

UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY

<u>In the Matter of:</u>)	
UBS AG)	
Stamford, Connecticut)	
)	AA-EC-2017-17
A Federal branch of)	
)	
UBS AG)	
Zurich, Switzerland)	

CONSENT ORDER

WHEREAS, effective June 1, 2017, the Office of the Comptroller of the Currency (“OCC”) has supervisory authority over UBS AG, Federal Branch, Stamford, Connecticut (“Branch”);

WHEREAS, prior to June 1, 2017, the Branch was supervised by the Board of Governors of the Federal Reserve System and the State of Connecticut Department of Banking;

WHEREAS, on May 20, 2015, the Branch agreed to an Order to Cease and Desist and Order of Assessment of a Civil Money Penalty Issued Upon Consent Pursuant to the Federal Deposit Insurance Act, As Amended with the Board of Governors of the Federal Reserve System and the State of Connecticut Department of Banking (“May 2015 Consent Order”);

WHEREAS, the May 2015 Consent Order required the Branch to improve its internal controls, compliance, risk management, and audit programs for trading and sales activities where the Branch acted as a principal in foreign exchange, commodities, and interest rate product markets where prices and rates can be influenced by industry benchmark prices or rates (“Designated Market Activities”);

WHEREAS, on November 22, 2016, UBS AG filed an application to convert the Branch to a federal branch supervised by the OCC;

WHEREAS, the OCC approved such conversion application on March 30, 2017 subject to the condition that the Branch, within five days of consummation of the conversion, execute a Stipulation and Consent to the Issuance of a Consent Order agreeing to the issuance of a Consent Order requiring the Branch to adhere to provisions substantially the same as those in the May 2015 Consent Order;

WHEREAS, the OCC and the Branch consummated the conversion on June 1, 2017;

WHEREAS, the Branch, by and through its General Manager (“GM”), has executed a Stipulation and Consent to the Issuance of a Consent Order (“Stipulation”), dated June 2, 2017, that is accepted by the OCC through the duly authorized representative of the Comptroller of the Currency (“Comptroller”); and

WHEREAS, by this Stipulation, which is incorporated herein by reference, the Branch has consented to the issuance of this Consent Order (“Order”) by the OCC, through the Comptroller’s duly authorized representative.

NOW, THEREFORE, pursuant to the authority vested in the OCC by Section 8(b) of the Federal Deposit Insurance Act, as amended, 12 U.S.C. § 1818(b), the OCC hereby orders that:

ARTICLE I

INTERNAL CONTROLS AND COMPLIANCE PROGRAM

(1) Within five (5) days of this Order, the Branch shall submit the enhanced written internal controls and compliance program adopted by the Branch pursuant to the May 2015 Consent Order with regard to the Branch’s compliance with applicable U.S. federal and state

laws and regulations in its Designated Market Activities. The Branch shall adhere to the requirements and timeframes for implementation under the internal controls and compliance program. The plan shall, at a minimum, address and include:

- (a) Enhancement of comprehensive policies and procedures to ensure compliance with applicable U.S. federal and state laws and regulations by Branch business lines that engage in Designated Market Activities, including U.S. commodities, antitrust and criminal fraud laws, and a review of the Branch's policies and procedures relating to the Branch's Designated Market Activities, including conflict of interest policies, client confidentiality policies, and a code of conduct or other statement of conduct or policies;
- (b) Provisions that clearly identify the Designated Market Activities covered by the policies and procedures;
- (c) Measures to ensure compliance with policies and applicable U.S. federal and state laws and regulations applicable to Designated Market Activities by the Branch's business lines;
- (d) The duties and responsibilities of personnel responsible for overseeing compliance with policies and procedures relating to the Branch's Designated Market Activities, including the reporting lines within the Branch;
- (e) Policies and procedures that define management responsibilities and establish accountability within all Branch business lines that engage in Designated Market Activities;

- (f) A comprehensive and effective system of internal controls to monitor and detect potential employee misconduct in connection with the Branch's Designated Market Activities, which shall include, but not be limited to, transaction monitoring and communication surveillance that is commensurate with the level and nature of the risks inherent in the market;
- (g) Establishment of comprehensive policies and procedures to ensure that sales personnel and traders do not communicate inaccurate or misleading information to customers regarding: (i) the amount of markup, commission, or other service charge applied to customer orders by the Branch; and (ii) how orders are executed by the Branch;
- (h) A revised code of conduct or other statement of conduct or policies for employees engaged in Designated Market Activities that establishes rules and procedures governing, among other matters, (i) the types of communications media employees may use to communicate with employees at other institutions that trade in the same financial instruments or products and the circumstances when employees may use these communications media; (ii) the types of trading information of the Branch that may be disclosed to employees of other institutions that trade in the same financial instruments or products; (iii) the types of information and circumstances under which confidential customer information may be shared outside of the Branch; and (iv) appropriate conduct in responding to potential conflicts of interest with customers that place orders for execution

by the Branch, including procedures for the timing of the execution of customer orders;

