

Press release

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FINMA concludes “Greensill” proceedings against Credit Suisse

The Swiss Financial Market Supervisory Authority FINMA has concluded its enforcement proceedings against Credit Suisse in connection with its business relationship with financier Lex Greensill and his companies. FINMA finds that Credit Suisse seriously breached its supervisory obligations in this context with regard to risk management and appropriate organisational structures. FINMA has ordered remedial measures. In future, the bank will have to periodically review at executive board level the most important business relationships (around 500) in particular for counterparty risks. In addition, the bank is required to record the responsibilities of its approximately 600 highest-ranking employees in a responsibility document. FINMA has also opened four enforcement proceedings against former Credit Suisse managers.

In March 2021, Credit Suisse closed four funds at short notice that were related to companies of the financier Lex Greensill (hereinafter referred to as “Greensill”). These funds were distributed to qualified investors, whereupon their risk was indicated as low in the client documentation. At the time of the closure, clients had invested a total of around ten billion US dollars in the aforementioned funds. Immediately after the closure of the funds in March 2021, FINMA took various risk-reducing measures and opened [enforcement proceedings](#). The focus was on the question of whether the Credit Suisse Group had violated Swiss supervisory law in its business relationship with Greensill.

Structure of the funds

In 2017, Credit Suisse launched the first of four funds in the area of supply chain finance in collaboration with Greensill. With this type of financing, the purchase price of a good with a respite is immediately refunded by a financing company (instead of the actual buyer) with a discount. In return, the financing company receives a claim against the actual buyer. If the buyer pays the full purchase price, the financing company makes a profit. Greensill acted as a financing company, securitised the claims and transferred the securities to the four Credit Suisse funds. It was planned that specific insurance cover would secure the majority of the claims against a default of buyers.

FINMA's investigation showed that overall Credit Suisse's asset management company had little knowledge and control over the specific claims. In fact, it was not Credit Suisse as asset manager of the funds that selected and reviewed them, but Greensill itself. Credit Suisse also left it to the latter to arrange the insurance cover in its own name.

The funds also purchased possible future claims

Over time, the risk character of the funds changed decisively. In some instances, Greensill additionally transferred future claims to the funds that had not yet arisen and therefore also expectations of a company about possible future claims. By selling future claims to the Credit Suisse funds, Greensill financed some companies whose creditworthiness was doubtful.

FINMA's investigation showed that Credit Suisse did not initially realise the consequences of this change. In addition, Credit Suisse had no knowledge or control over how many claims were actually contractually owed. In this context, it relied on the insurance cover organised by Greensill.

Many critical observations, too few appropriate reactions

The closure of a fund at another fund provider that had also worked with Greensill led to enquiries at Credit Suisse in 2018 about the funds associated with Greensill. Media representatives repeatedly approached the Credit Suisse executive board with critical questions and information. FINMA also repeatedly asked critical questions of the banking group's governing bodies about its business relationship with Greensill and the associated risks.

Greensill, for its part, announced to the bank that it was planning an IPO with Credit Suisse. Greensill first needed a bridging loan. The Credit Suisse risk manager responsible for the loan identified a number of risks in Greensill's business model. He therefore recommended internally at the bank not to grant the loan. A senior manager overruled this recommendation.

As FINMA's investigation revealed, the bank used employees who were themselves responsible for the business relationship with Greensill and were therefore not independent to deal with critical questions or warnings. Credit Suisse even repeatedly asked Lex Greensill himself and relied on his answers for its own statements. For these reasons, the bank made partly false and overly positive statements to FINMA about the claims selection process and the funds' exposure to certain debtors.

Deficiencies in risk management and organisational structures

In its proceedings, FINMA concluded that Credit Suisse Group seriously breached its supervisory duty to adequately identify, limit and monitor risks

in the context of the business relationship with Lex Greensill over a period of years. FINMA also found serious deficiencies in the bank's organisational structures during the period under investigation. Furthermore, it did not sufficiently fulfil its supervisory duties as an asset manager. FINMA thus concludes that there has been a serious breach of Swiss supervisory law.

Internal investigation by Credit Suisse

Credit Suisse has adopted a wide range of organisational measures based on its own investigation of the case. Governance structures were revised and control processes strengthened, namely in the approval and monitoring of fund products. FINMA supports these measures. At the same time, FINMA is ordering a number of other measures to further improve the banking group's risk management and governance.

Measures imposed by FINMA

The business relationship with Greensill was repeatedly discussed at Credit Suisse management level. However, this was usually only done selectively because of a specific event or request. There was a lack of an overall view as well as regular, consistent engagement with the risks associated with Greensill at the highest level. FINMA therefore orders the banking group to prospectively assess its significant business relationships according to risks. From now on, the bank's most important (approximately 500) business relationships are to be reviewed periodically and holistically for counterparty risks at executive board level. In addition, the areas of responsibility of the bank's (approximately 600) highest managers must in future be recorded in a document of responsibility. If they do not organise and manage their business area in such a way that misconduct is prevented as far as possible, they must be sanctioned by the bank, for example through a reduction of their variable compensation. FINMA will appoint an audit mandatary to review compliance with these supervisory measures.

Clarification of individual responsibilities

FINMA has also opened four enforcement proceedings against former Credit Suisse managers. FINMA will not comment further on these proceedings, particularly not on the identity of the persons concerned.

Proceedings against individuals as a FINMA enforcement tool

FINMA can ban individuals who are responsible for a serious breach of supervisory law from acting in a senior role at an institution it supervises. The prohibition from practising a profession may be imposed for a period of up to five years. FINMA has made increasing use of the tool of imposing an industry ban in particular since 2014. It has issued a total of around 60 such bans. Managers at all levels of organisations were affected.

The measure has a preventive character. Its purpose in particular is to prevent the person concerned or other financial market players from committing similar violations of the law in the future. As a supervisory authority tasked primarily with preventing future damage within its supervisory remit, FINMA can also waive industry and activity bans if individuals have left the supervised sector for good.

To issue an industry ban, FINMA must be able to prove direct, individual and causal responsibility for the serious violation of supervisory law. There must be a proven breach of duty (for example, omissions that are in breach of duty) that has specifically led to these violations. It is not sufficient under supervisory law to construe responsibility for legal violations solely from a person's hierarchical level or position.