

AGREEMENT BY AND BETWEEN  
UBS AG  
New York, New York  
and  
The Office of the Comptroller of the Currency

UBS AG, New York, New York, License #80113 (“Branch”), a Federal branch of UBS AG, Zurich, Switzerland (“HO”), and the Office of the Comptroller of the Currency (“OCC”) wish to protect the interests of the depositors and other customers of the Branch, and, toward that end, wish the Branch to operate safely and soundly and in accordance with all applicable laws, rules, and regulations.

The OCC has identified deficiencies relating to the Branch’s compliance with Bank Secrecy Act/anti-money laundering (“BSA/AML”) laws and regulations, including a violation of 12 C.F.R. § 21.21(d)(1) and other violations.

In consideration of the above premises, it is agreed, between the Branch, by and through its General Manager (“GM”), and the OCC, through the duly authorized representative of the Comptroller of the Currency (“Comptroller”), that the Branch shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “written agreement” within the meaning of 12 U.S.C. § 1818(u)(1)(A).

(4) Pursuant to 12 C.F.R. § 5.51(c)(7)(ii), this Agreement shall not subject the Branch to the requirements of 12 C.F.R. § 5.51, unless otherwise informed in writing by the Comptroller.

(5) Pursuant to 12 C.F.R. § 28.12(f)(2), this Agreement shall not prevent the Branch from being considered an “eligible foreign bank” unless otherwise informed in writing by the Comptroller.

## ARTICLE II

### COMPREHENSIVE BSA/AML ACTION PLAN

(1) Within ninety (90) days of this Agreement, the GM shall submit to the Director for International Banking Supervision (“Director”) a plan containing a complete description of the actions that are necessary and appropriate to achieve full compliance with Articles III through VII of this Agreement (“Action Plan”). In the event the Director asks the Branch to revise the Action Plan, the Branch shall promptly make the requested revisions and resubmit the Action Plan to the Director. The Branch shall implement the Action Plan upon the Director’s issuance of a written determination of no supervisory objection. Following implementation, the Branch shall not take any action that will cause a significant deviation from or material change to the Action Plan unless and until the Branch has received a prior written determination of no supervisory objection from the Director.

(2) The GM shall ensure that the Branch achieves and thereafter maintains compliance with this Agreement, including, without limitation, successful implementation of the Action Plan.

(3) The Action Plan must specify timelines for completion of each of the requirements of Articles III through VII of this Agreement. The timelines in the Action Plan shall be consistent with any deadlines set forth in Articles III through VII.

(4) Any independent consultant or auditor engaged by the Branch to assist in the development of the Action Plan or other compliance with this Agreement must have demonstrated and specialized experience with the BSA/AML matters that are the subject of the engagement, and must not be subject to any conflict of interest affecting the consultant's or auditor's independence.

(5) Commencing with the second calendar quarter of 2017, within thirty (30) days after the end of each calendar quarter, the GM shall submit to the Director a written progress report detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof. The GM shall ensure that the progress report includes information sufficient to assess compliance with this Agreement. The Director may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

### ARTICLE III

#### MANAGEMENT AND ACCOUNTABILITY

(1) If the GM or Branch BSA Officer positions are vacated now or in the future, within sixty (60) days of the date of such vacancy, the Branch shall identify and provide written notice to the Director of a competent, permanent, and full-time candidate for the GM or BSA Officer position. The written notice shall contain information regarding the proposed candidate's identity, business background, experience and any other information required by the Director in writing. The Director shall provide a written determination of no supervisory objection prior to

the appointment of the proposed GM or BSA Officer. Provision of a determination of no supervisory objection shall not, however, constitute an approval or endorsement of the proposed GM or BSA Officer. The requirement to submit information and the prior no supervisory objection provisions of this paragraph are based upon the authority of 12 U.S.C. § 1818(b) and do not require the Comptroller or the Director to complete his or her review and act on any such information or authority within ninety (90) days.

(2) Within ten (10) days of this Agreement, the GM shall designate an officer to be responsible for coordinating and submitting to the OCC the written plans, reports, and other documents required to be submitted under the terms and conditions of this Agreement.

(3) The GM shall ensure that there are clear lines of authority and responsibility for compliance management and BSA/AML compliance, and that competent and independent compliance management is in place on a full-time basis.

(4) The GM shall ensure that compliance staff has the appropriate level of authority to implement its BSA/AML compliance program and, as needed, question account relationships and business plans. Compliance staff shall maintain independence from the business line. The Branch shall follow any applicable guidance addressing compliance staff independence issued by the OCC and the Federal Financial Institutions Examination Council (“FFIEC”).

