

UBS agrees with Swiss Government on Credit Suisse loss guarantee

UBS has signed an agreement with the Swiss government to cover up to 9 billion Swiss francs (\$10.00 billion) in losses from its emergency takeover of Credit Suisse, the country's largest bank and government said on Friday.

As part of the deal, which was signed on Friday, UBS must keep its headquarters in Switzerland, the government said.

"To make the takeover possible, the government granted UBS a guarantee for any losses incurred in the liquidation of Credit Suisse assets," the government said in a statement.

"The guarantee will only come into effect if the losses from the liquidation of these assets exceed 5 billion Swiss francs and is limited to a total of 9 billion francs," it added.

It said the priority for both the federal government and UBS was to minimise potential losses and risks to avoid making use of the "to the greatest extent possible,"

No mention was made by either UBS or the government about how potential losses above the total agreed 14 billion francs - 5 billion from UBS and 9 billion from the government - would be covered.

Earlier this week, UBS said in a regulatory filing that any further loss guarantees would require a separate legal basis in the form of a parliamentary approval.

Under the terms of the takeover orchestrated by Swiss authorities in March as part of Credit Suisse's rescue, UBS agreed to pay 3 billion Swiss francs and committed to cover the first 5 billion francs in potential losses while the government would shoulder up to 9 billion francs on top of that.

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