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## Credit Suisse: Asia investors sue Switzerland over bank collapse

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**By Nick Marsh**  
Asia Business Correspondent

**Asian investors have joined a series of landmark international lawsuits being filed against the Swiss government over its handling of the takeover of troubled bank Credit Suisse.**

In March, Swiss authorities forced Credit Suisse to merge with larger rival UBS amid fears it could collapse.

The move rendered worthless \$17bn (£13.5bn) of bonds held by investors.

"Everything unravelled so quickly," said one bondholder in Singapore who spoke to the BBC anonymously.

Already a Credit Suisse client for several years, he bought around \$500,000 worth of bonds in January despite the bank having been hit by a series of scandals and compliance problems over the past few years.

"Whenever I spoke to them, the bank gave me constant reassurances that this was just a blip, so I decided to go for it. It didn't feel like I was gambling."

Companies sell bonds to investors to raise the funds they need, paying the money back over time with a premium.

The type of bonds he bought from Credit Suisse are known as AT1 bonds, or contingent convertibles. They normally carry high yields for investors but are considered among the riskiest bonds that banks issue.

Investors know that in dire circumstances this type of debt can be written down to zero, which is exactly what happened when UBS was told to take over Credit Suisse.

The Swiss financial regulator, Finma, has not commented directly on the lawsuit but in March said "the contractual conditions" for a write down were met.

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AT1 bonds, they said, can be wiped out in a so-called "Viability Event" - in this case the extraordinary liquidity support granted by the Swiss government to Credit Suisse on 19 March.

Nevertheless, dozens of individual bondholders in Singapore have joined what is believed to be thousands of aggrieved retail investors globally, who are challenging the Swiss authorities in court. Lawyers say they have been inundated with enquiries.

The bondholders' main grievance is the manner in which the merger was conducted.

Central to their claim is who was given priority when the bank failed. The terms of the bonds, seen by the BBC, show that bondholders are, if possible, supposed to be compensated first, after which come shareholders.

But in practice, shareholders were allowed to exchange their Credit Suisse shares for UBS shares, albeit at a vastly reduced value.

It means, in effect, that those who had bought shares got something, while those who had bought bonds got nothing.

The legal firm representing bondholders has called the Swiss regulator's decision "an unlawful action" that has had "devastating consequences on thousands of retail and small investors globally."

"In simple terms, bondholders were deprived entirely of the value of their bonds through a series of irregular administrative acts," said Epaminontas Triantafyllou from law firm Quinn Emanuel.

Another Asia-based bondholder who spoke to the BBC said he and his wife, who were due to retire this year, had their life savings wiped out by the decision.

"We're losing sleep over this. It should have been a rock solid investment, but now I think the reputation of Switzerland and Swiss banks has gone down the tube," he said.

"Who in the world is going to trust Switzerland anymore?"

## 'This is solid'

Investors are also unhappy with reassurances they received from Credit Suisse, despite the fact that the bank was going through enormous difficulties.

Vinit Chandra, another bondholder in Singapore, says presentations given by the bank encouraged the buying of bonds as late as 14 March - the day before Saudi investors said they would not be providing any more financial assistance to Credit Suisse and the bank suffered a 25% drop in its share price.

"I know people, sophisticated investors, who went and bought the bond," he said. "They were saying to me, 'look, this is solid, this is all kosher'.

"[Credit Suisse] were very clear. They said the kinds of circuit breakers that the Swiss authorities would have to trigger in order to write off a bond were very far away."

Credit Suisse says it is not commenting on the lawsuits.

Legal experts have privately expressed doubts over whether the investors will be successful. But given that Swiss law only allows for a limited period in which claims can be submitted, bondholders say it is now or never.

"People are hurting together and maybe the power of the collective can have an effect," said Mr Chandra.

"Who knows? If there's some kind of settlement high up between the big boys, then the retail investors like us can get the drip feed of whatever trickles down."

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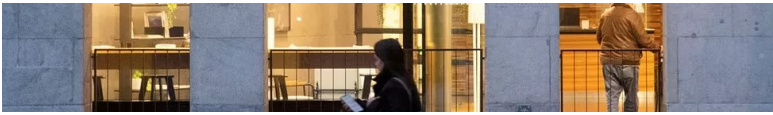
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