THE CREDIT SUISSE FAILURE

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NEW REPORT

Investment Banking Division

Events and Reasons that Led to Credit Suisse's Failure

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1. Introduction and Background

This report provides an overview of the events and reasons that led to the failure of Credit Suisse, a Swiss bank with a long history dating back to 1856. It highlights the bank's growth and expansion, as well as its involvement in controversies and scandals throughout its existence. The report specifically focuses on two significant events that caused major losses and damaged the bank's reputation: the Greensill scandal and the Archegos downfall in 2021. It also mentions the failures and shortcomings of Credit Suisse's management, as well as the impact of market conditions and regulatory issues on the bank's crisis. Additionally, we explore the details of the recent acquisition of Credit Suisse by UBS, facilitated by the Swiss government and the Swiss Financial Market Supervisory Authority as a measure to prevent further damage and restore stability to the banking sector. Ultimately, the report provides an insight into what the future could look like following the aforementioned events.

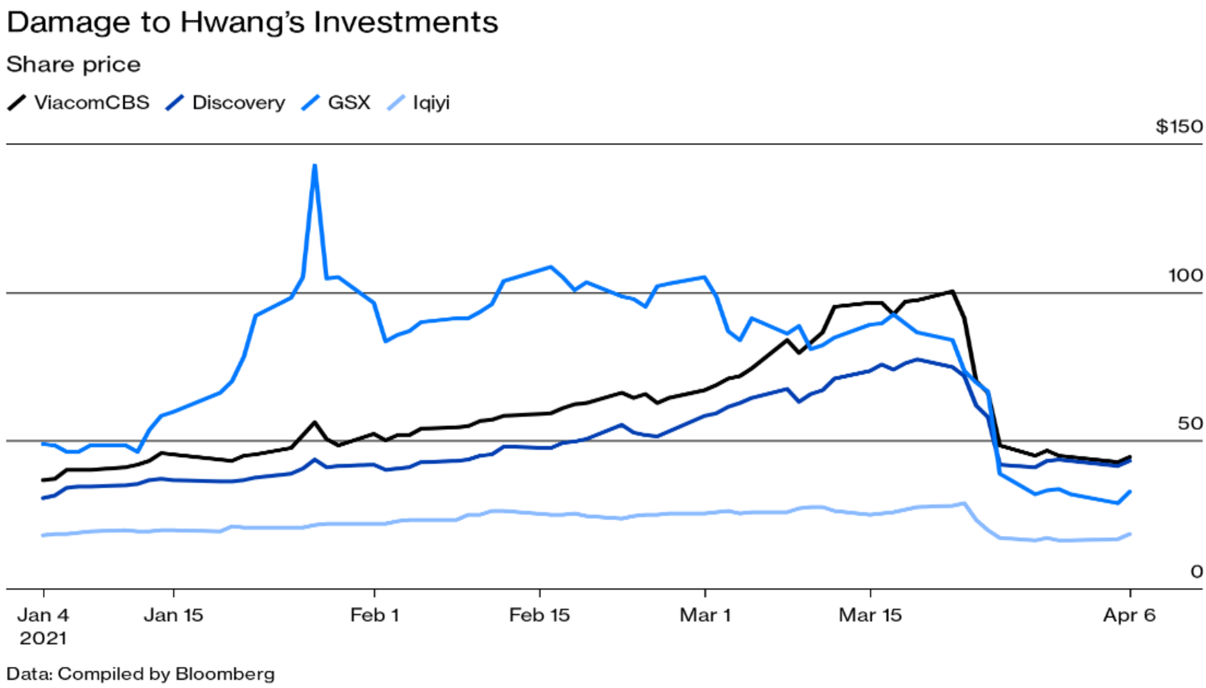
Credit Suisse was founded in 1856 out of Escher's aim to open Switzerland which was, based on his thoughts, "In the backwards of Europe" by expanding a railway network across the country to link Northern and Southern Europe. The construction required huge amounts of capital at the time, but his willingness to not rely on foreign lenders led him to found Schweizerische Kreditanstalt Bank, later rebranded as Credit Suisse. For the next Century, Credit Suisse had been the centre of Switzerland's economic growth before expanding in Europe and opening its first New York branch in 1940.
The Second World War provided Credit Suisse with both the opportunity to play a leading role in financing the reconstruction process and, on the other hand, the shame to be accused by holocaust survivors of blocking their deceased relatives' accounts. In addition, it was found that many of Credit Suisse's accounts were linked to Nazi party officials.
From that time, for the rest of its life, the Bank had been dogged by accusations of protecting its client's criminal activities.
It was not until 1978, when the Swiss bank partnered with US Investment Bank First Boston, that Credit Suisse truly entered the global stage becoming indelibly in the "bulge bracket" of worldwide investment banks.

