



Federal Council measures concerning variable remuneration at Credit Suisse/UBS

What measures did the Federal Council take with regard to variable remuneration at Credit Suisse?

As instructed by the Federal Council, the FDF issued an order stating that the variable remuneration still outstanding as at 23 May 2023 for the top three levels of management at Credit Suisse was to either be cancelled in full (Executive Board), reduced by 50% (members of management one level below the Executive Board) or reduced by 25% (members of management two levels below the Executive Board). This took account of the most senior managers' responsibility for the situation at Credit Suisse in a differentiated manner. Credit Suisse was also obliged to examine the possibility of recovering variable remuneration already paid out to members of the group management, and to report to the FDF and FINMA on the matter. In addition, the variable remuneration due in 2023 was cancelled or reduced on a pro rata basis until the completion of the takeover.

How many Credit Suisse employees were affected?

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

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

The total amount of deferred variable remuneration for all Credit Suisse employees when the measures were taken was 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 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 was cancelled by the Federal Council's measures and was not paid out?

The Federal Council's measure entailed a reduction of CHF 62 million in total.

In addition – independently of the Federal Council's measure – variable remuneration components structured as AT1 were also cancelled when the AT1 capital instruments were written down. This resulted in losses totalling CHF 356 million for Credit Suisse employees.

Appeal proceedings against the measures are still pending.

How far were these measures 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 have sent a political signal, it could also have contributed 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 was necessary for reasons of proportionality, as that is where the responsibility lay.

Why was 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 did the Federal Council not order the recovery of remuneration already paid out?

The recovery of variable remuneration components already paid out is governed by private law. Article 10a 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 and the FDF on the matter. With regard to former and existing members of the group management, it did so. 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 loss protection 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 could no longer offer a competitive remuneration system, there would have been a



danger of this resulting in a considerable risk for operational stability and ultimately for the bank's entire business, which was something to be avoided.

However, UBS was required to establish a separate organisational unit for winding down the portfolio. Within this organisational unit, there was an obligation to implement incentive-based remuneration schemes for the employees charged with the realisation. The assets were to be managed in such a way that losses were minimised and realisation proceeds were maximised.