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"Strong investor" could help small UBS shareholders – Profond

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SWITZERLAND – President of the Pensionskasse Profond, Herbert Brändli, has suggested having one large shareholder at Swiss bank UBS might prevent similar "mistakes by the management" which led to losses of several billion Swiss francs last year. UBS today upped its calculated losses attributable to shareholders for 2007 to CHF4.4bn (€2.73bn). "We expected an increase of the preliminary sum announced in December", Brändli told IPE. "For me, it is clear mistakes were made and the problem is in many large Swiss companies the management has too much power and the shareholders too little possibilities to execute their control rights." But Brändli is convinced if firms such as UBS had one large shareholder it would be much easier to find a consensus on criticising and controlling the management, than under the current situation where there are dozens of small pension funds as shareholders. In principle, Brändli is therefore not against a "large, transparent, long-term" investor like the Government of Singapore Investment Corporation (GIC) holding more than 10% in UBS – just not in the way the bank wants them to. UBS is currently planning a capital increase by offering GIC and a fund from the Middle East mandatory convertible notes (MCN) worth CHF13bn. Profond and several other shareholders want to participate in the capital increase as well and will urge UBS in an extraordinary general meeting in February to consider a rights issue. (See earlier IPE story: Right issue too costly, says UBS) "We invested risk capital during the difficult last year and we do not want a third party to make themselves comfortable now that the worst is over," explained Brändli. He noted shareholder groups including Swiss Actares have already voiced support for Profond's proposal for a rights issue. "We hope to get more than one-fourth of shareholders to support us because UBS needs a three-quarter majority for its suggestion," Brändli noted.

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