1.1 Beginning of the scandals

It was at this point that Credit Suisse lost its DNA assuming a risky management culture driven by First Boston, the bank's crown jewel, which started to pursue exorbitant rewards policies on offer for the biggest risk takers. By 1990 Credit Suisse bought a 44% controlling stake in First Boston after the New York-based boutique lost millions on the collapse of the junk bond market. For the following three decades, First Boston's high-risk culture pervaded through Credit Suisse investment bank.
In the decade next to the financial crisis, Credit Suisse was the starring leader of multiple financial scandals.
Credit Suisse's failings included a criminal conviction for allowing drug dealers to launder money in Bulgaria, entanglement in a Mozambique corruption case, a spying scandal involving a former employee and the former executive Tidjane Thiam and a massive leak of client data to the media. Its willingness to engage with clients that some other banks avoided lost billions of dollars and compounded the sense of an institution that didn't have a firm grip on its affairs.
Credit Suisse's failed ride, after the 2008 crisis, sees as two main players the former chairman Urs Rohner (2011-2021) and Romeo Cerutti, the bank's general counsel for 13 years. The situation was exacerbated by the lack of independence and relevant weakness of the bank's board towards Rohner.
Among those scandals, two, in particular, brought Credit Suisse to relevant losses and damaged the reputation of the Swiss bank: Greensill scandal and Archegos downfall in 2021

1.2 Archegos downfall

Archegos Capital Management had borrowed billions from Credit Suisse to make wagers on a handful of stocks, including the entertainment companies. Some of Credit Suisse's rivals, meanwhile, moved in the opposite direction. They noticed an increasing risk in the concentration of the firm's positions and demanded it back up its investments with additional cash.
Days later, ViacomCBS plunged, Archegos collapsed, and the Swiss bank was stuck with a colossal loss. The Archegos portfolio rode hot markets; In addition, the fund's positions at Credit Suisse dramatically multiplied from the summer of 2020 until March 2021. Credit Suisse's counterparty-credit-risk-team produced regular reports indicating growing risks in the Archegos positions, but the executive didn't adequately flag these reports to senior personnel. Credit Suisse became one of the largest holders in some of Archegos' stocks, By the end of 2020, it owned about 6.5% of ViacomCBS's Class B shares. By mid-March 2021, Credit Suisse's notional exposure, or the value of the stocks underpinning the Archegos positions, was above $20 billion, equivalent to half the bank's equity cushion against potential losses. Taking on such a huge risk appears to have been for only a modest reward in terms of tens of millions of dollars.
On March 22, a Monday, ViacomCBS shares fell and Archegos began a destructive downward spiral. Credit Suisse took a $5.5 billion loss on Archegos, the biggest trading loss in its history.



1.3 Greensill Capital's collapse

The collapse of Archegos piled on top of the insolvency of another key Credit Suisse client, Greensill Capital, plunged the bank into crisis. Credit Suisse failed in its duties as an asset manager putting billions in fund assets in doubt and violating Swiss supervisory law in its operation of $10 billion in investment funds with now-bankrupt financing partner Greensill Capital Management.

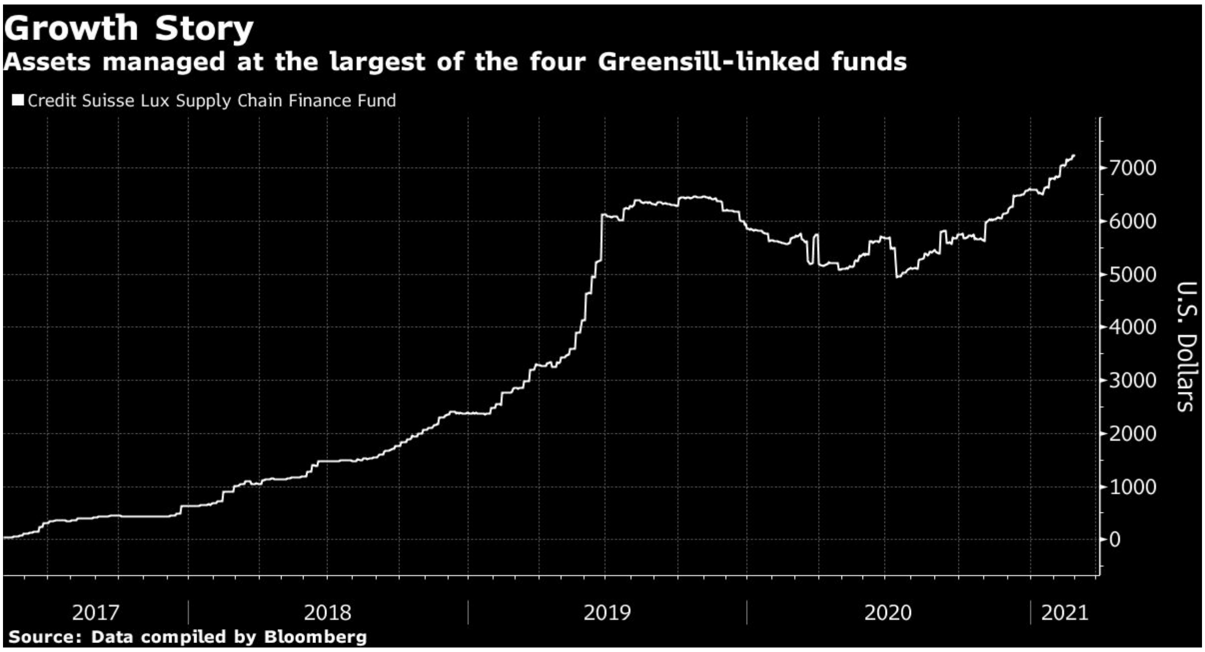
Lex Greensill started Greensill Capital to give small businesses a banking service mostly reserved for blue-chip companies: supply-chain finance, a type of cash advance that helps when payments are due from customers; wanted to bring this helpful service to millions of smaller, less-established businesses.

