

Banking consolidation after Credit Suisse

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The collapse of Credit Suisse in March 2023 and its takeover by UBS changed the Swiss banking landscape. Switzerland now has only one large international bank, with a balance sheet much larger than the Swiss economy.¹ The Federal Council has proposed stricter capital requirements for UBS, which the bank has resisted. The consolidation has reduced competition in corporate banking, trade finance and wealth management, so that several companies in Zug that had relationships with both banks now depend on one.

For the commodity traders, the loss of Credit Suisse as a trade finance bank was significant, since it had been one of the main providers of trade finance to Swiss traders. It was unclear whether UBS would maintain the credit lines of both banks, a risk that weighed most on the smaller traders. The large trading houses, with access to many banks and to the capital markets, were less exposed.² For the wealth management sector, the consolidation has increased the importance of the independent asset managers and private banks of Zug and Zurich. The long-term effects on the Swiss financial centre, including its reputation for stability, remain to be seen.

1 Notes

1. FINMA, press release of 19 March 2023, finma.ch: takeover of Credit Suisse by UBS approved and announced. Federal Council, report on banking stability, April 2024, admin.ch (newsd.admin.ch, attachment 87002), p. 14: total assets of UBS after the integration of Credit Suisse over CHF 1,400 billion, around 180 per cent of Swiss GDP. ↩

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2. Global Trade Review, "Commodity traders bullish despite Credit Suisse contagion risks", 22 March 2023, gtreview.com: banks finance the traders' working capital, inventories and receivables; industry insiders questioned whether the combined bank would honour similarly sized facilities from both Credit Suisse and UBS; concern was greatest for smaller, niche traders and Swiss SMEs, while Vitol, Trafigura, Mercuria, Castleton and Gunvor reported no immediate impact. ↩

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