

UBS: the Basel root of the largest Swiss bank

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In December 1997, the Swiss Bank Corporation of Basel and the Union Bank of Switzerland of Zurich announced their merger. The new bank, which took the name UBS, began operations in 1998 and became the largest bank of Switzerland and one of the largest wealth managers of the world. Its legal seats were established in both Basel and Zurich, a compromise that reflected the origins of the two banks.¹ UBS Group AG, the holding company created in 2014, is registered in Zurich, while UBS AG, the main operating bank, retains its dual seat in Zurich and Basel.

In practice, the centre of gravity of the merged bank moved to Zurich, where its group management and most of its central functions were located. The Swiss Bank Corporation brought to the merger its strong investment banking business, built in the 1990s through the acquisitions of the American derivatives firm O'Connor and the British investment bank S.G. Warburg. It also contributed its asset management business, which included the acquisition of the American firm Brinson Partners. Several of these businesses, and some of the leading managers of the merged bank, came from the Basel side.²

UBS went through two existential crises in the twenty-first century. In 2008, it suffered losses of tens of billions of francs on American subprime mortgage securities and had to be rescued by the Swiss state. While the Swiss National Bank took over illiquid assets of some sixty billion dollars into a special purpose vehicle, the StabFund, the Confederation subscribed six billion francs in mandatory convertible notes.³ Both the Confederation and the National Bank later recovered their investments with a profit. In the same years, the United States authorities investigated UBS for assisting American clients in evading taxes, a case that led to the end of banking secrecy for foreign tax purposes, as Chapter IV shows.

The second crisis came from outside. When a run on its deposits in March 2023 left Credit Suisse unable to survive on its own, the Swiss authorities

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arranged its takeover by UBS. The merged bank became one of the largest wealth managers in the world, with total assets roughly twice the size of the Swiss economy. Its size raised questions about the capacity of Switzerland to support it in a future crisis, which the following sections and Chapter II examine.

1 Notes

1. On the merger of the Swiss Bank Corporation and the Union Bank of Switzerland, announced on 8 December 1997 and completed in 1998, and the legal seats of UBS in Basel and Zurich, see the annual reports of UBS. To be verified. ↩
2. On the acquisitions of the Swiss Bank Corporation in the 1990s (O'Connor & Associates, 1992; Brinson Partners, 1994; S.G. Warburg, 1995), see the history of the Swiss Bank Corporation and UBS. Dates to be verified. ↩
3. On the rescue of UBS in October 2008 (Confederation: CHF 6 billion mandatory convertible notes; Swiss National Bank: StabFund for illiquid assets of up to USD 60 billion, later reduced), and the subsequent repayment with a profit for the Confederation and the SNB, see the reports of the Swiss National Bank and the Federal Department of Finance. To be verified. ↩

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