But what led to Greensill's failure? The business went beyond the scope of what it initially set out to do. Many of Greensill's loans went to a small circle of borrowers close to Mr. Greensill, as well as acquaintances and his biggest outside backers (Greensill Capital used Credit Suisse Group supply-chain funds to make a $350 million loan to one of the startup's biggest outside backers, private-equity firm General Atlantic) and several loans went to a former Greensill shareholder, Mr. Gupta.

Credit Suisse pitched the funds to investors as alternatives to other liquid diversified investments, such as money-market funds, which also make short-term loans to companies. Some of the funds aimed to offer returns just barely more than on a bank checking account, while a smaller, riskier fund targeted higher returns.

In Europe, where bank accounts had negative interest rates, pensions, corporate treasurers and wealthy families were big buyers. The funds were given an extra layer of protection: Trade-credit insurance taken out by Greensill would pay out in case of a default by some of the clients. This insurance gave the funds a higher credit rating, something professional investors wanted. Some of the notes in the Credit Suisse funds financed dozens of credit-rated borrowers and government agencies.

Credit Suisse fund managers rarely rejected the notes Greensill offered.



Most of Greensill's revenue—more than 90% —came from its top five clients. Among these there was Mr Gupta's GFG hitting about 7.4 billion, much of which came from loans called "future receivables" based on projections of what the client's business might look like over the next five years. Greensill made $850 million in loans, some of them future receivables, to another top client, Bluestone Resources Inc., a coal-mining company owned by West Virginia Gov. Jim Justice.

Both the GFG and Bluestone future-receivables loans were financed out of the Credit Suisse funds.

Investors in the funds wouldn't have known the full extent of the lending; moreover, on disclosures sent to investors, some of the loans were housed in wrappers named with all street names from Bundaberg, where Mr Greensill grew up as well as to Greensill's biggest backers, as previously mentioned.

When stock markets declined in March 2021, investors in the Credit Suisse funds called in their investments.

Mr Greensill dialed SoftBank's billionaire boss, Masayoshi Son (one of the main investors of Greensill Capital), who agreed to make an emergency $1.5 billion investment into the funds. The investment wasn't disclosed to the Credit Suisse investors.

At midyear, Greensill's revenue was under $200 million, less than a quarter of Mr Greensill's fast growth target for the year.

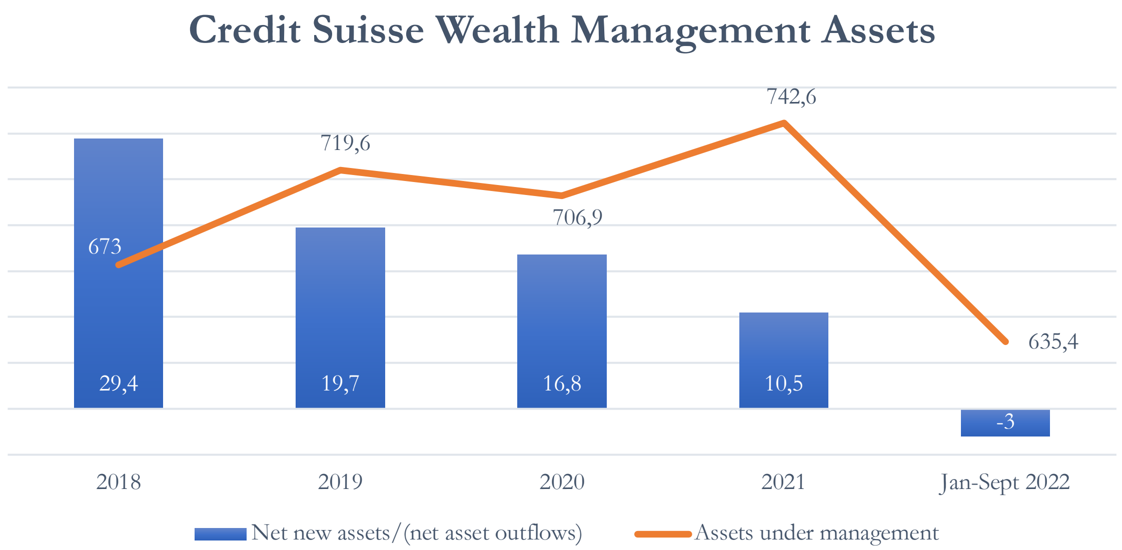
At a Greensill board meeting in November, he said he was raising 1 billion of fresh capital to expand the business even if, by February, investors weren't willing to put more into Greensill. The insurance deadline was nearing and Greensill, was unable to secure new coverage.

