

MARKETS

He Quit Credit Suisse. Then He Caught the Bank's Spy

Credit Suisse expects to reveal its findings into what went wrong on the streets of Zurich and who knew about the sleuthing



Iqbal Khan (center) attending Credit Suisse's shareholder meeting in Zurich on April 26, when he was still working for the bank.
PHOTO: ARND WIEGMANN/REUTERS

By Margot Patrick and Jenny Strasburg

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For several days in September, a private investigator hired by Credit Suisse [CS 1.04%▲](#) Group AG trailed the bank's former wealth management head, Iqbal Khan, through Zurich, snapping photos along the way. The mandate: Find out whether he was trying to recruit colleagues to his new employer, UBS Group AG.

On Sept. 17, Mr. Khan spotted the investigator, people briefed on the events said, triggering a scandal that followed months of tensions between the banker and his former mentor, Credit Suisse Chief Executive Tidjane Thiam.

The clash has captivated Zurich's buttoned-up banking community, dominated Swiss tabloids and embarrassed Credit Suisse, a global bank and wealth manager. It is also unsettling employees, some who say they are spooked by the idea the bank is tailing executives, a practice lawyers say is rare.



Credit Suisse CEO Tidjane Thiam speaking at a conference in New York on Wednesday. PHOTO: MARK LENNIHAN/ASSOCIATED PRESS

The episode comes four years into Mr. Thiam's tenure, during which the bank's share price has roughly halved as he streamlines the investment bank and battles to manage more money for the world's wealthy. Investors and analysts have largely welcomed these efforts.

Mr. Thiam and Credit Suisse's board now face pressure to justify the botched monitoring of Mr. Khan.

Findings of a bank-commissioned review of its surveillance are expected early next week and could lead to departures depending on how the monitoring unfolded, according to people familiar with the probe.

In a staff memo Monday, Mr. Thiam and Chairman Urs Rohner said they are confident "the truth will emerge."

A spokesman for Mr. Khan said it is "totally absurd" to suggest he was trying to poach staff. Other details are also in dispute, including whether Credit Suisse misled Mr. Khan about its surveillance when he reported it. That is one focus of the bank's probe, according to people briefed on the process.

"It's quite a soap opera, and a distraction," said David Herro, international chief investment officer of Chicago-based Harris Associates LP. Harris is Credit Suisse's biggest shareholder, with a holding of 8.1%.

However, Mr. Herro said as long as Credit Suisse acted lawfully for valid reasons, he supports its management. "A company we invest in has a responsibility to us and all stakeholders to protect the company's assets."

Mr. Thiam, a former McKinsey & Co. consultant and government minister in his native Ivory Coast, joined Credit Suisse in 2015 after a strong run heading U.K. insurer Prudential PLC.

Mr. Khan, also a former management consultant, and auditor, joined Credit Suisse in 2013 as wealth-management finance chief. In 2015, Mr. Thiam promoted him to run the expanded international wealth-management unit, and praised his results.

Over time, the warm relationship turned frosty as Mr. Khan's ambitions grew, the people familiar with the matter said. Those tensions rose when Mr. Khan and his family redeveloped a house next to Mr. Thiam's in an exclusive neighborhood near Lake Zurich, they said.

At a party in January at Mr. Thiam's home, Mr. Khan spoke with Mr. Thiam's girlfriend about some trees on the Thiam property. The discussion got heated. Mr. Thiam scolded Mr. Khan for what he perceived as rude behavior, according to the people familiar with the matter.

In March, Reuters reported Mr. Khan was being considered for the top job at a smaller rival, Julius Baer Group Ltd. Mr. Khan didn't publicly deny he was a candidate. This stoked perceptions internally that he was seeking more power or could be poised to leave. He went on to have informal discussions about potential roles at other banks, including Goldman Sachs Group Inc., according to people familiar with the matter.



Credit Suisse Chairman Urs Rohner at the bank's general assembly in Zurich on April 27, 2018. PHOTO: WALTER BIERI/EPA-EFE/REX/SHUTTER/EPA/SHUTTERSTOCK

Without Mr. Thiam's involvement, Mr. Khan was negotiating an exit with Mr. Rohner, the chairman, on terms that would let him jump to a competitor after just three months, according to people familiar with the matter. Mr. Khan's stated notice period had been six months, with up to a year-long noncompete agreement, according to the bank's annual report.

On July 1, Credit Suisse announced Mr. Khan's departure. Mr. Thiam wished him well. In late August, UBS said it was hiring him to co-head its wealth management arm, sparking speculation

that he could be in contention eventually to succeed CEO Sergio Ermotti. He starts Oct. 1.

UBS Chairman Axel Weber told Bloomberg TV this week the dust-up was a matter between Mr. Khan and Credit Suisse.

After UBS made the hire, Credit Suisse executives worried staff might follow Mr. Khan to its larger rival. The bank's probe is looking into whether it had evidence of such discussions between Mr. Khan and his former colleagues before it decided to tail him.

A close lieutenant of Mr. Thiam, chief operating officer Pierre-Olivier Bouée, hired a Zurich security agency, Investigo GmbH, according to a person familiar with the mandate. Investigo's brief was to follow Mr. Khan and take photos of anyone he met, while keeping his distance and operating lawfully, according to a statement Investigo gave to Credit Suisse and Swiss authorities.

The investigator followed Mr. Khan for roughly a week before his cover was blown.

SHARE YOUR THOUGHTS

If Credit Suisse had reason to believe a departing executive was planning to poach employees, do you think it was appropriate for the bank to spy on him? Why or why not? Join the conversation below.

A person answering the phone at Investigo referred questions to a lawyer. That lawyer and Mr. Bouée didn't respond to requests for comment.

On Sept. 17, Mr. Khan, while out shopping with his wife, realized his car was being followed, a person briefed on the events said. He parked, and took out his phone to take photos of the other car and its driver, according to the person and the Investigo statement. Shaken, Mr. Khan called Credit Suisse

security. That conversation is a subject of the inquiry, according to people familiar with the matter.

In a twist, Mr. Khan then had Credit Suisse security personnel stationed at his home, a service the bank provides if employees feel threatened, the people said. It is unclear how long the security was there.

The executive also contacted the police and made a complaint, leading to "temporary arrests," a spokesman for the Zurich public prosecutor's office said. The spokesman declined to provide further details, citing a continuing investigation.

— Ben Dummett and Patricia Minczeski contributed to this article.

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