Swiss Bank UBS to lay off 10,000 employees

Andre Damon
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UBS, the largest bank in Switzerland, plans to lay off one sixth of its global workforce, according to sources cited by the *Financial Times*.

The bank is expected to announce the layoffs, amounting to 10,000 jobs or 16 percent of its global workforce, when it announces its third-quarter earnings on Tuesday. If the layoff proceeds as described, it will be one of the largest mass layoffs in the history of the financial sector.

As part of a significant restructuring program, the bank plans to spin off significant portions of its bond-trading unit, while concentrating on equities, foreign exchange, and wealth management.

The *Financial Times* reported that the cuts will not take place all at once, and that the exact number of job cuts is as of yet not set. Last year, UBS pledged to lay off 3,500 workers, amounting to 5 percent of its workforce of over 60,000. The new cuts are an expansion of these cost-cutting measures.

The drastic restructuring plan has been spearheaded by Sergio Ermotti, who became the bank's chief executive in the aftermath of a $2.3 billion "rogue trading" scandal in 2011 that cost former CEO Oswald Grübel his job.

Last year, the "rogue" trader, Kweku Adoboli, was arrested on charges of fraud and false accounting. In testimony last week, Adoboli told a jury that he was encouraged by management to commit the fraudulent transaction.

"The response I got from everyone around me ... their response was 'OK that's a way of doing it, that's an accounting practice, keep doing it,'" he told the jury last week.

During the sub-prime debt crisis in 2008, UBS came close to collapsing and received a bailout from the Swiss government.

The leaking of UBS's layoff plans follows a weak earnings report from its rival, Credit Suisse Group, on Thursday. Credit Suisse, the second-largest bank in Switzerland, announced that its profit fell by 63 percent in the third quarter compared to the first.

The bank likewise announced that it would expand its cost-cutting program, slashing an additional 1 billion Swiss francs (US$1.07 billion) in expenses for 2014 and 2015. These cuts were in addition to the 3 billion francs in cost cuts that it had announced earlier.

Credit Suisse had previously announced plans to eliminate 3,500 employees, or 7 percent of its global workforce, and did not specify how many workers would be laid off in the latest round of cost-cutting.

Credit Suisse attributed most of the decline in its third-quarter profits last year to a one-time charge-off related to regulatory changes, but noted that its exposure to troubled euro zone members Greece, Ireland, Italy, Portugal and Spain hit €4.2 billion, up from €3.9 billion in the previous quarter.

While the bulk of the layoffs in the two banks are due to take place in Switzerland, financial sector layoffs are picking up around the world. According to Challenger, Gray & Christmas, in the United States alone, finance companies had planned to eliminate 28,000 employees in the first nine months of the year.

These layoffs are mounting as the banks confront a significant fall in revenues under the pressure of the global economic crisis.

According to a report by Nomura analyst Glenn Schorr, noted in the *New York Post*, 42 percent of analysts surveyed are predicting that bank revenues for 2012 will be 5 percent lower than the year before.

The ultimate cause of this fall in earnings is the overall downturn in the global economy, together with the sovereign debt crisis, to the point where even the huge infusions of cash by central banks cannot guarantee the banks' profitability.

The sharpening economic downturn, and its impact on a global financial system that has not been fundamentally altered since the last crash, raises once again the prospect of a financial crisis on the scale of 2008.