A judge of the Australian court threw out the request; Credit Suisse froze the 10$ billion investment funds, trapping the savings of 1000 of the Swiss bank's most prized clients, and therefore, Greensill plunged into crisis. Within days, Greensill had filed for insolvency.

In conclusion, Greensill ran into trouble because it couldn't renew credit insurance on supply-chain finance loans it made to companies, exposing holes in Credit Suisse's oversight of the funds.

After Rohner left the direction of Credit Suisse at the end of April 2021, his successor Horta Osorio resigned as the bank's chair after an investigation found he had breached UK's Covid-19 restriction rules on a trip to London to watch the Wimbledon tennis final match by the summer of 2021, and Hosorio's successor and former UBS executive, Lehmann had to deal with the fallout of Credit Suisse becoming the first Swiss bank to be charged with criminal offences in the country's history, in a case related to its role in laundering dirty money for a group of former Bulgarian wrestlers who turned to cocaine smuggling; another lightning example of the bank's 'laissez-faire' culture related to risk management principles.

By October 2022 rumours about the financial health of Credit Suisse began flying with social-media chatter about the company's tumbling share price. When markets opened Monday 3rd, the bank's shares plunged 12% in Zurich, touching a record intraday low. In response to those social media rumours, Credit Suisse's clients withdrew 10% of its wealth management assets, causing a 7.9 billion loss. The loss of business was especially dramatic in Asian wealth management, which for many years had been an important source of profit growth.

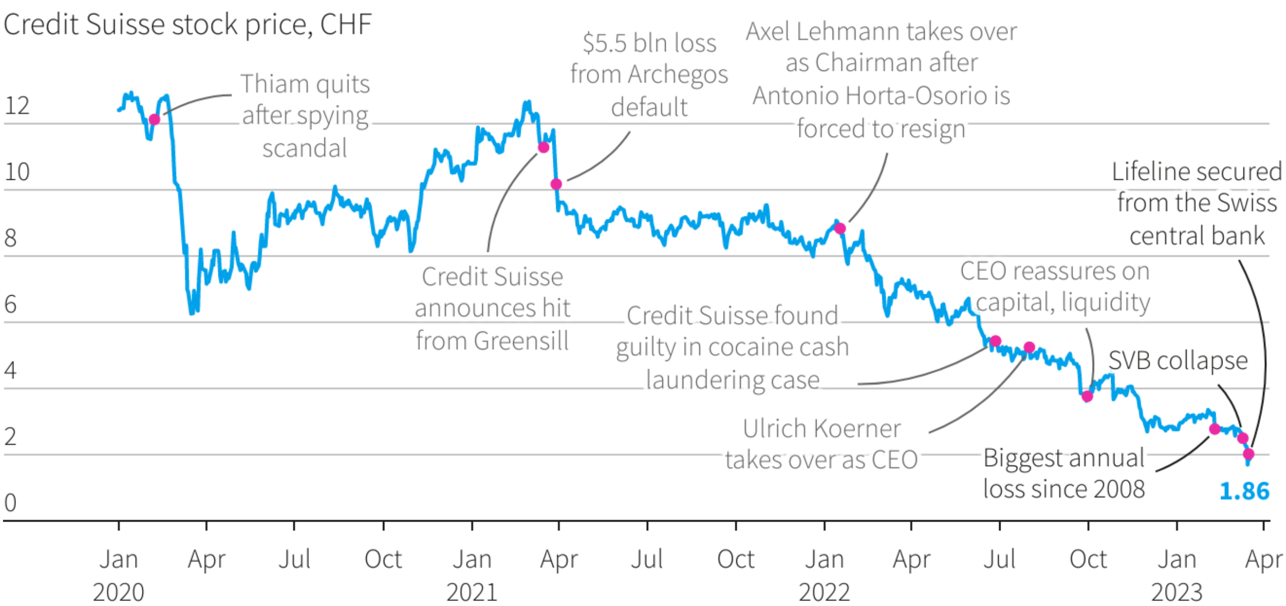


Source: Credit Suisse

At the beginning of December 2022, Lehmann told media that customer outflows had "completely flattened out" following a period of heavy bleeding by the Zurich head-quarter. The chairman's declaration of confidence was supported by the fact that Chief Executive Officer Ulrich Koerner launched a massive outreach to woo back nervous clients and their cash. The effort appeared to be paying off by January, when it reported "net positive" deposits.

