

# FTSE drops heavily after Credit Suisse rescue deal fails to calm markets

The FTSE 100 lost close to 2% of its value on Monday morning after Swiss authorities announced they had secured a rescue deal for [Credit Suisse](#).

London's top index fell by as much as 129 points shortly after the markets opened, led lower by the biggest banks in the country.

Standard Chartered saw its shares fall by more than 7% at one point, while [Barclays](#) was just under 6% down.

Markets in [Asia](#) were struggling earlier in the morning, with shares in [Hong Kong](#) falling by more than 3% as the banking sector took a battering.

It sets global markets up for what might be another grim week.

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this year, volatility looks set to continue this week now that the fate of Credit Suisse appears to have finally been sealed

Heavy uncertainty has gripped the banking sector ever since the US's 16th largest lender, Silicon Valley Bank, said it needed to raise money to stay afloat.

Since then shares in London's FTSE 100 index have fallen by close to 9%, and several other banks in the US and Europe have struggled to keep their doors open.

Michael Hewson, chief market analyst at CMC Markets, said: "Having come off the worst week for European equity markets this year, volatility looks set to continue this week now that the fate of Credit Suisse appears to have finally been sealed.

"With Credit Suisse shareholders and some bondholders taking a huge hit, banks in Asia have taken a hit on similar concerns about (some of their) bond-holding values, while the weekend deal still presents the Swiss National Bank and Swiss government with untold headaches, with the size of the newly merged bank set to dwarf the size of the Swiss economy."

He added: "The phrase 'too big to fail' really does spring to mind here, and this morning's weakness in Asia markets serves to reinforce concerns about these types of writedowns and any spillover effects on the rest of the banking sector."

The Credit Suisse deal was announced on Sunday evening, as UBS agreed to pay around £2.7 billion for its former rival.

The deal was brokered by the same Swiss regulators who had on Wednesday said they would lend up to £45 billion to Credit Suisse to keep it afloat.

The bank has had problems for years but was pushed over the edge last week because of market jitters sparked by the failure of Silicon Valley Bank in the US, which was a mid-sized lender.

But the rescue deal with UBS is not expected to calm markets much. Around 17 billion dollars (£14 billion) worth of Credit Suisse bonds were wiped out as part of the deal.

On Monday morning, shares in Credit Suisse dropped by around 63% while UBS's shares fell 16%.

On Sunday, Swiss president Alain Berset said an "uncontrolled" collapse of Credit Suisse could have sent ripples across the world which could cause "incalculable consequences" in the international financial system.

The lender is seen as a systemically important bank whose collapse could spark widespread market turmoil.

Credit Suisse employs around 5,500 people in the UK, but authorities here were keen to stress on Sunday that the country's financial system is still safe.

The Bank of England said: "We welcome the comprehensive set of actions set out by the Swiss authorities today in order to support financial stability.

"We have been engaging closely with international counterparts throughout the preparations for today's announcements and will continue to support their implementation.

"The UK banking system is well capitalised and funded, and remains safe and sound."