The asset management business of Switzerland's largest bank has been the subject of merger rumors for some time, but now the company seems to be engaging in something more tangible in the U.S.

UBS and U.S. giant State Street are in talks to merge their respective asset management divisions, according to a report in the «Wall Street Journal» (behind paywall). The journal cited sources that weren't identified in the report.

The Swiss bank and the world's second-largest provider of index funds started their deliberations at the beginning of this year and the two companies seemed close to an agreement in the summer, the report read.

Move to Become One of the Giants

Buying the UBS division outright seems not a viable option for the U.S. financial-services provider, one of the world's largest custodian bank. It is looking for a partner to take the step up the ladder to become an equal of the biggest competitors.

State Street Global Advisors manages about $3 trillion, less than half of the $7.8 trillion of U.S. rival Blackrock, but also of Vanguard $6.3 trillion, another of its competitors.

A Previous Attempt With DWS

In 2019, UBS had been ready to do a deal for its asset management, but the merger with DWS, the wealth management unit of Deutsche Bank, didn't materialize. The two companies diverge on the matter of which one was to take the lead over the combined business. UBS had previously sought to divest the business when John Fraser was overlooking the unit.

UBS' asset management is overseeing assets worth $980 billion and increased pretax by 42 percent to $191 million in the third quarter.

Swiss Merger Option?

UBS has both a broad array of core investments, but also an unusually big offering of exchange-traded-funds (ETFs). Furthermore, the bank is pushing alternative investments as a business, having recently agreed to a cooperation with Partners Group, a Zug-based wealth manager. Compared with the big asset managers of this world, the UBS asset management division seems to lack the necessary dimension.
Which prompted recent talk about a possible merger with the funds business of local rival Credit Suisse (CS). The asset management of CS is even smaller, with 439 billion Swiss francs ($495 billion) in assets under management. The business is under review and the bank will report about its deliberations tomorrow Tuesday.

If the report by the «Wall Street Journal» is correct, it might prompt CS to act swiftly.