UBS Chief Grübel Resigns After Trading Loss

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Oswald Grübel resigned as chief executive of embattled Swiss bank UBS AG in the wake of a trading loss that cost the bank more than $2 billion and now has cut short the career of a giant of Switzerland's business community.

In a statement Saturday, UBS said its board had accepted Mr. Grübel's resignation. UBS Chairman Kaspar Villiger said on a conference call that the board had not sought Mr. Grübel's resignation and had asked him not to resign immediately, but that he had insisted.

Mr. Grübel said a week ago that he had no intention of resigning. But on Saturday, he told employees in a memo: "As CEO, I bear full responsibility for what occurs at UBS. ... I did not take the step of resigning lightly. I am convinced that it is in the best interests of UBS to approach the future with a new leader at the top."

UBS said Sergio Ermotti, who runs its European region, would become CEO on an interim basis, effective immediately.

Mr. Villiger said that Mr. Ermotti was a strong candidate to become the bank's permanent CEO, but that the board would decide in the coming months, possibly by next spring. He said the board would consider both internal and external candidates.

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UBS said Saturday that CEO Oswald Grübel, pictured last year, had resigned.

Mr. Villiger indicated that Carsten Kengeter, head of the investment-banking unit where the loss occurred, was safe in his job. He said the investment-banking chief had handled the crisis well and added: "I do not see any reason to doubt the future of Carsten Kengeter."

Mr. Kengeter had been seen as a rival to Mr. Ermotti to succeed Mr. Grübel. Mr. Villiger on Saturday declined to say whether Mr. Kengeter was a candidate for the permanent CEO job.
UBS on Saturday also addressed questions about whether the scandal would further dent its commitment to the investment bank, which has produced one giant headache after another for the firm in recent years.

In the statement, held in the wake of a board meeting in Singapore that lasted several days, UBS "reconfirmed" its goal of being a full-service bank, offering products including wealth management, investment banking and asset management. But it said it would accelerate a plan to pare down and focus the investment bank more on advisory, capital markets, and client-trading businesses, rather than risky proprietary-trading.

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Mr. Villiger said that "in the future, the investment bank will be less complex, carry less risk and use less capital to produce reliable returns and contribute more optimally to UBS's overall objectives." The investment bank will focus on providing products for private banking clients, particularly the ultra-wealthy who look for access, for instance, to initial public offerings.

The resignation of Mr. Grübel, who will receive no severance and have no further role at the bank, marks yet another low point for a once-proud firm that has lurched from one dramatic setback to another in the past three years, starting with some $50 billion of credit losses in 2008 that led to a rescue of the bank by the Swiss central bank. That was followed by a sweeping U.S. tax probe of its wealth-management arm and now the alleged rogue-trading scandal. The earlier credit losses helped spark a backlash in Switzerland against the country’s outsized banking sector and raised questions about whether UBS and rival Credit Suisse Group should be in the risky investment-banking business at all.

All these issues have resulted in a steady outflow of investment bankers from a firm that once aspired to be a global full-service powerhouse. Those departures reached a crescendo earlier this year. Bankers inside UBS now describe an environment where morale is at an all-time low.

Saturday's events also brought low the career of one of Switzerland's most prominent business executives. Mr. Grübel, a former Credit Suisse Group chief executive, came out of retirement in February 2009 to help turn around UBS in the wake of the credit losses it suffered during the financial crisis. At UBS, Mr. Grübel sought to win back client confidence for a bank that was among the hardest hit by the financial crisis.

He also had to cope with a bruising battle with U.S. authorities over allegations that UBS bankers helped Americans avoid taxes. UBS admitted wrongdoing as part of a sweeping settlement.

Mr. Grübel, 67, had been expected to unveil a major restructuring of UBS's investment bank at a meeting with investors on Nov. 17. He has for some time been expected to move toward retirement, but he consistently said he intended to see his restructuring plan through to completion and wanted to leave UBS on a steady course. Few thought he would remain beyond the end of his reorganization plan, which was slated to end around 2013.

All of those plans were thrown in disarray 10 days ago when UBS disclosed that a London-based equity trader at its investment bank generated $2.3 billion in losses this summer through what it called unauthorized trades. People familiar with the situation say 31-year-old Kweku Adoboli is that trader.
U.K. authorities have charged Mr. Adoboli with fraud and false accounting, alleging that his crimes dated back to 2008; UBS has said the unauthorized trades occurred over the last several months.

In court on Thursday, Mr. Adoboli's lawyer, Patrick Gibbs, said his client was "sorry beyond words." He added that Mr. Adoboli had gone to UBS "and told them what he had done, and stands now appalled at the scale of the consequences of his disastrous miscalculations." Mr. Gibbs didn't request that his client be released on bail, so Mr. Adoboli remains in custody. The next hearing is scheduled for Oct. 20.

UBS had already been sorting out who would succeed Mr. Grübel, given the nearness of his expected retirement. There appeared to be a two-person race between Messrs. Ermotti and Kengeter. Mr. Kengeter, a 44-year-old German national who joined UBS from Goldman Sachs in 2008, had locked horns with some UBS investment bankers over pay and other matters.

Mr. Ermotti, who had a long career at what is now Bank of America Merrill Lynch and was deputy CEO at Italy's Unicredit SpA, arrived at UBS only in April.

UBS said in July that former Deutsche Bundesbank President Axel Weber would become chairman in 2013. Swiss regulators had been concerned that both Mr. Grübel and current chairman Mr. Villiger, 70, were facing the end of their tenures at roughly the same time. The nomination of a well-regarded banker helped reassure regulators that UBS's return to health wouldn't be interrupted by a succession issue.

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