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Buyers of Credit Suisse and Signature Bank hope to stop the banking bleedout

Article

The news: Swiss banking giant **UBS** has agreed to acquire failing competitor **Credit Suisse**, per CNN. Separately, in the US, **Flagstar Bank**, a subsidiary of **New York Community Bank**, agreed to buy **Signature Bank's** assets.

A 167-year reign comes ends: After an emergency lifeline from the Swiss central bank failed to pull the bank out of its woes, **Credit Suisse agreed to be acquired by UBS for roughly CHF 3.2 billion ($3.35 billion)**.

- **The price tag comes in at roughly 60% less than what Credit Suisse was worth** at market close on Friday.
- Credit Suisse shareholders will receive CHF 0.76 ($0.80) per share, less than half of the CHF 1.86 ($1.95) the stock was worth on Friday. Tier one contingent convertible bondholders—who held about $17 billion in bonds—will be entirely wiped out.
- The deal didn't require shareholder approval, as is typically needed for a Swiss bank acquisition. Lawmakers made an exception to allow the deal to go through.
- The Swiss central bank is also giving CHF 100 billion ($105 billion) to the merged entity to provide liquidity assistance, per Reuters.

Concentration in Switzerland: Together, **the banks hold assets equal to nearly 140% of the heavily-finance-dependent Swiss GDP, which makes concentration risk a major threat.**

- In prior discussions regarding a deal between Credit Suisse and UBS, concentration risk was always the stopping point.
- **This deal cements UBS's role as the world's largest wealth manager,** with $5 trillion in invested assets.
- Credit Suisse notified its wealth clients in a memo that if concentration became a concern after the takeover, they should consider moving some assets to another bank.

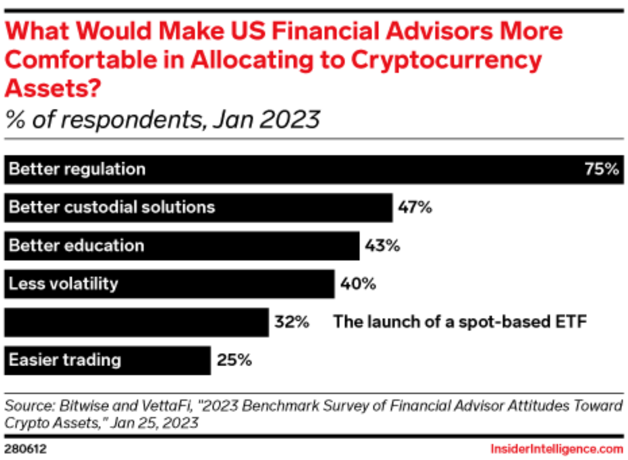
Assets, but not the digital kind: In the US, Flagstar bank has agreed to purchase defunct Signature Bank's assets for $2.7 billion.

- The deal includes $38.4 billion of Signature Bank's total $110 billion in assets. Notably, **it doesn't include the bank's digital assets, which the FDIC will return to customers.** When Signature Bank was put up for sale, the FDIC required any buyer to divest entirely from crypto and digital asset banking.
- $60 billion worth of Signature Bank's loans will remain in receivership, and the FDIC expects they'll be sold at a later date.

- Forty of Signature Bank's branches will be renamed Flagstar Bank beginning this week.

The bottom line: Financial regulators around the world hoped the buyouts would quiet the storm that's raged in the banking sector over the past week and a half—but the stock markets are still howling. If anything, Credit Suisse's move to wipe out bond holders and pay out stockholders—the exact opposite of how investors are supposed to be paid out—may have stoked greater fears. Meanwhile, the FDIC's move to ban Signature Bank's buyer from dealing in digital assets is a low blow to the already disoriented US crypto sector.

The US's and Switzerland's differing approaches to "bailouts" is forcing central banks around the world to outline how they'd plan to deal with similar banking crises, should one occur. But as we enter the second week of banking turmoil, the government and other more stable banks are failing to restore order.



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