Lehmann's comforting words came soon after being refuted, in fact; during the second part of 2022, Finma opened an investigation into Credit Suisse's possible violation of financial market laws but without sufficient proof, the Swiss market regulator had to decline to proceed with the supervisory process; but when Credit Suisse reported its results for the fourth quarter, in February, it pointed out clear evidence of the banks' outflows had continued during December and January, though at a slower pace than in October and November. Customers withdrew $121bn (111 billion francs) through the last three months of 2022. Since December, the Swiss bank's share price has tumbled, hitting a new record low on March 9th, after the US Securities and Exchange Commission queried the bank's annual report, forcing it to delay its publication. Panic spread after the failure of regional US lender Silicon Valley Bank underscored how higher interest rates were eroding the value of the banking industry's bond holdings. Investors began ditching anything that smelled of banking risk and deposit flight.

In the meanwhile, on February 28th, the Swiss financial regulator concluded its two-year investigation into Credit Suisse's failings over the collapse of specialist finance firm Greensill Capital, finding there had been a "serious breach of Swiss supervisory law". The Swiss regulator, Finma, said that Credit Suisse had failed to adequately identify limits and monitor risks in the context of its business relationship with Lex Greensill over a period of years (breach of Swiss supervisory laws). Over time Greensill Fund began taking on loan companies whose creditworthiness was doubtful on the basis of possible future claims.



Source: Refinitiv Datastream, Reuters

1.4 Effects of the scandals on Credit Suisse

Credit Suisse stock slumped as much as 31% on March 15 when the chairman of its largest shareholder, Saudi National Bank, ruled out investing any more in the company. This prompted Credit Suisse to ask the Swiss central bank for a public statement of support. The cost of insuring the bank's bonds against default for one year surged to levels not seen for a major bank since the global financial crisis of 2008. Aware of the potential economic fallout if Credit Suisse collapsed, the central bank offered to lend it as much as 50 billion Swiss francs ($54 billion) and buy back up to 3 billion francs of debt. This bought Swiss authorities a little time to find a more sustainable solution. Over the following weekend, they forced the bank into the arms of its local rival UBS for about $3.25 billion — less than half its market value when the shares closed the previous Friday.

Credit Suisse's crisis came shortly after the failure of three US regional lenders and underscored how some less well-managed financial institutions have struggled since the era of rock-bottom interest rates came to an end. Its demise may push other banks to lower their risk profile, which means issuing fewer loans that enable economies to grow. That would make it harder for central banks to keep raising benchmark rates to cool red-hot inflation without causing recessions. Investors have been abandoning bets on more rate hikes and now see US rate cuts coming as early as the summer. European Central Bank President Christine Lagarde said on March 16 that the financial market turmoil could hit credit conditions and dampen confidence. However, she said the banking sector was "in a much, much stronger position than where it was back in 2008."

2. Acquisition by UBS

In a deal facilitated by the Swiss government and the Swiss Financial Market Supervisory Authority, UBS Group AG, a Swiss investment bank, reached an agreement on March 19, 2023, to acquire Credit Suisse for CHF 3 billion (US$3.2 billion) through an all-stock transaction. To support the deal, the Swiss National Bank provided over CHF 100 billion (US$104 billion) in liquidity to UBS following its takeover of Credit Suisse's operations. Furthermore, the Swiss government offered a guarantee to UBS to cover short-term losses of up to CHF 9 billion (US$9.6 billion). As part of the acquisition, CHF 16 billion (US$17.2 billion) of Additional Tier 1 bonds were written off.

2.1 Negotiation of the deal

Negotiations for the acquisition began on March 15, with a sense of urgency emphasized by Swiss authorities to prevent global panic. The discussions covered various aspects, including UBS's reluctance to acquire Credit Suisse's unprofitable investment bank, potential antitrust concerns arising from the merger of Switzerland's two largest banks, the size of government support, and the consideration of bypassing shareholder votes. The negotiation process was led by Thomas Jordan, the Chairman of the Swiss National Bank, with minimal involvement from Credit Suisse management. Centerview Partners and JPMorgan provided advisory services to the management teams of Credit Suisse and UBS, respectively, while UBS investment banker Piero Novelli and Morgan Stanley independently advised their respective boards.

