



Written by [Bob Adelman](#) on September 26, 2011

UBS CEO Grübel Hastily Resigns Over Rogue Trading Losses

The announcement by Kaspar Villiger (left), Board Chairman of UBS (Union Bank of Switzerland), that CEO Oswald Grübel had resigned on Saturday caught many by surprise, partly because just the day before he had said he had the board's complete support. According to Villiger, "The Board regrets Oswald Grübel's decision. Oswald Grübel feels that it is his duty to assume responsibility for the recent unauthorized trading incident." He added:



The Board is deeply disappointed by the recent loss arising from unauthorized trading. It will fully support the independent investigation and will ensure that mitigating measures are implemented to prevent such an incident from recurring.

This wasn't supposed to happen. On Wednesday, Villiger told reporters that the board was planning on having a "normal meeting," despite severe criticism by the bank's largest shareholder, the Government of Singapore, and the stock market's negative reaction which drove the bank's stock price to half what it was back in April. Instead, the meeting ran for two full days and continued via conference calls when several of the board members had to leave Friday afternoon.

But the board, after debating the bank's obvious lack of internal risk management, decided to accept Grübel's "resignation" as part of the solution. An interim CEO was named, and a new CEO was being sought, according to the UBS announcement, "to accelerate the implementation of the investment Bank's client-centric strategy, concentrating on advisory, capital markets, and client flow and solutions businesses." What was missing from the announcement was any mention of the Delta-One trading desk located in the bank's London branch office in charge of doing risky trades with other people's money.

While noting that the Board "paid testimony to his [Grübel's] uncompromising principles and integrity," nothing was said that this time there would be no big golden parachute for the former CEO, nor that his stock options, because of the huge selloff in UBS stock, were essentially worthless. Grübel will just have to muddle through the best he can with his six months' regular salary of \$1.1 million.

Analysts say Grübel is leaving because he knows how the bank really works, and that the rogue trader incident is merely the tip of the "casino mentality" iceberg that has existed at UBS for years. He had to know. He began his career as a trader at White Weld and Company in the '70s before heading up Credit Suisse. He served as co-chairman at UBS along with John Mack, who was unceremoniously [ousted](#) in 2004. Mack had been accused of insider trading in 2001 and was [investigated by the SEC](#) before pulling some strings to get the investigation terminated. Although Grübel's promotion to the position of CEO at UBS was greeted with great fanfare and high expectations that he would bring order out of chaos,



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nothing substantial has obviously changed. After all, UBS [promised to “rebuild trust”](#) after having to run to the Swiss government for a bailout in 2008.

But the temptation to take excessive risks in the absence of “moral hazard” (there is ultimately the taxpayer who stands behind any such excessive risks that go bad) is just too great, and the impact on profits when things go well at the trading desk is so substantial that, publicly stated promises to the contrary notwithstanding, UBS (and others) will continue playing the game. As Matt Taibbi [so eloquently expressed it](#):

The influx of investment-banking types into the once-boring worlds of commercial bank accounts, home mortgages, and consumer credit has helped turn every part of the financial universe into a casino.

Merely changing the suits in the corner offices at UBS essentially changes nothing.



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