- (i) Enhancement of the compliance reporting process for the Branch's Designated Market Activities through which employees report known or suspected violations of UBS's policies and U.S. federal and state law and regulations, including U.S. commodities, antitrust and criminal fraud laws, and that includes a process designed to ensure that known or suspected violations are promptly escalated to appropriate personnel for appropriate resolution and reporting; and
- (j) Training for Branch employees engaged in Designated Market Activities in conduct-related issues appropriate to the employee's job responsibilities that is provided on an ongoing, periodic basis.

(2) The GM shall submit the enhanced written internal controls and compliance program to the Director for a written determination of no supervisory objection. Upon receipt of a written determination of no supervisory objection, the GM shall ensure that the Branch implements and adheres to the enhanced written internal controls and compliance program. Any material proposed changes or deviations from the approved enhanced written internal controls and compliance program shall be submitted in writing to the Director for prior review and determination of no supervisory objection by the Director.

(3) 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 Order and the results thereof. The GM shall ensure that the progress report

includes information sufficient to validate compliance with this Order. The Director may, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

ARTICLE II

COMPLIANCE RISK MANAGEMENT PROGRAM

(1) Within five (5) days of this Order, the Branch shall submit the enhanced written compliance risk management program adopted by the Branch pursuant to the May 2015 Consent Order with regard to compliance by the Branch with applicable U.S. federal and state laws and regulations in its Designated Market Activities. The Branch shall adhere to the requirements and timeframes for implementation under the enhanced compliance risk management program. The program shall, at a minimum, address and include:

- (a) Identification of all Branch business lines that engage in Designated Market Activities and the attendant legal and compliance risks to ensure that such activities are appropriately risk-rated and included in the compliance risk assessment;
- (b) Completion of a Branch-wide risk assessment to evaluate current potential conduct risks associated with all areas relating to the Branch's Designated Market Activities;
- (c) Prior to trading new financial products or instruments in connection with the Branch's Designated Market Activities, a review of potential risks, including, but not limited to, reputational risk, fraud risk, and potential for misconduct associated with the proposed new activity;
- (d) Development of comprehensive risk assessment processes for the Branch's Designated Market Activities, which shall identify: (i) the scope

and frequency of such reviews, (ii) compliance risks, and (iii) all applicable risk factors and mitigating controls; and

- (e) Measures to ensure that material risk management issues related to potential employee misconduct in connection with the Branch's Designated Market Activities are escalated to and addressed in a timely and appropriate manner by the GM, as appropriate.

(2) The GM shall submit the compliance risk management plan to the Director for a written determination of no supervisory objection. Upon receipt of a written determination of no supervisory objection, the GM shall ensure that the Branch implements and adheres to the compliance risk management plan. Any material proposed changes or deviations from the approved compliance risk management plan shall be submitted in writing to the Director for prior review and determination of no supervisory objection by the Director.

ARTICLE III

CONTROLS REVIEW

(1) During the term of this Order, to ensure that the internal controls of the Branch required under Article I of this Order are functioning effectively to detect, correct, and report misconduct with regard to Designated Market Activities that are required to comply with applicable U.S. federal and state laws and regulations, the Branch, utilizing personnel who are independent of the business line and acceptable to the Director, shall conduct on an annual basis: (i) a review of compliance policies and procedures applicable to the Branch's Designated Market Activities and their implementation, and (ii) an appropriate risk-focused sampling of other key controls for the Branch's Designated Market Activities (the "Controls Review").

(2) The results of each Controls Review shall be submitted to the Director within 90 days of May 2017, and every year thereafter. Upon request, the Branch shall provide to the Director the materials relied upon in conducting each Controls Review.

ARTICLE IV

INTERNAL AUDIT

(1) Within five (5) days of this Order, the Branch shall submit the enhanced written internal audit program adopted by the Branch pursuant to the May 2015 Consent Order with respect to the Branch's compliance with applicable U.S. federal and state laws and regulations in its Designated Market Activities. The Branch shall adhere to the requirements and timeframes for implementation under the enhanced internal audit program. The program shall, at a minimum, address, consider, and include:

- (a) Periodic internal audit reviews of Branch business line controls and compliance detection and monitoring processes, as applicable, designed to identify and prevent potential misconduct in connection with the Branch's Designated Market Activities;
- (b) Enhanced escalation procedures for the timely resolution of material audit exceptions and recommendations in connection with the Branch's Designated Market Activities; and
- (c) The periodic review of risk assessments to ensure emerging risks associated with the Branch's Designated Market Activities are appropriately identified and monitored.

