

Switzerland's Biggest Bank Is Threatening to Leave. Here's Why.

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Note: the original article is provided as a separate file (attached to the email or downloadable from the website).

1. Reading Passage

When the chief executive of Europe's biggest wealth manager warns that the continent is in decline, regulators tend to listen – and then often do nothing. That, at least, is the frustration Sergio Ermotti, who runs the Swiss banking giant UBS, voiced in a recent video interview with the Financial Times. Europe, he argued, will keep losing ground to the United States and Asia until a 'very profound and painful crisis' – something on the scale of the 2012 Greek debt crisis – finally forces politicians to act.

Ermotti's diagnosis was blunt: 'over-regulation across the board,' excessive bureaucracy, and a clear lack of innovation. He argued that things in Europe were bad, but 'not bad enough to take action,' pointing to no growth and a divergence in productivity compared with rival economic powers. His comments echoed those of JPMorgan chief Jamie Dimon, who last year described Europe as 'losing' the race to rival the US and China. Politicians, Ermotti added, will never be elected by asking voters to make sacrifices, and so instead promise higher taxes, more debt, and more fiscal stimulus – even though Europe is already heavily indebted.

But Ermotti's complaints aren't only continental. UBS is locked in its own fight in Switzerland, where lawmakers want to tighten the rules after Credit Suisse, the country's second-biggest bank, collapsed in 2023. UBS rescued Credit Suisse in an emergency takeover, and now the Swiss government wants to require UBS to hold roughly \$20 billion in additional capital – a financial cushion designed to absorb future shocks. Ermotti says the proposals are not proportionate, not internationally aligned, and don't recognise the actual reasons Credit Suisse failed. 'We can't have a requirement that is 50 per cent higher than our peers,' he told the FT.

Here's the catch. The Swiss government has already watered down part of the package as a concession to UBS, but it has refused to drop the core proposals, which now go to parliament. Asked whether UBS could shift its headquarters out of Switzerland, Ermotti didn't quite slam the door. The bank's focus, he said, was on operating successfully from Switzerland, and UBS was 'not even thinking about another option.' Then he added that it remained the fiduciary duty of the board to examine any potential options – a careful piece of corporate language that effectively keeps the threat alive.

He is not alone in keeping it alive. UBS has reportedly held discussions about relocating to the US if the capital proposals aren't softened. The activist investor Cevian Capital has gone further, saying UBS would have 'no other realistic option' but to leave the country if the reforms aren't scaled back. Ermotti, who turns 66 next week, has agreed to stay on as CEO for a three- to five-year term beyond his 2023 return. He also warned of a 'high degree of complacency' in financial markets and said recent stress in private credit – loans made outside the traditional banking system – 'could be systemic,' though not on the scale of 2008. The message, between the lines, is the one regulators always least want to hear: fix it now, or fix it later, after something breaks.

2. Explanation

The CEO of Europe's largest wealth manager just told the Financial Times the continent is sleepwalking into decline – and hinted his own bank might pack up and move to America.

What's Going On?

Sergio Ermotti, the chief executive of UBS, told the FT that Europe will keep falling behind the United States and Asia until a 'very profound and painful crisis' – on the scale of the 2012 Greek debt meltdown – forces politicians to act. His diagnosis: 'over-regulation across the board,' too much bureaucracy, and not enough innovation.

He's also fighting closer to home. After UBS rescued the collapsing Credit Suisse in 2023, Swiss regulators proposed new rules that would force UBS to hold roughly \$20 billion in extra capital. UBS has even discussed moving its headquarters to the US if the rules aren't softened.

How To Think About It

This isn't just a banker griping about paperwork. It's a fight over how a country insures itself against the next financial fire – and what that insurance costs the economy.

- Think of capital requirements like the airbags and crumple zones a regulator forces into every car. Safer in a crash, but heavier, slower, and pricier than the foreign competition that doesn't have to install them.
- Or think of it like a school that responds to one student cheating by making everyone retake every test under camera surveillance. The rule-breaker is gone, but the honour students bear the cost – and some transfer schools.

Key Things To Know

- UBS would have to raise an extra \$20 billion in capital under the proposed Swiss reforms – money that sits on the balance sheet instead of being lent out or paid to shareholders.
- Ermotti's complaint echoes JPMorgan CEO Jamie Dimon, who said last year Europe is 'losing' the race against the US and China.
- Activist investor Cevian Capital has said UBS would have 'no other realistic option' but to leave Switzerland if the reforms aren't scaled back.
- The Swiss government has already watered down part of the package, but the core proposals still go to parliament for debate.
- What most people miss: Ermotti isn't arguing for zero rules. He's arguing they should be 'targeted' and 'internationally aligned' – i.e., the same rules everyone else plays by.