(5) The GM shall ensure that senior and line of business Branch management are accountable for effectively implementing Branch BSA/AML-related policies and procedures, and fulfilling BSA/AML and Office of Foreign Assets Control (“OFAC”) obligations. The Branch shall incorporate BSA and OFAC compliance into the performance evaluation process for senior and line of business Branch management. Additionally, written Branch policies and procedures (or other HO policies and procedures applicable to the Branch) shall clearly outline

the BSA/AML and OFAC responsibilities of senior management, and all relevant business line employees, compliance and other relevant control functions, and internal audit.

(6) The GM, together with senior compliance management, shall develop appropriate objectives and means to measure the effectiveness of compliance management officers and compliance management personnel within each line of business and for those with responsibilities across lines of business.

#### ARTICLE IV

##### BSA/AML INTERNAL CONTROLS PROGRAM

(1) Within sixty (60) days of this Agreement, the GM shall ensure the completion of a comprehensive gap analysis of the Branch's BSA/AML internal controls relative to existing policies, procedures, and processes to ensure compliance with industry standards and regulatory requirements, and to satisfy the requirements of this Agreement. The evaluation shall include assessments of internal controls, including governance and oversight, accountability, staffing requirements, risk assessment processes, customer due diligence processes and suspicious activity monitoring systems and processes.

(2) The GM shall submit the BSA/AML internal controls evaluation to the Director for a written determination of no supervisory objection. If the Director recommends changes to the evaluation or the assessments, the Branch shall incorporate those changes or suggest alternatives acceptable to the Director.

(3) Within one hundred twenty (120) days of this Agreement, the GM shall ensure that the Branch establishes an acceptable written program to establish and maintain an effective system of internal controls adequate to ensure ongoing compliance with the Bank Secrecy Act ("BSA"), as amended, the regulations promulgated thereunder at 31 C.F.R. Chapter X and 12

C.F.R. §§ 21.11 and 21.21, and OFAC rules and regulations (“BSA/AML Internal Controls Program”). At a minimum, the BSA/AML Internal Controls Program shall include:

- (a) Formal assignment of responsibility and accountability to individuals or designated committees with sufficient authority to ensure timely and appropriate resolution of material BSA/AML-related issues;
- (b) Development and implementation of appropriate and comprehensive customer due diligence (“CDD”), enhanced due diligence (“EDD”), and customer identification program (“CIP”) policies, procedures, and processes;
- (c) Development and implementation of an adequate risk assessment program;
- (d) Development and implementation of appropriate policies, procedures, and processes for monitoring, detecting, and reporting suspicious activities;
- (e) Development of a project plan and a timeline for the effective implementation, validation, and optimization of the proposed upgrade to the transaction monitoring system; and
- (f) Periodic status reports to the HO or designated committee which shall include material BSA/AML issues, compliance initiatives, identified compliance deficiencies, regulatory and audit findings, corrective actions taken and outstanding, and BSA/AML Internal Controls Program updates.

(4) The GM shall submit the BSA/AML Internal Controls Program to the Director for a written determination of no supervisory objection. Upon receipt of a written determination of no supervisory objection to the BSA/AML Internal Controls Program, the GM shall ensure that

the Branch implements and adheres to the BSA/AML Internal Controls Program including all requirements and timeframes. Any material proposed changes or deviations from the approved BSA/AML Internal Controls Program shall be submitted in writing to the Director for prior review and determination of no supervisory objection by the Director.

## ARTICLE V

### BSA/AML RISK ASSESSMENT

(1) Within one hundred twenty (120) days of this Agreement, the GM shall ensure that the Branch reviews, updates, and implements an enhanced written Branch-wide, ongoing BSA/AML Risk Assessment program that timely and accurately identifies the BSA risks posed to the Branch after consideration of all pertinent information (“BSA/AML Risk Assessment”). The BSA/AML Risk Assessment program shall reflect a comprehensive analysis of the Branch’s vulnerabilities to money laundering and financial crimes activity and provide strategies to control risk and limit any identified vulnerabilities. The BSA/AML Risk Assessment methodology shall follow the risk assessment expectations set forth in the *2014 FFIEC Bank Secrecy Act/Anti-Money Laundering Examination Manual* (rev. Feb. 27, 2015) (“FFIEC BSA/AML Examination Manual”) and, at a minimum, shall include:

