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# UBS Recruiting Ignites Raiding Claim, Spoils Credit Suisse-Wells Fargo Deal

By **Andrew Welsch**
December 17, 2015

More than 70 Credit Suisse advisors have spurned an offer to join Wells Fargo, opting instead to join UBS after being enticed by a lucrative recruiting deal and what some see as superior services.

Credit Suisse has lost dozens of brokers to rival firms since announcing a recruiting deal with Wells Fargo. Image: Bloomberg

In response, a scorned Credit Suisse has hit back, filing a raiding claim in FINRA arbitration against UBS – which has left critics questioning the legal basis for such claims since Credit Suisse, having inked a recruiting deal with Wells Fargo, is exiting the U.S. market.

The arrangement with Wells Fargo gives the wirehouse the inside track on Credit Suisse's U.S.-based advisors. Terms of the deal have not been disclosed.

Dozens of advisors have been rejecting Wells's offer for a number of reasons. Among them is its onerous 13-year employment requirement, far longer than the industry norm. Additionally Credit Suisse advisors have misgivings regarding the Wells' brand and capabilities to serve the UHNW client. The UBS offering offered a more standard contract coupled with a 175% upfront bonus, which recruiters note is very generous.

Including those leaving for UBS, Credit Suisse has lost about a third of its 270 advisors since announcing the deal, according to *On Wall Street* reporting and people familiar with the departures.

Faced with a diminishing broker force, Credit Suisse has resorted to legal action.

Firms can pursue raiding claims against rivals who recruit so many of the raided firm's producers that it negatively impacts the business, according to attorneys familiar with such claims. In essence, raiding puts a firm out of business.

However, some industry insiders question the legal basis for Credit Suisse's raiding claims.

"It's highly surprising because if you are getting out of the business what does it matter what the advisors are doing?" says Ross Intelisano, a partner at law firm Rich, Intelisano & Katz in New York.

"How can you raid a firm that has decided it won't be in business? It's one thing if Credit Suisse sold [the unit] to Wells Fargo because all the advisors would have to go to Wells Fargo. But this is not a purchase and sale," adds Intelisano, who represents various teams of Credit Suisse advisors around the country.

Brian Neville, an attorney at Lax & Neville, also a New York law firm, expressed similar sentiments, asking how a firm can seek damages from a business that it is closing up.

"I can't imagine any arbitration panel giving this claim any merit. To me it smacks of desperation," says Neville, who has also represented Credit Suisse brokers.

**ADVISORS ON NOTICE**

Credit Suisse has also notified advisors who left the firm to join UBS that Credit Suisse is reviewing their files.

"As you are aware, a large number of employees of the Credit Suisse Private Bank have recently resigned to join UBS Financial Services Inc. ("UBS") in what appears to be a coordinated move," states a letter from Credit Suisse to ex-employees, and which was seen by *On Wall Street*.

The letter further states that Credit Suisse reserves its rights with respect to advisors' departures, including the right to assert that the Protocol for Broker Recruiting does not apply to their recent resignations.

Although the firm is pursuing action against UBS, Credit Suisse has not pursued claims against individual advisors, according to people familiar with the matter.

Other firms have taken notice of Credit Suisse's action, a person familiar with the matter said. And some insiders and observers say Credit Suisse's move could intimidate more advisors from making a move.

"I think this might have a chilling effect on advisors who have not left yet from going to UBS," says Intelisano.

One recruiter, who asked not to be named, said that Credit Suisse's action might not have much effect on departing brokers, especially if UBS is seen defending them.

"They're big producers. If they know they won't get stuck with the legal bills, then yes, I think they'll keep moving," the recruiter says.

Neville agrees.

"What is the strategy of a raiding claim? It's done to stop additional recruiting. But here, a Credit Suisse broker who hasn't decided what to do yet already knows that they have to leave. So they are evaluating all their options," he says.

**TIME TO GO**

After the deal was announced, Wells Fargo offered Credit Suisse advisors up to 300% of their trailing production to move their books of business, according to people with knowledge of the matter.

However, the offer has come with some strings that have left Credit Suisse advisors frustrated. For example, advisors taking up Wells Fargo's offer have to remain with the firm for 13 years to earn the full payout of the bonuses, according to people familiar with the matter. Those terms are much longer than the industry's typical nine-year deal, and can be off-putting for baby boomers closer to their retirement.

Meanwhile, other firms have upped their offers. For example, UBS's 175% as an upfront payment, according to two people familiar with the matter.

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But insiders say there are more factors at play than just the deal on the table. Some advisors may want a different brand to present to clients while others may need more specialized services for their ultrawealthy clients than Wells Fargo may be able to offer.

"Wells Fargo is still viewed as a strong main street firm. Credit Suisse is a high-end boutique investment bank that has that Swiss feel," Rob Blevins, a recruiter in Dublin, Ohio, said in an interview shortly after the deal was announced.

These factors, combined with Credit Suisse's intention to exit the U.S. wealth management market, have contributed to a lot of movement among the Swiss firm's advisors.

"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 conference in November.

Most of the Swiss firm's 270 brokers have visited Wells Fargo Advisors headquarters in St. Louis as of mid-November, Carroll said.

Other executives at the wirehouse have said that they have pursued a personalized recruiting approach.

Yet many advisors have passed on Wells Fargo to join Morgan Stanley, Merrill Lynch, J.P. Morgan Securities and UBS.

Since October, about 50 advisors managing more than $22 billion in client assets have left to join Wells Fargo's rivals, according to *On Wall Street* reporting.

Among the largest: Morgan Stanley hired a team managing more than $5 billion in client assets, a spokeswoman confirmed.

The thirteen-member team, which includes private wealth advisors Richard Zinman, Anthony Dertouzos and John Moreno, joined Morgan Stanley in New York. A Credit Suisse spokeswoman declined to comment on the departures at the time of the move.

Yet UBS remains the winner in terms of overall headcount. The firm expects about 100 of Credit Suisse's advisors to eventually transition over, according to a person familiar with the matter.

Both Credit Suisse and UBS declined to comment.

Meanwhile, advisors who have left may be wondering how they might be dragged into the evolving legal fight.

Intelisano, the attorney, says that the advisors he represents were upset that they had to leave Credit Suisse in the first place. They were very happy there, he says.

"Many of our clients had been there for years. If they are going to be sucked into arbitration between their prior firm and their present firm, that is unfair to them," Intelisano says.

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