Why It Matters

If you're a teenager thinking about studying in Europe, working for a European company, or investing in European stocks one day, this is the backdrop. A continent whose biggest CEOs publicly say it's losing isn't a continent attracting the next generation of tech, finance, or AI talent – and that shapes job markets, salaries, and where the cool startups get built for the next 20 years.

The Bigger Picture

There's a bigger pattern here: governments that bail out a failing bank usually overcorrect with strict rules afterwards, then watch their financial industry shrink. The US did the opposite after 2008, letting its big banks get bigger. Watch what the Swiss parliament decides on UBS's capital hit – and whether other European banks start dropping similar 'maybe we'll move' hints. If they do, expect a regulatory race to the bottom that looks a lot like the corporate-tax wars of the 2010s.

3. Key Terms Glossary

Capital requirements

Rules that force banks to hold a minimum cushion of shareholder money (capital) relative to the loans they make, so they can absorb losses without going bust or needing a taxpayer bailout.

Over-regulation

A subjective term – used here by Ermotti – meaning rules that go beyond what's needed for safety and end up choking growth, innovation, or competitiveness.

Credit Suisse collapse (2023)

The near-failure of Switzerland's second-largest bank in March 2023, which led to its emergency takeover by UBS in a deal brokered by the Swiss government.

Greek debt crisis (2012)

A sovereign-debt meltdown that nearly forced Greece out of the euro and required massive bailouts; Ermotti uses it as the benchmark for the kind of pain that finally forces European politicians to act.

Activist investor

A shareholder – usually a fund – that buys a stake in a company specifically to push for changes in strategy, leadership, or location, like Cevian Capital is doing with UBS.

Fiscal stimulus

Government spending or tax cuts designed to boost a slowing economy. Ermotti argues Europe leans on it instead of fixing deeper structural problems.

Fiduciary duty

The legal obligation a board of directors has to act in the best interests of shareholders – which Ermotti invoked when explaining why UBS must at least consider relocating.

Private credit

Loans made by non-bank lenders (like investment funds) directly to companies; a fast-growing market Ermotti recently warned 'could be systemic' if it goes wrong.

4. Reading Comprehension Quiz

Circle the best answer for each question.

- Q1.** The passage primarily argues that Europe's economic underperformance is being driven by which factor?
- A) A shortage of skilled workers across the continent
 - B) Excessive regulation that politicians refuse to reform
 - C) The 2023 collapse of Credit Suisse in Switzerland
 - D) Trade restrictions imposed by the United States
- Q2.** Which choice best states the central idea of the passage?
- A) UBS plans to relocate its headquarters to the United States within the year.
 - B) Swiss regulators have eliminated all proposed reforms following bank lobbying.
 - C) A leading European banker warns of decline and resists tougher domestic capital rules.
 - D) Jamie Dimon and Sergio Ermotti are jointly lobbying European parliaments.
- Q3.** According to the passage, why did UBS face proposals to hold \$20 billion in additional capital?
- A) Because UBS itself nearly collapsed during the 2008 financial crisis
 - B) Because Credit Suisse collapsed in 2023, prompting Swiss reforms
 - C) Because European Union law required uniform capital across banks
 - D) Because activist investors demanded stronger balance sheets
- Q4.** As used in the passage, the word 'concession' most nearly means:
- A) A stand selling food at an event
 - B) An admission of guilt or error
 - C) A compromise granted to another party
 - D) The right to operate a business
- Q5.** As used in the passage, the word 'core' most nearly means:
- A) The center of a piece of fruit
 - B) A physically central location
 - C) The fundamental or essential part
 - D) A required academic subject
- Q6.** Which statement about European politicians can most reasonably be inferred from Ermotti's comments?
- A) They are unlikely to enact major reforms without a severe economic shock.
 - B) They have already begun reducing regulations to match the United States.
 - C) They privately agree with Ermotti but cannot say so publicly.
 - D) They are coordinating closely with politicians in Asia and the US.
- Q7.** The passage suggests that UBS's threat to potentially relocate its headquarters is best understood as:
- A) A firm decision the bank has already finalised
 - B) Pure bluffing with no real planning behind it
 - C) A leverage point in negotiations with Swiss regulators
 - D) A response to demands from European Union officials

Q8. The author's tone in presenting Ermotti's arguments is best described as:

- A)** Openly sceptical and dismissive
- B)** Reportorial, presenting his claims with context
- C)** Enthusiastically supportive of his position
- D)** Sarcastic about Swiss banking traditions

Q9. Which of the following can most reasonably be inferred about Cevian Capital's position?

