

Research Update:

U.K.-Based Credit Suisse Securities (Europe) Ltd. 'A+/A-1' Ratings Affirmed On Ongoing Reorganization; Outlook Stable

January 29, 2020

Overview

- Credit Suisse is moving to simplify its U.K. operations mainly to improve resolvability and to progress with preparation for the consequences of Brexit.
- Credit Suisse Securities (Europe) Ltd (CSSEL) will transfer the majority of its activities to other entities, but is likely to retain a small portfolio of nonstrategic longevity risk transactions.
- Although CSSEL will be much smaller and simpler as a result, we consider it equivalent to a branch, with no reason to exist outside the group.
- Therefore, we continue to view CSSEL as core to the group and are affirming our 'A+/A-1' issuer credit ratings on CSSEL.
- The stable outlook continues to reflect our assumption that incentives for the Credit Suisse group to support CSSEL and retain ownership remain extremely high.

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Rating Action

On Jan. 29, 2020, S&P Global Ratings affirmed its 'A+/A-1' long- and short-term issuer credit ratings on Credit Suisse Securities (Europe) Ltd (CSSEL), the U.K.-based broker-dealer of Credit Suisse Group AG. The outlook is stable.

In addition, we affirmed our 'AA-/A-1+' resolution counterparty ratings on CSSEL.

Rationale

Credit Suisse is moving to simplify its U.K. operations, mainly to improve resolvability and to progress with preparation for the consequences of Brexit. We understand that, as part of the group's reorganization plan, CSSEL will transfer the vast majority of its business activities to other group entities during 2020.

As we expected, CSSEL will transfer activities with EU-based clients to Spain-based Credit Suisse Securities Sociedad de Valores S.A. (CSSSV). Furthermore, it will transfer essentially all other activities to its U.K.-based sister company Credit Suisse International (CSI). Like CSSEL, we consider both CSI and CSSSV core subsidiaries of Credit Suisse Group, and rate both 'A+/A-1', the same level as CSSEL.

However, we further understand that CSSEL will continue to operate as a separate legal entity, retaining a small portfolio of longevity and mortality risk transactions. This portfolio is part of the group's asset resolution unit, and therefore nonstrategic to the group and in run-off.

Despite CSSEL's much smaller projected size and its focus on nonstrategic products, we think that the likelihood of group support for the company remains unchanged. We understand the decision to keep the longevity and mortality risk portfolio separate at CSSEL does not reflect any intention to decouple the business from the rest of the group. In addition, CSSEL will continue to benefit from support statements by Credit Suisse AG, the group's main operating entity.

Furthermore, we also consider that the retained portfolio includes transactions with several of the group's strategic clients, and that it would therefore be challenging for Credit Suisse to separate the business from the group. Additionally, the market for products retained by CSSEL is likely to remain highly illiquid. Finally, we think the change in CSSEL's business profile and size will not materially reduce incentives for the group to support CSSEL in the unlikely scenario of a resolution of the Credit Suisse group. Given these factors, we think the entity has no reason to exist outside the group. We expect it will remain a core subsidiary, albeit more for operational reasons than for strategic ones.

Outlook

The stable outlook reflects our assumption that incentives for the Credit Suisse group to support CSSEL and retain ownership will remain extremely high in the medium- to long-term. We consider that the challenges for decoupling CSSEL from the group will remain unchanged in the foreseeable future, and that CSSEL, as a fully integrated entity, is part of the group's long-term business plan.

We anticipate that ratings would move in tandem with our ratings on Credit Suisse AG, and ultimately Credit Suisse Group AG's group credit profile. Therefore, an upgrade of CSSEL would require an upgrade of Credit Suisse AG. Likewise, a downgrade could occur in case of a downgrade of Credit Suisse AG.

A downgrade could also occur if we believed the challenges of separating CSSEL from the Credit Suisse group had diminished. A downgrade could also occur if we no longer anticipated that CSSEL would benefit from group resources in a group resolution.

Related Criteria

- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Criteria | Financial Institutions | General: Methodology For Assigning Financial Institution Resolution Counterparty Ratings, April 19, 2018
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July

20, 2017

- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Criteria | Financial Institutions | Banks: Assessing Bank Branch Creditworthiness, Oct. 14, 2013
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria | Financial Institutions | Banks: Commercial Paper I: Banks, March 23, 2004

Related Research

- Credit Suisse Group AG, Sept. 13, 2019
- Spain-Based Credit Suisse Securities Sociedad de Valores Assigned 'A/A-1' Ratings; Outlook Positive, Oct 11, 2018
- Germany-Based Credit Suisse (Deutschland) AG Assigned 'A/A-1' Ratings; Outlook Positive, Nov 7, 2018

Ratings List

Ratings Affirmed

Credit Suisse Securities (Europe) Ltd.

Issuer Credit Rating	A+/Stable/A-1
Resolution Counterparty Rating	AA-/--/A-1+

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceld/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49)

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