- (a) Evaluation of the Branch’s current methodology for quantifying the level of BSA/AML risk associated with specific customers. This evaluation shall result in the development of a comprehensive approach to quantifying BSA/AML risk for new and existing customers. The quantification of risk shall encompass a customer’s entire relationship with the Branch, include the purpose of the account, actual or anticipated activity in the account (e.g., type and volume (number and dollar) of

transaction activity engaged in), nature of the customer's business or occupation, customer location (e.g., customers' geographic location and where they transact business), types of products and services used by the customer, material changes in the customer's relationship with the Branch, as well as other factors discussed within the FFIEC BSA/AML Examination Manual;

- (b) The identification of specific lines of business, geographies, products or processes that pose BSA/AML risk to the Branch, specifically identifying areas where controls are not commensurate with the level of BSA/AML risk exposure; and
- (c) Aggregation of the Branch's BSA/AML risk that is logical and clearly supported in the work papers. The work papers and supporting documentation shall be readily accessible for OCC review.

(2) The BSA/AML Risk Assessment shall be re-evaluated by the GM periodically, the timeframe for which shall not exceed twelve months, or whenever there is a significant change in BSA/AML risk within the Branch or the lines of business within the Branch. The BSA/AML Risk Assessment shall also be independently reviewed by the Branch's internal audit function for the adequacy of methodology and accuracy of findings.

(3) The Branch shall submit the comprehensive BSA/AML Risk Assessment to the Director for a written determination of no supervisory objection. If the Director recommends changes to the evaluation or the assessments, the Branch shall incorporate those changes or suggest alternatives that are acceptable to the Director.



## ARTICLE VI

### CUSTOMER DUE DILIGENCE AND ENHANCED DUE DILIGENCE

(1) Within one hundred twenty (120) days of this Agreement, the GM shall ensure that appropriate CDD policies and procedures are developed for the Branch. Minimum corporate standards shall provide general guidance, and individual lines of business and BSA/AML compliance management shall develop standards based on the client base, products, services, geographic risk and other BSA/AML risk factors. Customer due diligence shall be commensurate with the customer's risk profile, and sufficient for the Branch to develop an understanding of normal and expected activity for the customer's occupation or business operations. The CDD policies and procedures shall include, at a minimum:

- (a) Information regarding the client's relationship with the Branch and all lines of business within the Branch. This includes a Branch client's accounts within other lines of business, regions, and countries (as permitted by jurisdiction and applicable law);
- (b) A due diligence database that is readily accessible to the Branch relationship manager or other parties responsible for the Branch customer relationship, BSA/AML compliance personnel, suspicious activity monitoring alert analysts and investigators, and quality control personnel;
- (c) Periodic updating of CDD to reflect changes in the customer's behavior, activity profile, derogatory information, periodic reviews of the customer relationship, or other factors that impact the BSA/AML risk for the client. The periodic update of due diligence shall be documented and subject to quality assurance processes;

- (d) The client relationship BSA/AML risk score shall be detailed in the customer due diligence record, along with the supporting factors, including transaction activity, geographies involved, and suspicious activity monitoring alert and filing history; and
- (e) Implementation of specialized or enhanced due diligence for higher risk clients and/or products and services at the Branch. These due diligence standards shall comply with the FFIEC BSA/AML Examination Manual, FinCEN's final rule on Customer Due Diligence and beneficial ownership, as well as industry standards.

(2) Within sixty (60) days after implementation of the CDD policies and procedures in this Article, the GM shall ensure that the Branch completes a six (6) month look back review of high risk customers in accordance with the CDD policies and procedures required under Paragraph (1) of this Article. The GM shall ensure that the Branch submits the written findings to the Director no later than (30) days after the end of the calendar quarter following the date of completion of the look back.

(3) The GM shall submit the CDD policies and procedures to the Director for a written determination of no supervisory objection. If the Director recommends changes to the policies and procedures, the Branch shall incorporate those changes or suggest alternatives that are acceptable to the Director.

