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$300 Million Deal Ends DOJ Subprime Probe Inherited by UBS

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UBS, Switzerland's largest banking institution, has agreed to a $300 million settlement with the United States Department of Justice (DOJ) to resolve a long-running investigation tied to Credit Suisse's involvement in the subprime mortgage market. The agreement brings closure to a key legal issue inherited by UBS following its emergency acquisition of Credit Suisse in 2023.

UBS said in a statement that it was "pleased" to have reached an agreement with the DOJ, calling the matter a "legacy issue" from Credit Suisse. "With this agreement, UBS has resolved another of Credit Suisse's legacy issues, in line with its intention to resolve legacy matters at pace in a fair and balanced way and in the best interest of all its stakeholders," the bank said.

Credit Suisse had originally reached a partial settlement with the DOJ in 2017. However, unresolved claims continued to hang over the bank. When UBS stepped in to acquire Credit Suisse last year during a period of instability and scandal, it assumed responsibility for outstanding legal and financial liabilities.

The $300 million deal does not include any admission of wrongdoing by UBS or Credit Suisse, which is standard in settlements of this kind. However, it allows UBS to avoid further litigation in the United States and to continue its efforts to integrate Credit Suisse's operations without the weight of unresolved legal cases.

Mortgage-backed securities were at the center of the financial crisis because they were marketed as safe investments despite being tied to unreliable loans. Banks, including Credit Suisse, pooled together subprime mortgages and sold them to investors, many of whom were unaware of the risks. As the housing market collapsed, the value of these securities plummeted, causing widespread losses and undermining confidence in the financial system.

The DOJ had been investigating Credit Suisse's role in the packaging and sale of mortgage-backed securities in the lead-up to the 2008 financial crisis. These complex financial instruments were largely made up of subprime mortgages, which were high-risk loans often granted to borrowers with poor credit histories or unstable income. When many of these borrowers defaulted, the market for the securities collapsed, triggering a global financial crisis.

UBS' decision to settle reflects its broader strategy to clean up Credit Suisse's legal and financial mess as efficiently as possible. Since taking over the failed bank, UBS has prioritized resolving inherited issues that could affect its long-term stability or investor confidence.

The DOJ has not issued a public comment on the deal. However, the settlement adds to a growing list of post-crisis enforcement actions that have slowly wrapped up over the years. Many of the world's largest banks have paid billions to settle similar cases since 2008, often without trials but under intense regulatory pressure.