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FT Alphaville Credit Suisse Group AG

Credit Suisse CDS: déjà vu all over again

If at first you don't succeed ...



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Robert Smith and **Sujeet Indap** MAY 18 2023

You wait nearly two months for a question to be filed with the CDS determinations committee regarding Credit Suisse and then two come along at once.

Earlier in the week, FT Alphaville delved into what we dubbed [Schrödinger's swap](#), an audacious plan to trigger credit-default swaps on Credit Suisse, which most in the market had assumed would not pay out.

While we would love it if you read the nearly 2,500 word dissection of the trade, the TL;DR version is this: two hedge funds thought the ambiguity over the ranking of a dead Credit Suisse bond was enough to turn the AT1 wipeout into a CDS payout.

Unfortunately the all-powerful CDS determinations committee did not agree. On Wednesday, the panel of market participants peered inside the box marked “Credit Suisse Group AG subordinated credit-default swap contract” and unanimously decided that the cat inside was very much alive:

Determinations Committee Decision

Date:	17/05/2023
Determinations Committee:	EMEA
Meeting Date:	17/05/2023

Issue Number: 2023050801	Credit Suisse Group AG
Question for vote:	Has a Governmental Intervention Credit Event occurred with respect to Credit Suisse Group AG?
Votes:	11 “No” votes – Bank of America N.A. Barclays Bank plc BNP Paribas Citibank, N.A. Deutsche Bank AG Goldman Sachs International JPMorgan Chase Bank, N.A. Mizuho Securities Co., Ltd. Citadel Americas LLC Elliott Investment Management L.P. Pacific Investment Management Company LLC
Vote result:	No

There’s much more to say on the implications of the decision ([stay tuned](#)), but shortly after we to put pen to paper on this, another [CS CDS question hit](#):

Has a Bankruptcy Credit Event occurred with respect to Credit Suisse Group AG?

The DC question has been raised in respect of Standard European Corporate, Standard European Financial Corporate and Standard European CoCo Financial Corporate Transaction Types. In respect of the Financial Transaction Types, the DC question relates to both the Senior and Subordinated Level.

In particular, the Eligible Market Participant who submitted the question has requested that the EMEA DC consider whether a Bankruptcy Credit Event has occurred with respect to Credit Suisse Group AG under Section 4.2(b) or 4.2(h) of the 2014 Definitions.

The eagle-eyed FTAV readers will have no doubt noticed several key differences to the first question.

Firstly, this one concerns both the senior and subordinated CDS contracts, rather than only the latter.

Secondly, this is concerns whether a “bankruptcy credit event” has occurred, rather than a “governmental intervention credit event”.

This may seem plainly silly to those unversed in the ways of CDS: Credit Suisse did not file for bankruptcy. But the key nuance here is related to the *Section 4.2(b)* referenced in the question (the other section referenced is a bit of a catch-all clause and is a little less relevant).

Section 4.2(b) means that the CDS can trigger if Credit Suisse “becomes insolvent or is unable to pay its debts or fails or **admits in writing in a judicial, regulatory or administrative proceeding or filing its inability generally to pay its debt as they become due**” (our emphasis added).

In the world of CDS, loose lips can sink ships. Which will be why the submitters have appended documents such as a speech from Credit Suisse chair Axel Lehmann and an interview with Swiss finance minister Karin Keller-Sutter.

Will it work? Our gut is that, again, it feels like a bit of a long-shot. But also that the communications around the shotgun-marriage-cum-rescue-operation that merged UBS and Credit Suisse have been so messy that you never know.

At any rate, the DC has very quickly accepted the question:



So the wise men of the CDS at the very least think it is a topic worthy of debate.

Stay tuned.

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