

THE LIBOR PROBE

Former UBS Official, Now Regulator, in Spotlight

By ANITA GREIL
AND MARTA FALCONI

UBS AG's \$1.5 billion settlement of interest rate-rigging allegations has put Switzerland's top banking supervisor in the spotlight.

Mark Branson, a 44-year-old British national, is head of the division in charge of supervising banks at the Swiss Financial Market Supervisory Authority, or Finma. He was chief executive of UBS's Japan unit from 2006 to early 2008, when traders at the unit allegedly requested false Libor submissions.

UBS said Wednesday the Japanese subsidiary entered a guilty plea in the U.S. to one count of wire fraud, as part of a settlement with global regulators.

Mr. Branson worked in many different positions at UBS from 1997 to 2010, which is when he joined Finma. Mr. Branson's background is raising new ques-



Swiss banking regulator Mark Branson headed a UBS unit in Japan.

tions about the independence of some global banking regulators.

"When it turns out that one of its top guys was employed by precisely the bank which is under investigation, it casts a shadow on the watchdog's inde-

pendence," said Florian Wettstein, director of the Institute for Business Ethics at the University of St. Gallen, Switzerland.

Mr. Branson couldn't be reached for comment. UBS declined to comment.

Some in Switzerland are calling for Mr. Branson's resignation from his post at the agency.

"If he stays at Finma, then Finma will lose its credibility," said Daniel Vischer, a member of the Swiss parliament. The Green party Wednesday urged the formation of a parliamentary committee to investigate Mr. Branson's position and to look into Finma's handling of the probe.

Finma rejected any notion that Mr. Branson's previous job influenced the investigation. "The case was investigated by five regulators world-wide, and none found any evidence that Mr. Branson had been aware of traders' attempts to influence Libor submissions," said Finma Chief Executive Patrick Raaflaub.

In September, Finma recused Mr. Branson from the Libor probe to avoid any impression of a conflict of interest, a spokesman for the regulator said.

Martin Janssen, a professor of

finance at the University of Zurich who has dealt with Mr. Branson since he joined Finma, describes him as a bright person of high integrity, adding that Mr. Branson also has a reputation of being a demanding supervisor.

The UBS episode highlights a dilemma for the Swiss regulator. In a small country such as Switzerland, it can be difficult to find someone who isn't closely connected with giant banks and has the training and know-how for a top supervisory job, and who is willing to work for a government salary, observers said.

"On one hand, you have an industry that is becoming more and more complex, and on the other, you have regulators who kind of lack the expertise to really monitor all the activities," said Mr. Wettstein. "So they have to rely on industry people to fill this competence gap, and this may come together with a potential conflict of interest."