

## UBS, Credit Suisse Review Court Decision on Fund Kickbacks

By Jacob Greber

July 18 (Bloomberg) -- UBS AG and Credit Suisse Group are reviewing contracts with investors, after a Swiss court ruled asset managers can't keep commissions from funds in which they invest client assets without telling their customers.

Investors must be told about payments their money managers receive from third parties to whom they entrust client assets, the Swiss Federal Court said in a March decision. The ruling may enable clients to demand repayment of undeclared commissions dating back ten years, lawyers representing investors say.

"We have taken notice of the court's decision" and "we will carefully re-examine contracts" with customers, said Sabine Woessner, a spokeswoman for UBS, the world's biggest money manager for the wealthy. "We see no immediate reason for us to renegotiate" the contracts.

A survey by the University of Zurich of 2,600 Swiss asset managers found 81 percent don't pass on commissions to clients and 39 percent don't disclose payments received from third parties, according to Enzo Caputo, a Zurich-based lawyer for Advokaturbuero Fischer & Partner, which represents clients and

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asset managers affected by the decision.

The court's decision will hurt asset managers engaged in "churning," or the practice of trading client assets to generate commissions, Caputo said in a telephone interview.

"Asset managers who've been churning, and running speculative investments against the interests of clients in order to generate kickbacks, will face real pressure," Caputo said.

### 'External Managers'

The Federal Court in Lausanne declined to comment further on the ruling.

Swiss banks and investment managers, who oversee more than 500 billion francs (\$400 billion) in assets, charge customers at least 1.5 billion francs a year in commissions, most of which aren't made transparent, according to an article published July 9 by the SonntagsZeitung newspaper.

Spokespeople for UBS and Credit Suisse said they could not provide information about the number of investors who may be affected or the amount of assets involved.

"The decision impacts UBS customers who have their assets

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UBS, Credit Suisse Review Court Decision on Fund Kickbacks managed by external managers," UBS's Woessner said in an e-mailed statement. "Since UBS is not privy to the agreements between customers and the external asset manager, it cannot say how many clients are affected."

A Zurich-based spokeswoman for Credit Suisse, Monika Sasse, said the bank is "verifying if the decision has implications for the businesses that could lead to necessary adjustments."

Martin Somogyi, a spokesman for Julius Baer Holding AG, Switzerland's biggest publicly traded private bank, said it plans to provide a statement on the court's decision later today.

--Editor: Baumgaertel.

Story illustration: To graph UBS's stock price over the past year, see UBSN VX <Equity> CN <Equity> GP D <GO> . For a chart of Credit Suisse's share performance, see CSGN VX <Equity> GP D <GO> .

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