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Credit Suisse Claims UBS Raided Staff

Michael Wursthorn and Joann S. Lublin

Updated Dec. 21, 2015 7:51 p.m. ET

Credit Suisse Group AG CS 0.17 % is accusing UBS Group AG of raiding its U.S. broker ranks, even as Credit Suisse winds down the private-banking unit at which those financial advisers worked.

Credit Suisse filed an arbitration claim recently with Wall Street's self-regulator, the Financial Industry Regulatory Authority, alleging that UBS Wealth Management Americas unfairly raided its U.S. private-banking business over the past several months, a person familiar with the matter said.

Roughly 70 of 300 brokers from Credit Suisse's U.S. private-banking division left for UBS in recent months, the person said. In October, Credit Suisse said it would wind down the U.S. private bank and make it easy for the brokers to move their business to Wells Fargo WFC -0.17 % & Co.'s brokerage unit.

The departures put a wrench in the plans by Credit Suisse and Wells Fargo to move that business to Wells Fargo, which is looking to expand its work with high-net-worth investors.

Credit Suisse brokers who joined UBS also have received a letter from a law firm representing Credit Suisse, warning about possible punitive action involving client information that those job hoppers took with them. Typically, brokers changing firms can take certain client information without fear of legal action. Were UBS to be found to have raided Credit Suisse, that protection could be in doubt.

Regulators don't provide clear-cut rules on what constitutes a raid. Typically, the firm who files a raiding claim must prove the departures caused it to suffer a severe economic impact, says Kip Nesmith, a partner with Burr & Forman LLP who has litigated several brokerage raiding claims.

The Dec. 9 letter from Stephen M. Kramarsky at Dewey Pegno & Kramarsky LLP, a New York law firm, noted that a large number of employees had recently left Credit Suisse Private Bank for UBS "in what appears to be a coordinated move.''

The arbitration filing and legal notice were reported earlier by AdvisorHUB.

Some brokers and attorneys said Credit Suisse's move is surprising since the Swiss bank is closing the unit where the brokers worked. Those advisers "didn't have a choice" but to leave Credit Suisse, said Ross Intelisano, a partner at law firm Rich, Intelisano & Katz LLP, who represents about 20 Credit Suisse brokers, many of whom have joined UBS.

However, Credit Suisse is taking the position in its arbitration filing that UBS took a significant number of its brokers without compensation to Credit Suisse, the person familiar with the arbitration claim says.

The dispute highlights the unusual "exclusive recruiting arrangement" that Credit Suisse reached with Wells Fargo as part of its decision to end its U.S.private-banking business.

The recruiting arrangement lets Credit Suisse U.S. brokers who are hired by Wells Fargo smoothly transition their practices and clients to Wells Fargo's brokerage arm, Wells Fargo Advisors, by early next year. The two companies have declined to comment on whether the terms of the agreement include any payment from Wells Fargo to Credit Suisse.

Credit Suisse said in October that its U.S. private bank didn't "have the necessary scale to sustainably compete without significant investment or acquisition."

As part of the recruiting arrangement between Credit Suisse and Wells Fargo, Wells Fargo Advisors is offering Credit Suisse brokers recruitment packages that over time add up to as much as 300% of the annual fees and commissions they generate.

But dozens of Credit Suisse brokers have been unhappy with Wells Fargo's offer. Some high producers took issue with a $5 million limit on the total upfront payout Wells Fargo is offering to advisers, The Wall Street Journal previously reported. Brokers were also miffed over an up to 13-year employment lockup that came with the recruitment packages, which is lengthier than the typical nine-year signing deals seen in the industry.

UBS is giving Credit Suisse brokers richer deals than Wells Fargo, according to people with knowledge of the matter. For instance, UBS's deals are more customizable, have no ceiling and can include higher upfront payouts. "The deals I am seeing at Wells Fargo don't come close to the deals I am seeing at UBS," one of the people said.

Besides that, a number of Credit Suisse brokers have questioned Wells Fargo's capabilities in the high-net-worth client segment, people familiar with the matter said. Wells Fargo's chief rivals—Bank of America Corp. BAC -0.06 % 's Merrill Lynch, Morgan Stanley MS -0.13 % and UBS—each have established groups of brokers who specialize in serving wealthy clients, unlike Wells Fargo Advisors, which hoped to build out its unit through this deal.

Wells Fargo hasn't indicated how many Credit Suisse brokers have accepted deals so far. A spokesman for the firm said it is "having productive conversations" with Credit Suisse brokers and is pleased with the progress so far.

But top Wells Fargo executives have described a highly competitive fight with the company's rivals over key Credit Suisse brokers. "There's a little bit of a feeding frenzy for some of the higher-end producers," David Carroll, head of Wells Fargo's wealth- and investment-management division, said at a New York conference last month.

Corrections & Amplifications

The two companies have declined to comment on whether the terms of the agreement include any payment from Wells Fargo to Credit Suisse. An earlier version of this article incorrectly referred to payments from Credit Suisse to Wells Fargo.

—Jenny Strasburg contributed to this article.