(2) The GM shall submit the enhanced written internal audit program to the Director for a written determination of no supervisory objection. Upon receipt of a written determination

of no supervisory objection, the GM shall ensure that the Branch implements and adheres to the enhanced written internal audit program. Any material proposed changes or deviations from the approved enhanced written internal audit program shall be submitted in writing to the Director for prior review and determination of no supervisory objection by the Director.

ARTICLE V

ACCOUNTABILITY FOR EMPLOYEES INVOLVED IN MISCONDUCT

(1) The Branch shall not in the future directly or indirectly retain any individual as an officer, employee, agent, consultant, or contractor of the Branch who, based on the investigative record compiled by U.S. authorities, has done all of the following: (i) participated in the misconduct underlying the May 2015 Consent Order, (ii) been subject to formal disciplinary action as a result of any UBS-related internal disciplinary review or performance review in connection with the conduct described above, and (iii) either separated from the Branch or any affiliate thereof or had his or her employment terminated in connection with the conduct described above.

(2) The Branch shall fully cooperate with and provide any requested assistance to the OCC and other federal agencies, including, but not limited to, the provision of information, testimony, documents, records, and other tangible evidence and perform analyses as directed by the OCC or other federal agencies to the extent necessary in connection with any institution-affiliated parties of the Branch.

ARTICLE VI

CLOSING

(1) Although the GM by this Order is required to submit certain proposed actions, programs, plans, and reports for the review or prior written determination of no supervisory

objection of 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 the Order and with the requirements and timeframes for all plans and programs submitted pursuant to this Order.

(2) In each instance in this Order 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, programs, 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 Order and the requirements and timeframes of all plans and programs submitted pursuant to this Order and that Branch management and personnel have sufficient training and authority to execute their duties and responsibilities under this Order;
- (b) Authorize, direct, and adopt 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 Order;
- (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 Order;
- (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 Order includes any subsequent citations, guidance, or issuance that replaces, supersedes, amends, or revises the cited citation, regulation, or guidance.

(4) The provisions of this Order are effective upon issuance by the OCC, through the Comptroller's duly authorized representative, whose hand appears below, and shall remain effective and enforceable, except to the extent that, and until such time as, any provisions of this Order are amended, suspended, waived, or terminated in writing by the OCC, through the Comptroller's duly authorized representative.

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

(6) If the Branch requires an extension of any timeframe within this Order, 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 Order 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 Order and plans or programs submitted pursuant to this Order, which will be communicated to the GM in writing by the Director, is final and not subject to further review.

(7) This Order is intended to be, and shall be construed to be, a final order issued pursuant to 12 U.S.C. § 1818(b), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States.

(8) 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, nothing in this Order shall in any way inhibit, estop, bar or otherwise prevent the OCC from so doing.

(9) The terms of this Order, 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.

(10) All correspondence related to this Order, 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

IT IS SO ORDERED, this 5th day of June, 2017.

/s/ Vance S. Price

Vance S. Price
Deputy Comptroller
Large Bank Supervision

**UNITED STATES OF AMERICA
DEPARTMENT OF THE TREASURY
OFFICE OF THE COMPTROLLER OF THE CURRENCY**

<u>In the Matter of:</u>)	
UBS AG)	
Stamford, Connecticut)	
)	AA-EC-2017-17
A Federal branch of)	
)	
UBS AG)	
Zurich, Switzerland)	

**STIPULATION AND CONSENT TO THE ISSUANCE
OF A CONSENT ORDER**

WHEREAS, effective June 1, 2017, the Office of the Comptroller of the Currency (“OCC”) has supervisory authority over UBS AG, Stamford, Connecticut (“Branch”), a Federal branch of UBS AG, Zurich, Switzerland (“Bank”);

WHEREAS, prior to June 1, 2017, the Branch was supervised by the Board of Governors of the Federal Reserve System and the State of Connecticut Department of Banking;

WHEREAS, on May 20, 2015, the Branch agreed to an Order to Cease and Desist and Order of Assessment of a Civil Money Penalty Issued Upon Consent Pursuant to the Federal Deposit Insurance Act, As Amended with the Board of Governors of the Federal Reserve System and the State of Connecticut Department of Banking (“May 2015 Consent Order”);

WHEREAS, on November 22, 2016, UBS AG filed an application to convert the Branch to a federal branch supervised by the OCC;

WHEREAS, the OCC approved such conversion application on March 30, 2017 subject to the condition that the Branch, within five days of consummation of the conversion, execute a Stipulation and Consent to the Issuance of a Consent Order agreeing to the issuance of a Consent Order requiring the Branch to adhere to provisions substantially the same as those in the May

