global Research articles.

Peter Koenig *is a geopolitical analyst and a former Senior Economist at the World Bank and the World Health Organization (WHO), where he worked for over 30 years around the world. He lectures at universities in the US, Europe and South America. He writes regularly* *for online journals and is the author of Implosion – An Economic Thriller about War, Environmental Destruction and Corporate Greed; and co-author of Cynthia McKinney's book "When China Sneezes: From the Coronavirus Lockdown to the Global Politico-Economic Crisis" (Clarity Press – November 1, 2020).*

Peter is a Research Associate of the Centre for Research on Globalization (CRG). He is also a non-resident Senior Fellow of the Chongyang Institute of Renmin University, Beijing.

Articles by: **Peter Koenig**