During the negotiation, Credit Suisse management expressed dissatisfaction with their exclusion and warned UBS and Swiss authorities about the discontent of their three largest shareholders—the Public Investment Fund, Olayan Group, and Qatar Investment Authority. These shareholders, who collectively owned a quarter of Credit Suisse, were significant clients of both banks. UBS's interest in acquiring Credit Suisse was contingent upon a low price and indemnification by Swiss authorities for any regulatory violations committed by Credit Suisse. Initially, UBS made an offer of 0.25 Swiss francs per share, valuing Credit Suisse at approximately $1 billion, but this price was met with outrage from the Middle Eastern investors. The Swiss National Bank urged Credit Suisse to reject the offer, and the board, deeming the price too low, followed suit. The Middle Eastern investors subsequently offered to invest $5 billion, but Swiss authorities insisted on the sale to UBS. In response, UBS presented a counteroffer of 0.50 Swiss francs per share, valuing Credit Suisse at just over $2 billion. Swiss authorities threatened to remove Credit Suisse's board if they did not accept the offer, and UBS agreed to increase its bid with enhanced financial support from Switzerland. Ultimately, the final deal to acquire Credit Suisse for CHF 3 billion ($3.2 billion) was accepted by the Credit Suisse board before the opening of Asian financial markets on Monday. The acquisition involved an all-stock transaction, with Credit Suisse shareholders receiving 1 UBS share for every 22.48 Credit Suisse shares.

2.2 Actors involved in the acquisition

The acquisition was orchestrated by the Swiss government, spearheaded by the Federal Department of Finance, Swiss National Bank, and FINMA. In an emergency meeting on March 19, 2023, the Swiss Federal Council exercised emergency powers to allow the merger to proceed without shareholder approval. Additionally, Credit Suisse received additional liquidity assistance protected against bankruptcy, supported by a governmental default guarantee. UBS was granted a guarantee of CHF 9 billion ($9.6 billion) to cover potential losses arising from the transaction. As part of the agreement, FINMA authorized the write-down of CHF 16 billion ($17.2 billion) worth of Additional Tier 1 bonds (AT1) to zero, marking the largest AT1 debt writedown to date. This decision resulted in bondholders incurring greater losses compared to Credit Suisse shareholders. The purpose behind this action was to appease international investors who were unable to vote on the acquisition.

The acquisition was announced in a press conference on March 19, 2023, by President of Switzerland Alain Berset, Minister of Finance Karin Keller-Sutter, and Chairman Thomas Jordan, alongside the chairmen of UBS and Credit Suisse. The government emphasized that its exposure to risk was minimal and viewed the acquisition as necessary for ensuring financial market stability in Switzerland and worldwide. Keller-Sutter emphasized that this was not a bailout but a commercial solution.

2.3 UBS' point of view

UBS Chairman Colm Kelleher clarified that UBS did not initiate the discussions; however, he acknowledged that the transaction was financially advantageous for UBS shareholders. He further characterized the deal as an "emergency rescue." According to reports, Francesca McDonagh from Credit Suisse and Mike Dargan from UBS would lead their respective integration teams responsible for merging the banks. Sergio Ermotti, who previously served as CEO of UBS Group from 2011 to 2020, was appointed to lead the Group again, replacing Hamers on April 5, 2023. Kelleher, re-elected as chairman, estimated that the integration process would take up to four years, excluding the winding down of Credit Suisse's investment banking division.

According to Bloomberg News, UBS Group AG is projected to report a profit of up to CHF 51 billion ($57 billion) in the second quarter of 2023, attributed to the negative goodwill generated by the acquisition of Credit Suisse. It is speculated that the Swiss subsidiary of Credit Suisse alone is worth significantly more than what UBS paid for it. As of March 2023, Credit Suisse Group's book value stood at CHF 54 billion.

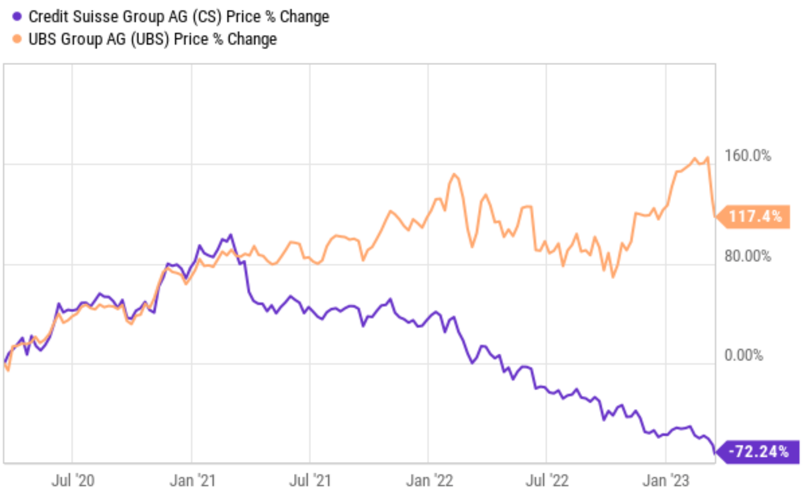
UBS's $3.25bn acquisition of Credit Suisse has been labeled as the most significant deal of the century due to the potential for up to $57bn in profits from negative goodwill. UBS's first-quarter results showed the wealth business attracted $28bn of new money, with $7bn flowing into the wealth arm after the takeover agreement. While the acquisition is expected to reinforce UBS's position as a leading global wealth manager, there are still challenges to overcome, including the costs and time required to integrate the bank. Despite ongoing litigation related to mortgage-backed securities and disappointing Q1 results, UBS remains a source of stability for its clients during uncertain times. UBS temporarily suspended its share buyback program after the announcement of the Credit Suisse deal, but it repurchased $1.3bn of shares in the quarter.