- A)** It opposes any relocation of UBS away from Switzerland
- B)** It views leaving Switzerland as inevitable absent reform changes
- C)** It has already sold its entire stake in UBS in protest
- D)** It controls a majority of UBS's voting shares

Q10. Which choice provides the best evidence for the answer to the previous question?

- A)** 'UBS has held discussions about moving its headquarters to the US'
- B)** 'no other realistic option' but to leave the country if the proposed reforms were not scaled back
- C)** 'core part of the package will now go to parliament for debate'
- D)** 'It's a fiduciary duty of the board of directors and management'

My Score: _____ / 10

5. Answer Key with Explanations

Q1. The passage primarily argues that Europe's economic underperformance is being driven by which factor?

Answer: B

Ermotti's central claim is that 'over-regulation across the board' is the root cause and that politicians won't act without a severe crisis. C is mentioned but is a Swiss-specific dispute, not the continental thesis – Trap C, true within the passage but not the central idea. SAT Tip: For 'primarily argues' questions, distinguish the thesis from supporting examples – examples are evidence, not the main point.

Q2. Which choice best states the central idea of the passage?

Answer: C

The passage interweaves Ermotti's macro warning about Europe with his specific fight over Swiss capital rules – choice C captures both. A overstates the relocation talk (UBS is only 'discussing' it) – Trap B, passage vocabulary in the wrong combination. SAT Tip: Central-idea answers are usually broader than any single paragraph; if an option only covers half the passage, it's probably wrong.

Q3. According to the passage, why did UBS face proposals to hold \$20 billion in additional capital?

Answer: B

The passage explicitly ties the proposed capital increase to Swiss banking reforms sparked by the 2023 collapse of Credit Suisse. A confuses UBS with Credit Suisse – Trap B, passage vocabulary recombined incorrectly. SAT Tip: For 'according to the passage' questions, scan for the specific cause-and-effect language; don't substitute outside knowledge.

Q4. As used in the passage, the word 'concession' most nearly means:

Answer: C

The Swiss government 'watered down part of the reform package' as a concession to UBS – meaning a compromise it granted under pressure. A is the common everyday meaning (food stand) – Trap C, true real-world usage but wrong in context. SAT Tip: On vocab-in-context, substitute each option into the sentence; only the answer that preserves the original meaning is correct.

Q5. As used in the passage, the word 'core' most nearly means:

Answer: C

The 'core part of the package' refers to the most essential proposals – the ones the government refused to drop. A is the literal everyday meaning – Trap C, real-world usage that doesn't fit. SAT Tip: Words like 'core,' 'key,' or 'central' in a policy context almost always mean 'most essential,' not literally physical.

Q6. Which statement about European politicians can most reasonably be inferred from Ermotti's comments?

Answer: A

Ermotti said it would take a crisis 'such as the 2012 Greek debt crisis' to pressure politicians to confront the malaise – implying inaction otherwise. C may sound plausible but the passage gives no evidence – Trap C, true-sounding but unsupported. SAT Tip: Inference questions reward what the text logically implies, not what's reasonable to assume from outside the text.

Q7. The passage suggests that UBS's threat to potentially relocate its headquarters is best understood as:

Answer: C

The passage shows UBS has 'held discussions' about moving but Ermotti says the bank is 'not even thinking about another option' – the relocation talk functions as pressure during the regulatory fight. A overstates ('discussions' isn't a finalised decision) – Trap A, right scope but wrong direction. SAT Tip: When a passage shows a party making contradictory-sounding statements, the truth is usually the strategic middle position, not either extreme.

Q8. The author's tone in presenting Ermotti's arguments is best described as:

Answer: B

The passage reports Ermotti's claims, attributes them clearly, and adds context like Dimon's parallel comments and the Swiss reform timeline – without endorsing or attacking him. C overreads – there's no cheerleading language. SAT Tip: For tone questions, look at the author's adjectives and verbs of attribution ('said,' 'warned,' 'argued') rather than the topic itself.

Q9. Which of the following can most reasonably be inferred about Cevian Capital's position?

Answer: B

Cevian said UBS would have 'no other realistic option' but to leave if the proposed reforms aren't scaled back – that's a clear conditional inevitability. D adds a fact (majority control) the passage never mentions – Trap C, plausible-sounding but unsupported. SAT Tip: Beware options that add specific facts not present in the passage; inferences must be grounded in given text.

Q10. Which choice provides the best evidence for the answer to the previous question?

Answer: B

This is the exact line where Cevian states the conditional – leaving is the only realistic path if reforms stay. A describes UBS itself, not Cevian – Trap B, related vocabulary but wrong actor. SAT Tip: On evidence-pairing questions, find your previous answer's support FIRST in the passage, then match it to the option that quotes that exact line.