

UBS Response to Changes in Interest Rate

The Federal Reserve (Fed) uses the Discount Rate (DR), to put money into the system. If the DR drops below the Federal Funds Rate (FFR) then banks will borrow money from the Fed rather than from other banks. In 2005, the Federal Reserve continued to increase the Federal Fund Rate from 2 ½ % to 4 ¼ %.

UBS in London took a different approach to manage their operations during unpredictable interest rate variations. UBS choose, instead to capitalize on successes of the past and take risk that will pay off in the future. Following an in-depth study of the bank's competitive position, the newest head of UBS, Huw Jenkins responded to the results by authorizing an ambitious investment plan. The plan includes hiring more bankers and to take on adding more risks to UBS' balance sheet. This is a change from the past, when UBS remained the fifth largest equities house, yet employed 500 more people in equities than it does today. (Financial Times, 2005, Page 9).

CITE THIS AS:

YouSigma. (2008). "UBS Response to Changes in Interest Rate." From <http://www.yousigma.com>.