2.4 The most significant business deal of the century

The reason why the acquisition of Credit Suisse by UBS is being regarded as the most significant business deal of this century is because firstly, this deal is transformative, making UBS the second-largest global wealth management player after Morgan Stanley. This is a significant achievement and will position UBS as a major player in the financial services industry.

Secondly, UBS has acquired the crown jewel of Credit Suisse, the Swiss universal domestic bank. This is a highly valuable asset, and UBS is poised to benefit greatly from this acquisition. Additionally, Credit Suisse shareholders had no alternative but to accept the deal, as nationalization would have wiped out equity holders, and they will now own the newly issued UBS shares after this deal. This means that UBS's shareholders will be over the moon, while Credit Suisse shareholders will have a much better chance of seeing their investments retain value.

Thirdly, UBS negotiated this deal in a shrewd and strategic manner. The deal is structured as a 100% share swap, with a fixed exchange ratio of 22.48 Credit Suisse shares for each UBS share. The purchase price is CHF 3bn at a 60% discount, which equals CHF 0.76 per Credit Suisse share, against the closing price of 1.86 CHF the previous week. UBS will unwind most of Credit Suisse's investment banking market positions, which will be expensive, but it will also receive CHF 25 billion as downside protection - CHF 16 billion from Credit Suisse's AT1 bonds written off by FINMA and CHF 9 billion granted by the SNB if losses on investment banking assets exceed CHF 5 billion. This protection is unheard of even in the 2008 GFC, indicating the regulator's desperation to close this deal quickly.



Source: Seeking Alpha, YCharts

Fourthly, this deal will provide significant synergies for UBS. The tangible book value per share will increase by 74%, and cost synergies are expected to exceed CHF 8 billion by 2027, given the business model and footprint overlap. Additionally, the deal will not impact capital ratios with CHF 56 billion Credit Suisse equity absorbed. Wealth management and asset management businesses run at scale, which means that this deal will give UBS a high market share with lower efficiency ratios and much higher RoE.

Lastly, this deal is a win-win situation for both UBS and Credit Suisse. Credit Suisse would not have survived as an independent entity, and its shareholders will now hold UBS shares, which are expected to be much more valuable. Most of the intrinsic value of Credit Suisse is transferred to UBS at a minimum cost, which UBS can monetize. Furthermore, UBS negotiated to keep the Credit Suisse Swiss business worth more than ~CHF 10 billion on a standalone basis, which is impressive. With this deal, UBS secured all plausible capital ratios relief and liquidity necessary to execute this acquisition, which means there is a 0% downside of UBS failing.

Overall, UBS's acquisition of Credit Suisse is a strategic and transformative deal that is expected to benefit UBS significantly in the long run. The shrewdness with which UBS negotiated this deal should be taught as a case study for mergers and acquisitions professionals.

3. The consequences of the bank’s failure

3.1 Direct effects

Credit Suisse’s failure generated a lot of consequences. Among these we can find the reputational damage. The bank's reputation as a trusted and reliable financial institution has been severely damaged by a series of scandals, including the loss of billions of dollars linked to the collapse of Archegos Capital Management and the Greensill Capital debacle. This has led to a loss of trust among clients, investors, and regulators, and has negatively impacted the bank's ability to attract new business.

Another consequence of Credit Suisse's failure is job losses. As a result of the bank's problems, there have been job losses in the Swiss financial sector, with estimates suggesting that up to 12,000 jobs could be lost. This has a knock-on effect on the wider Swiss economy, with reduced consumer spending and lower tax revenues.

Moreover, the problems at Credit Suisse have led to increased regulatory scrutiny of the entire Swiss financial sector, with regulators seeking to ensure that similar problems do not occur at other banks and financial institutions in the country. This has resulted in increased compliance costs and may lead to tighter regulations in the future.

One month after the acquisition UBS expects to complete the merger of Credit Suisse "most likely" in the second quarter of this year. Swiss banking group UBS ended the first quarter of 2023 with a net profit of $1.03 billion, down from $2.14 billion in the same period a year earlier. This was announced by the Swiss bank, whose revenues for the period fell 6.8 percent to $8.74 billion. UBS said in the note that performance in the first three months of 2023 was driven by the negative effects of open legal disputes: effects that were partly offset by net new capital inflows into its global wealth management business related to the acquisition of Credit Suisse. In detail, the quarter's result was affected by $665 million in provisions related to residential mortgage-backed securities litigation in the United States. UBS reported that net new assets flowed into the global wealth management business amounted to $19.7 billion in the first quarter of 2023. New CEO Sergio Ermotti seems quite confident talking about the acquisition of Credit Suisse and the future of the new banking institution, for him the acquisition represents "a unique opportunity to create value" and clients seem to have confidence in this transaction.

