Credit Suisse faces crisis of confidence as banking tumult spreads to Europe

Article

The news: Credit Suisse shares plummeted to an all-time low amid worries over its financial position as banking sector turmoil spread to Europe.

- At one point on Wednesday, the bank’s stock fell by 30% and trading was halted several times.
Credit Suisse was reportedly forced to call on the Swiss National Bank and the country’s regulator Finma for a public show of support, according to the Financial Times.

**Biggest backer bails on more support:** The Swiss lender’s share price was battered by shrinking confidence in the bank’s financial health. This week:

- Credit Suisse’s largest shareholder **Saudi National Bank** ruled out providing more financial support.
- On Tuesday the lender acknowledged “material weaknesses” in financial reporting controls.

The bank has been beset by problems in recent months, including:

- Poor financial results and widening losses.
- A string of scandals including money laundering.
- And questions over ambitious restructuring plans.

**Could a crisis come for Credit Suisse?** The lender’s decision to ask the central bank and regulator for support shows that it recognizes the seriousness of its situation. It faces a major crisis of confidence over how it will handle the fallout from US banking turmoil. And investors’ fears were exacerbated by its top backer saying it wouldn't up its stake.

Although it’s under increasing pressure, Credit Suisse has some significant advantages over **Silicon Valley Bank** and **Signature Bank**.

- Its position as one of the biggest banks in Europe and second-largest in Switzerland gives greater security than the lesser-known US regionals.
- The Swiss government badly wants to prevent the lender from collapsing to shield its large financial services industry.
- The bank also has a far bigger balance sheet that should, in theory, protect it.

**Fears a Credit Suisse collapse could fuel financial crisis:** Its failure would have major implications for European and US banking, as well as for the global economy. It’s a far more international and interconnected bank than SBV. And its demise would suggest that even major banks aren’t safe.
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