## ARTICLE VII

### SUSPICIOUS ACTIVITY MONITORING AND REPORTING

(1) Within one hundred twenty (120) days of this Agreement, the GM shall ensure that the Branch develops, implements, and thereafter adheres to an enhanced written risk-based

program of internal controls and processes to ensure, pursuant to 12 C.F.R. § 21.11, the timely and appropriate review and disposition of BSA/AML suspicious activity alerts and the timely filing of Suspicious Activity Reports (“SARs”). This written Branch program shall include, at a minimum:

- (a) Procedures for identifying, monitoring and reporting suspicious activity, known or suspected violations of Federal law, violations of the BSA, or suspicious transactions related to potential money laundering across all Branch lines of business, including suspicious activity relating to the opening of new accounts, the monitoring of existing accounts, and the transfer of funds through the Branch, consistent with the Suspicious Activity Reporting section of the FFIEC BSA/AML Examination Manual;
- (b) Application of appropriate thresholds and filters for automated surveillance systems in monitoring all types of transactions, accounts, customers, products, services, and geographic areas that include, at a minimum:
  - (i) Meaningful thresholds and alert scenarios for filtering accounts and customers for further monitoring, review and analyses;
  - (ii) Adequate documentation supporting the Branch’s methodology for establishing alert thresholds and filters; and
  - (iii) Periodic independent validation of thresholds and filters for their appropriateness to the Branch’s customer base, products, services, and geographic area;
- (c) Appropriate linkage between EDD information and suspicious activity

monitoring functions to ensure BSA/AML staff appropriately use EDD information in suspicious activity investigations;

- (d) Procedures to address cases where there is on-going suspicious activity to ensure appropriate management review and determination of whether the customer relationship should be continued;
- (e) Meaningful, accurate, and timely reporting to the HO, or designated committee, and management of suspicious activity investigations and SAR filings;
- (f) Review of any new surveillance systems to ensure it has the capacity to operate on multiple platforms and is appropriate for the Branch's size and complexity;
- (g) Procedures to ensure the Branch files SARs within the time frames specified in the applicable rules, regulations, and regulatory guidance, and files follow-up SARs every ninety (90) days in cases where suspicious activity is ongoing; and
- (h) Procedures to ensure the Branch thoroughly documents individual SAR decisions.

(2) As required under Article II, within one hundred twenty (120) days of the date of this Agreement, the Branch shall develop a project plan and a timeline for the effective implementation, validation, and optimization of the proposed upgrade to the Branch's automated transaction monitoring system. The GM shall ensure the new Branch transaction monitoring system shall provide for effective and comprehensive suspicious activity monitoring, as required by this Article, and shall ensure the following:

- (a) The integrity of data feeding the transactions monitoring system;
- (b) The system has been sufficiently tailored to the Branch's risk profile and operations;
- (c) The system's functionality is being utilized to appropriately address risk, including the ability to aggregate data across Branch platforms, lines of business, and relationships;
- (d) The business logic units, parameters, rules or other factors selected for automated monitoring are appropriate and effective in identifying client activity that is unreasonable or abnormal given the nature of the client's occupation or business and expected activity. In addition, there shall be:
  - (i) Sufficient management information and metrics to manage and adjust the system, as necessary; and
  - (ii) Statistically valid processes to validate and optimize monitoring system settings and thresholds, and to measure the effectiveness of the automated system and individual scenarios, where appropriate;
- (e) Prior to the successful implementation of the upgraded transaction monitoring system, interim manual reporting processes are used to identify all related accounts and aggregate activity for monitoring purposes, and produce sufficient management information and metrics. The Branch's internal audit shall review the manual reporting processes to ensure effectiveness; and
- (f) In the event that successful implementation of the upgraded transaction monitoring system is not achieved within a reasonable time period, the

Branch validates, including below-the-line testing, of all models, rules, parameters, thresholds, and other factors of the Branch's existing transaction monitoring system.

(3) At a minimum, the Branch's implementation of the alert investigation processes shall ensure the following:

- (a) Enhanced investigative standards and related processes define appropriate investigation requirements and tools to ensure a thorough investigation process that ensures, at a minimum:
  - (i) The quality and completeness of information available to analysts working transaction monitoring alerts and conducting investigations;
  - (ii) The availability and adequacy of information to investigate potentially suspicious activity, including, if applicable, information from multiple lines of business;
  - (iii) The standards for dispositioning different types of alerts are reasonable, communicated in writing to relevant staff, and are adhered to by the alert investigators;
  - (iv) The activity review was adequately analyzed, evaluated, and decided through appropriate documentation, including a review of the entire customer relationship and not just activity triggering the alerts; and
  - (v) Standards to ensure accounts with high volumes of productive alerts are identified, elevated, and properly categorized as high

risk, and subject to EDD and monitoring;

- (b) The adequacy of staffing to investigate and clear alerts;
- (c) The adequacy of documentation to support disposition of alerts;
- (d) Sufficient quality control processes to ensure the surveillance and transaction monitoring system, alert management process, and SAR decisions and filings are working effectively and according to internal standards; and
- (e) The adequacy of training for staff involved in the investigation and clearing of alerts, filing of SARs, quality control and assurance processes, and management of the surveillance and transaction monitoring system.

