



Federal Council measures concerning variable remuneration at Credit Suisse/UBS

What measures has the Federal Council taken with regard to variable remuneration at Credit Suisse?

The currently outstanding variable remuneration of the top three levels of management at Credit Suisse will either be cancelled (Executive Board), or reduced by 50% (members of management one level below the Executive Board) or by 25% (members of management two levels below the Executive Board). This differentiated approach takes account of the most senior managers' responsibility for the situation at Credit Suisse. Credit Suisse is also obliged to examine the possibility of recovering variable remuneration already paid out and to report to FINMA on the matter. In addition, the variable remuneration due in 2023 will be cancelled or reduced on a pro rata basis until the takeover is completed.

How many Credit Suisse employees are affected?

The remuneration measures affect just over 1,000 Credit Suisse employees, irrespective of where they work.

What is the total amount of deferred variable remuneration at Credit Suisse?

The total amount of deferred variable remuneration for all Credit Suisse employees is currently CHF 635 million (with a share price of CHF 0.76). When this deferred variable remuneration was awarded to the employees, it was worth CHF 2.76 billion. In other words, all employees have already had to bear a total loss of more than CHF 2 billion due to the drop in Credit Suisse's share price.

How much of this will be cancelled by the Federal Council's measures and will not be paid out?

As things currently stand, the measures will entail a reduction of approximately CHF 50-60 million in variable remuneration accrued up to the end of 2022. In addition, the variable remuneration for 2023 will be affected on a pro rata basis until the takeover is completed. This cannot yet be quantified.

How far will these measures be backdated?

There is no time limit. All pending and not yet paid out deferred variable remuneration of the affected Credit Suisse managers is subject to the federal measures.

What is deferred variable remuneration?

Deferred variable remuneration is a variable salary component that is likewise awarded but is not paid out until a future time, e.g. share awards.

Not all of the deferred variable remuneration temporarily suspended by the Federal Council on 21 March 2023 was definitively cancelled. Why not?

Although a ban on or reduction in variable remuneration in general or only for all managers instead of for the top three levels of management could send a political signal, it could also contribute to an undesirable operational destabilisation by further increasing the pressure on top performers to leave. Cancelling or reducing variable remuneration seems particularly justifiable for the most senior managers. Restricting it to the highest levels of management is necessary for reasons of proportionality, as that is where the responsibility lies.

Why is the Credit Suisse Board of Directors not affected by the Federal Council's remuneration measures?

The Credit Suisse Board of Directors does not receive variable remuneration, rather a fixed amount determined in advance by the shareholders' meeting.



Why is the Federal Council not ordering the recovery of remuneration already paid out?

The recovery of variable remuneration components already paid out is governed by private law. Article 10 of the Banking Act does not provide a basis for the federal government to order the reimbursement of remuneration already received. It can only instruct Credit Suisse to examine the legal possibilities for recovering it and to report to FINMA on the matter. Whether and to what extent the federal government or FINMA can instruct Credit Suisse to file for restitution will have to be examined in a second step, based on the bank's clarifications.

Why were no concrete measures taken to cancel variable remuneration at UBS despite the CHF 9 billion federal default guarantee?

The federal guarantee was not required because UBS got into difficulty; instead, it was provided proactively to enable a solution to be found for Credit Suisse. If UBS can no longer offer a competitive remuneration system, there is a danger of this resulting in a considerable risk for operational stability and ultimately for the bank's entire business, which is something to be avoided.

UBS is required to include non-utilisation of the federal guarantee as a criterion in its remuneration system for those responsible for the realisation of the Credit Suisse assets covered by the state loss guarantee. This is intended to provide an incentive to achieve the most profitable realisation possible of those assets. In addition, UBS is obliged to ensure that its remuneration system continues to give appropriate consideration to factors such as risk awareness and compliance with the code of conduct. With a corresponding stipulation, there is a guarantee that UBS's remuneration system will not be changed to reward the taking of undue risks.

Can the banks take legal action against the Federal Council's measures concerning deferred variable remuneration?

Before the decision of the Federal Department of Finance (FDF) on the measures becomes final, the parties concerned will be granted the right to a hearing. The FDF's decisions may be contested by appealing to the Federal Administrative Court.

Can employees take legal action against the cancellation or reduction of deferred variable remuneration?

Employees whose remuneration components are cancelled or reduced can assert their claims against the bank under civil law and can also file an appeal against the FDF's decision with the Federal Administrative Court.