2015 Consent Order;

WHEREAS, the OCC and the Branch consummated the conversion on June 1, 2017;

WHEREAS, in order to satisfy the condition imposed by the OCC in connection with its conditional approval of the Branch's conversion application, the Branch, through its General Manager, agreed to execute this Stipulation and Consent to the Issuance of a Consent Order ("Stipulation"), that is accepted by the OCC, through the duly authorized representative of the Comptroller of the Currency ("Comptroller");

NOW THEREFORE, in consideration of the above premises, it is stipulated by the Branch that:

ARTICLE I

JURISDICTION

(1) The Branch is an uninsured Federal branch licensed and examined by the OCC pursuant to the International Banking Act of 1978, as amended, 12 U.S.C. § 3101 *et seq.*

(2) The Branch is an "insured depository institution" for purposes of 12 U.S.C. § 1818. *See* 12 U.S.C. § 1813(c)(3).

(3) The OCC is the "appropriate Federal banking agency" as that term is defined in 12 U.S.C. § 1813(q) and is therefore authorized to initiate and maintain this cease and desist action against the Branch pursuant to 12 U.S.C. § 1818(b).

ARTICLE II

CONSENT

(1) The Branch, without admitting or denying any wrongdoing, consents and agrees to issuance of the accompanying Consent Order ("Order") by the OCC.

(2) The Branch consents and agrees that the Order shall be deemed an “order issued with the consent of the depository institution” pursuant to 12 U.S.C. § 1818(h)(2), and consents and agrees that the Order shall become effective upon issuance by the OCC, through the Comptroller’s duly authorized representative, and shall be fully enforceable by the OCC pursuant to 12 U.S.C. § 1818(i).

(3) 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(i), 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.

(4) The Branch declares that no separate promise or inducement of any kind has been made by the OCC, or by its officers, employees, or agents, to cause or induce the Branch to consent to the issuance of the Order and/or execute this Stipulation.

(5) The Branch expressly acknowledges that no officer, employee, or agent of the OCC has statutory or other authority to bind the United States, the United States 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.

ARTICLE III

WAIVERS

(1) The Branch, by executing this Stipulation and consenting to the Order, waives:

(a) Any and all procedural rights available in connection with the issuance of the Consent Order;

- (b) Any and all rights to a hearing and a final agency decision pursuant to 12 U.S.C. § 1818(b) and (h), and 12 C.F.R. Part 19;
- (c) Any and all rights to seek any type of administrative or judicial review of the Consent Order;
- (d) Any and all claims for fees, costs, or expenses against the OCC, or any of its officers, employees, or agents related in any way to this enforcement matter or the Order, whether arising under common law or under the terms of any statute, including, but not limited to, the Equal Access to Justice Act, 5 U.S.C. § 504 and 28 U.S.C. § 2412;
- (e) Any and all rights to assert this proceeding, this Stipulation, consent to the issuance of the Order, and/or the issuance of the Order, as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity; and
- (f) Any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

OTHER PROVISIONS

- (1) Following the execution of the Consent Order and unless the OCC informs the Branch otherwise in writing with respect to any or all of the subparagraphs below:
 - (a) The Bank is treated as an “eligible foreign bank” pursuant to 12 C.F.R. § 28.12(f)(2) for the purposes of 12 C.F.R. Part 28, Subpart B regarding licensing, supervision, and operations of Federal branches and agencies; and

- (b) The Branch is not in “troubled condition” as defined in 12 C.F.R. § 5.51(c)(7)(ii), and is therefore not subject to the restrictions in 12 C.F.R. § 5.51 requiring prior notice to the OCC of changes in directors and senior executive officers.

ARTICLE V

CLOSING

(2) The provisions of this Stipulation and the Order shall not inhibit, estop, bar, or otherwise prevent the OCC from taking any other action affecting the Branch or its institution-affiliated parties (as defined by 12 U.S.C. § 1813(u)) if, at any time, the Comptroller or his duly authorized representative deems it appropriate to do so to fulfill the responsibilities placed upon him by the several laws of the United States of America.

(3) Nothing in this Stipulation or the Order shall preclude any proceedings brought by the OCC to enforce the terms of the Order, and nothing in this Stipulation or the Order constitutes, nor shall the Branch contend that it constitutes, a release, discharge, compromise, settlement, dismissal, or resolution of any actions, or in any way affects any actions that may be or have been brought by any other representative of the United States or an agency thereof, including, without limitation, the United States Department of Justice.

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

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

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

6/5/2017
Date

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

/s/ Darryll Hendricks
Darryll Hendricks
General Manager
UBS AG

6/1/2017
Date

/s/ Spruille Braden
Spruille Braden
Governance Officer
UBS AG

6/1/2017
Date