Credit Suisse Weighs Break With Trading

The Swiss bank is weighing whether to cut two trading units and may sell the securitized products group.

Top executives are leaving, part of an exodus that's been intense as Credit Suisse seeks to cut costs and turn around its business. The bank's chief operating officer and a deputy general counsel are set to depart, and the chief financial officer is on a leave of absence.

The CEO would be in a stronger position if Credit Suisse's capital were lower, underscoring the recent focus of the chairmanship battle. That left Thiam, who quickly ordered $4 billion in cost cuts and planned a staff reduction of 30% to 40%.

Six months earlier that blindsided top management in June, when the credit ratings agency Moody's Investors Service downgraded the Swiss bank's senior long-term debt.

But the CEO will struggle to raise investor money now. The shareholders were angry at the bank's culture under Thiam, which featured A-list parties and a high-flying ethos.

Revenue at the wealth-management unit rose 12% in the third quarter, with strong gains in the Americas and Asia Pacific. But the bank's business of finding third-party money, "Kian Mistry, Credit Suisse's chief financial officer, told the executives. "Now let's assume that is not going to happen. What is the second alternative in terms ofthird-party money?"

"We need to manage your capital at the same time."

The group developed a hallmark for such large transactions, often buying up huge volumes of loans, and developing a reputation for playing quick, aggressive trades. In the end, the Credit Suisse unit won not only that auction. Its bosses gave it so much leeway that it went on to buy up the entire collateral pool, far more than the $15 billion the fund had in its capital.

And the deal came with significant rewards for Credit Suisse. The bank famously sold a risky mortgage-backed security to the U.S. government as part of $182.3 billion bailout of the country's embattled housing finance agencies.

As the market for such debt collapsed in 2008 and the value of those securities tumbled, the lender was left holding the bag. The legacy cases eventually cost Credit Suisse billions of dollars in penalties and fines.

Credit Suisse formed the SPG in 2007, with the aim of making the bank valuable to investors while creating a "blue-chip" brand in the industry's more complex products in the 2000s, like credit default swaps and collateralized debt obligations.

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