Credit Suisse had its former star banker shadowed by private detectives. The end justifies the means in crisis-hit Swiss wealth management – an alarming sign for the refined culture of noble restraint.

The Swiss bank’s statement reads as a mea culpa: Credit Suisse Chairman Urs Rohner would oversee an investigation into a broad-daylight confrontation between its outgoing top executive Iqbal Khan and a three-man security detail, as finews.com reported.

Rohner and CEO Tidjane Thiam appeared to blame press sensationalism for ginning up the episode, without specifying what precisely it meant. Regardless of what the investigation brings to light, an altercation near Paradeplatz – the apex of Swiss private banking – represents a new low in the inglorious history of Switzerland's wealth industry.

Strong Suspicions

A Credit Suisse banker familiar with the matter said the bank hired private security because it harbored strong suspicions that Khan was violating a non-solicitation deal. Such pacts are common and seek to prevent leavers from orchestrating mass defections of either employees or clients.

It is unclear if the shadowing is illegal and whether Credit Suisse holds any responsibility; Zurich's prosecutor on Monday said it opened an investigation into alleged coercion and threats. The episode is egregious even if perfectly legal, and it speaks volumes on the paranoia currently circulating in Switzerland's battered wealth management industry.

Keystone Cops

It isn't clear who ordered Khan tailed, and by Keystone Cops amateurish enough to get caught by the Swiss banker against the backdrop of the ritzy Metropol restaurant (a popular finance haunt) and the Swiss central bank. What is inevitable is that Credit Suisse will have to provide a scapegoat for an increasingly bare-knuckles style.

The level of paranoia and insecurity on display comes as UBS and Credit Suisse grapple with their wealth strategies, and with the role of investment banking. In short, both giants are getting hammered on costs while their growth and revenue prospects remain modest.

One Hire Can Make or Break
In this fierce environment, the fight for single bankers and executives becomes even more pronounced: Pictet, for example, expects dramatic growth of former Julius Baer boss Boris Collardi, who joined as a partner last June. UBS also has a huge hole it is looking to Khan to fill – both in terms of wealth business growth as well as to its leadership, as finews.com wrote.

Angst over who Collardi might poach circulated well before the star banker began at Pictet (in fact, he has lifted dozens of bankers and several teams). Julius Baer, in turn, grabbed from Credit Suisse and other private banks. In a market finished growing organically, wealth managers have little choice but to hunt in their rivals' backyard.

Charm Offensive

Credit Suisse has been on red-alert since Khan left, with Thiam leading charm offensive on bankers and executives the C-suite identifies as a so-called flight risk. Their phone calls and emails are monitored – fully legally. Once such «risk» is Bruno Daher, Credit Suisse's wealth head in the Middle East, or Emma Crystal, who runs eastern and northern Europe. Credit Suisse didn't comment.

Khan's inner circle at the bank was quite extensive: the 43-year-old ex-consultant surrounded himself with a coterie of top-performing private bankers. He also maintained close ties to outside consultants.

Safeguarding Interests

Move Wealth was one: founded in 2013 by ex-Credit Suisse bankers Mohammed Alaoui and Mika Kastenholz, the Baar, Switzerland-based firm delivered building blocks for Khan's successional wealth management strategy. The Swiss bank will be fearful of losing the relationship with Khan's defection to UBS.

Credit Suisse has good reason to safeguard its business interests as Khan departs – but these are usually secured through intricate leaving contracts, and not bumbling detectives.

Rules vs Shades of Gray

Exit contracts typically ban leavers from contacting potential clients or staff, but there are shades of gray – particularly in the case of a top executive with blurred lines between professional and personal.
Credit Suisse will have trouble keeping Khan, as a private citizen, from meeting with friends – even if they are Credit Suisse bankers. By contrast, Khan would be reckless to violate any part of his Credit Suisse exit pact (it would also imperil his standing at UBS, as Marco Illy would be happy to tell him).

**Crossing the Rubicon**

Stringently-enforced gardening leaves are nothing new, but the specter of private security staff represents a new chapter in the increasingly bitter feud between Switzerland's two largest banks. Credit Suisse is crossing the Rubicon with questionable surveillance methods, revealing a management-condoned paranoia.

The Swiss bank's current management stands out for an unshakable belief in its own infallibility and refusal to acknowledge criticism. Detractors and breakaways are shut down, and absolute fealty to management is a prerequisite for advancement at Credit Suisse.

Whoever received orders to shadow Khan – or other bankers and executives – shouldn't have followed them.