3.2 Effects on the shareholders

Furthermore, even though the takeover by UBS avoided a possible systemic crisis, we certainly cannot overlook the effects that this event generated in the global landscape. First of all, we must mention the loss suffered by Credit Suisse shareholders who had bought the bank's shares at a significantly higher price than the 0.76 francs paid by UBS. Those who have suffered most from this loss of worth are certainly the majority shareholders, first and foremost Saudi National Bank which losses in the wake of the forced takeover of Credit Suisse by UBS to for $3.2 billion. Saudi National Bank which holds a 9.9% stake in Credit Suisse, having invested 1.4 billion Swiss francs ($1.5 billion) at 3.82 francs per share, confirmed to CNBC that it had been hit with a loss of around 80% on its investment.

3.3 Consequence on Swiss debt

Another point of particular concern is the cancellation of 16 billion Swiss francs ($17 billion) of AT1 bonds issued by Credit Suisse. This act "will have a long-term consequence for any Swiss financial debt," an anonymous holder of Credit Suisse bonds told the Financial Times. Although this maneuver may be justified in view of the particularity of these bonds, many Italian newspapers have pointed out the danger of the message being sent to savers. The Swiss government also forced the takeover of Credit Suisse without going through a shareholder vote. With this move, the executive bypassed the law and eroded property rights in Switzerland. Meanwhile, a major employment issue also opens up.

3.4 Impact on the Swiss and international financial system

The failure of Credit Suisse has also raised concerns about the stability of the Swiss financial system. The bank's problems have highlighted the risks associated with large banks and their exposure to risky investments. This may lead to a more cautious approach among investors and regulators, with a focus on reducing risk and improving transparency. International Implications: The failure of Credit Suisse also has international implications, given the bank's significance to the global financial system. The bank's problems could lead to a loss of confidence in the wider banking sector and may result in increased regulation and oversight of the financial industry globally. This was the widespread sentiment in the market after the bankruptcy of Credit Suisse, which generated strong fears that a systemic crisis like the one that hit the banking system after the Lehman Brothers crisis could be generated. In this case, unlike in 2008, the banking system proved to be more robust, and thanks to the forced takeover by UBS completed with the help of a large government intervention, it was possible to avoid disastrous repercussions on the entire system. This could have implications for the global economy, with potential knock-on effects on trade and investment.

In conclusion, the failure of Credit Suisse has had significant consequences for the Swiss financial sector and beyond. The bank's problems have resulted in reputational damage, job losses, increased regulatory scrutiny, concerns about financial stability, and international implications. It is clear that action is needed to prevent similar problems in the future, including stronger regulation and oversight of the financial sector, a more sustainable and socially responsible approach to finance, and a focus on reducing risk and improving transparency.

3.5 Implications on climate crisis mitigation

Among other considerations about the possible consequences of Credit Suisse's bankruptcy, those related to the impact on tackling climate crisis should be kept in mind. In fact Credit Suisse has become one of the main actors in the debt-for-nature swap market in recent years, a financial instrument that ties partial debt repayment by Third World countries to social, infrastructural or conservation objectives. This creates a flow of money to pay off the debt and also supports environmental projects. However, with the failure of Credit Suisse, there are concerns about the future of these projects. Although the bank has stated that it will continue its activities, the acquisition by UBS may have consequences, and all transactions that were being considered may not take place. Debt-for-nature swaps involve complex financial instruments that have been promoted by industrialized countries to facilitate the restructuring of the debts owed by developing countries. The debtor country's position is renegotiated, often offering a reduction in the nominal value, along with an extension of the amortization period and economic conditions. All or part of the debt can be converted into equity, and the resources renegotiated are earmarked for infrastructure projects with positive environmental impacts. These operations generate cash flow that enables debts to be repaid more quickly and, consequently, at lower costs. The main concerns related to the emergence of the newly merged bank are foremost related to the difference in ESG ratings of the two banks. According to the MSCI stock index, UBS has an ESG rating of "AA," while Credit Suisse has an ESG rating of "A." For this reason, understanding the impact of the merger between the two Swiss banks on climate investments is difficult. It’s hard to say that it could be assumed that UBS's greenness could be watered down by the merger with a less green bank and also to estimate the net impact and exclude that ESG strategies will be instead enhanced. On one hand, it needs to be examined if the financial effort incurred by UBS for the extraordinary finance deal might, in some way, divert funds to the green transition or on the other hand, if an obstacle to sustainability might not be the classic integration difficulties resulting from the merger. For several analysts, such as James Vaccaro of the Climate Safe Lending Network, its credibility in this area will be critical to the "speed with which" the merged bank "will be able to build trust."

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