#### ARTICLE VIII

##### CLOSING

(1) Although the GM by this Agreement is required to submit certain proposed assessments, programs, plans, policies and procedures, and reports for the review or prior written determination of no supervisory objection by the Director, the GM has the ultimate responsibility for proper and sound management of the Branch as well as compliance with all of the provisions contained in this Agreement and with the requirements and timelines for all plans and programs submitted pursuant to this Agreement.

(2) In each instance in this Agreement in which the GM is required to take action, ensure adherence to, and undertake to perform certain obligations of the Branch, including the obligation to implement plans, policies, or other actions, it is intended to mean that the GM shall:

- (a) Ensure the Branch has sufficient processes, management, personnel, and control systems to effectively implement and adhere to all provisions of

this Agreement and the requirements and timelines of all plans and programs submitted pursuant to this Agreement and that Branch management and personnel have sufficient training and authority to execute their duties and responsibilities under this Agreement;

- (b) Authorize, direct, and implement such actions on behalf of the Branch as may be necessary for the Branch to perform its obligations and undertakings under the terms of this Agreement;
- (c) Require appropriate, adequate, and timely reporting by Branch management of such actions directed by the GM to be taken under the terms of this Agreement;
- (d) Follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (e) Require corrective action be taken in a timely manner of any non-compliance with such actions.

(3) Each citation, guidance, or issuance referenced in this Agreement includes any subsequent citations, guidance, or issuance that replaces, supersedes, amends, or revises the referenced cited citation, guidance, or issuance.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the OCC, through the Comptroller's designated representative.

(5) Except as otherwise provided herein, any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement.



(6) If the Branch requires an extension of any timeframe within this Agreement, the GM shall submit a written request to the Director asking for relief. Any written request submitted pursuant to this Article shall include a statement setting forth in detail the special facts and circumstances that prevent the Branch from complying with a provision within a timeframe specified in this Agreement and that require an extension of that timeframe. All such written requests shall be accompanied by relevant supporting documentation, and any other facts upon which the Branch relies. The OCC's decision concerning a request for an extension of any timeframe within this Agreement and plans or programs submitted pursuant to this Agreement, which will be communicated to the GM in writing by the Director, is final and not subject to further review.

(7) This Agreement is intended to be, and shall be construed to be, a supervisory "written agreement" as contemplated by 12 U.S.C. § 1818(b), (e), and (i), and expressly does not form, and may not be construed to form, a contract binding on the United States, the OCC, or any officer, employee, or agent of the OCC. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the OCC may enforce any of the commitments or obligations herein undertaken by the Branch under its supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Branch expressly acknowledges that neither the Branch nor the OCC has any intention to enter into a contract. The Branch also expressly acknowledges that no officer, employee, or agent of the OCC has statutory or other authority to bind the United States, the U.S. Treasury Department, the OCC, or any other federal bank regulatory agency or entity, or any officer, employee, or agent of any of those entities to a contract affecting the OCC's exercise of its supervisory responsibilities.

(8) The terms of this Agreement, including this paragraph, are not subject to amendment or modification by any extraneous expression, prior agreements or prior arrangements between the parties, whether oral or written.

(9) It is expressly and clearly understood that if, at any time, the OCC deems it appropriate in fulfilling the responsibilities placed upon it by the several laws of the United States of America to undertake any action affecting the Branch or its institution-affiliated parties (as defined by 12 U.S.C. § 1813(u)), nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the OCC from so doing.

(10) All correspondence related to this Agreement, and any information or documentation required hereunder to be submitted to the Director, shall be sent by overnight mail or hand delivery to:

Mark Shields  
Director for International Banking Supervision  
340 Madison Avenue, 9th Floor  
New York, New York 10173

IN TESTIMONY WHEREOF, the undersigned, authorized by the Comptroller, has hereunto set his hand on behalf of the Comptroller.

/s/  
\_\_\_\_\_  
Vance S. Price  
Deputy Comptroller  
Large Bank Supervision

3/24/2017  
\_\_\_\_\_  
Date

IN TESTIMONY WHEREOF, the undersigned, the General Manager of the Branch, has hereunto set his hand on behalf of the Branch.

/s/

3/22/2017

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Steven Schroko, General Manager  
Head of UBS AG Private Bank  
New York Federal Branch

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Date

/s/

3/22/2017

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John McDermott, Managing Director  
Head, Compliance & Operational Risk Control  
UBS Americas Region

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Date