



## International Finance Case Study

As a part of your Geneva Business School application, we require you to submit a case study response of approximately 500 words. You will be provided with one video and one article as source material. Once you have watched the video and read the article, you will be required to answer a few questions to show your understanding of the topic.

To complete the case study, you will need to watch this video:

<https://www.youtube.com/watch?v=38OmW3vMHvY>

Once you have watched the video, please read this article:

<https://www.investopedia.com/what-happened-at-credit-suisse-and-why-did-it-collapse-7369825#:~:text=Following%20several%20years%20of%20scandals,Credit%20Suisse%20in%20the%20process.>

### Credit Suisse

Credit Suisse, a longstanding icon of Swiss financial prowess, built its reputation as a paragon of institutional discretion and reliability. However, a series of scandals, legal battles, and financial losses led to a full-blown crisis that prompted a hasty takeover by local rival UBS Group AG. This event marked the demise of Credit Suisse, a bank established in the mid-19th century and recognized as one of the world's most significant financial institutions.

Credit Suisse's downfall was multifaceted. The bank faced a criminal conviction for allowing money laundering by drug dealers in Bulgaria. Became entangled in a corruption case in Mozambique. Additionally, a spying scandal involving a former employee and an executive, as well as a massive leak of client data to the media, eroded the bank's reputation for discretion. The bank's willingness to engage with clients which other banks avoided, such as Lex Greensill and Archegos Capital Management, resulted in significant financial losses and portrayed an institution seemingly lacking control over its affairs. The loss of client trust led to unprecedented outflows of customers, particularly affecting Asian wealth management, a significant source of profit growth for the bank.

CEO Ulrich Koerner made great efforts to regain clients and their trust, reporting "net positive" deposits by January. However, concerns intensified when the US Securities and Exchange Commission queried the bank's annual report, leading to a publication delay. The failure of the



regional US lender, Silicon Valley Bank, highlighted the erosion of the banking industry's bond holdings due to higher interest rates. Investor concerns about banking risks triggered a deposit flight and a slump in Credit Suisse's share prices.

The situation worsened when the chairman of Credit Suisse's largest shareholder ruled out further investment, causing a 31% stock slump. With the threat of economic fallout, the Swiss central bank stepped in, offering substantial loans and debt repurchases to prevent Credit Suisse's collapse. Subsequently, the bank was pushed into a takeover by UBS for approximately \$3.25 billion, less than half its market value, allowing Swiss authorities to find a more sustainable solution.

Credit Suisse's crisis highlighted the struggles of less well-managed financial institutions, particularly following the end of an era of rock-bottom interest rates. The bank's demise might prompt other banks to lower their risk profiles, issuing fewer loans that drive economic growth. This reduction in lending could complicate central banks' efforts to raise benchmark rates to control inflation without triggering recessions. The aftermath led to market concerns, with investors now expecting potential US rate cuts. European Central Bank President Christine Lagarde expressed concerns about the turmoil's impact on credit conditions and confidence, although she noted that the banking sector was stronger than during the 2008 financial crisis.

Questions:

After reading the material and watching the video, please answer the following questions:

1. What were the main problems that led to Credit Suisse's downfall, and how did they affect the bank's reputation and financial stability?
2. How did Credit Suisse's involvement with controversial clients contribute to its financial losses and loss of trust? What can other banks learn from this?
3. Why does the collapse of Credit Suisse matter beyond Switzerland? What impact did it have on the global banking industry?
4. How did the panic surrounding Credit Suisse's shares affect investor confidence? What lessons can be drawn from this for investors and the market?
5. What might be the long-term effects of Credit Suisse's crisis on other banks' practices and the global economy?



6. How can banks learn from Credit Suisse's downfall to improve risk management and regain client trust?