

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

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In the Matter of:)	
)	
UBS AG, New York Branch)	AA-EC-2018-30
New York, New York)	
)	
UBS AG, Stamford Branch)	
Stamford, Connecticut)	
)	
UBS AG, Miami Branch)	
Miami, Florida)	
)	
Federal Branches of)	
)	
UBS AG)	
Zurich, Switzerland)	
_____)	

CONSENT ORDER

The Comptroller of the Currency of the United States of America (“Comptroller”) through his national bank examiners and other staff of the Office of the Comptroller of the Currency (“OCC”), has supervisory authority over and has conducted examinations of the UBS AG New York Wealth Management Americas Private Bank Branch, New York, New York (License #80113), UBS AG Stamford Investment Bank Branch, Stamford, Connecticut (License # 80135) and UBS AG Miami Wealth Management Americas Private Bank Branch, Miami, Florida (License # 80115) (collectively “Branches”), which are Federal branches of UBS AG, Zurich, Switzerland (“Home Office”). The OCC has identified deficiencies in the Branches’ Bank Secrecy Act/Anti-Money Laundering (“BSA/AML”) compliance program that resulted in violations of 12 C.F.R. § 21.21 (BSA/AML compliance program), 12 C.F.R. § 21.11 (suspicious

activity report filings), and other violations, and has informed the Branches of the findings resulting from the examinations.

The Branches, by and through the General Manager of the UBS AG Stamford Investment Bank Branch, the General Manager of the UBS AG New York Wealth Management Americas Private Bank Branch and the UBS AG Miami Wealth Management Americas Private Bank Branch, the Americas Head of Compliance and Operational Risk Control, UBS AG, and the President of UBS Americas (“Managing Officials”), duly authorized by the Home Office, have executed a Stipulation and Consent to the Issuance of a Consent Order, dated May ____, 2018, that is accepted by the Comptroller (“Stipulation”). By this Stipulation, which is incorporated herein by reference, the Branches have consented to the issuance of this Consent Order (“Order”).

ARTICLE I

COMPTROLLER’S FINDINGS

The Comptroller finds, and the Branches neither admit nor deny, the following:

(1) The Branches violated 12 C.F.R. § 21.21 and 12 C.F.R. § 21.11. Specifically, the Branches failed to adopt and implement a compliance program that adequately covered the required BSA/AML program elements, and the Branches failed to timely file Suspicious Activity Reports (“SARs”) related to suspicious customer activity.

(2) Some of the critical deficiencies in the elements of the Branches’ BSA/AML compliance program that resulted in a violation of 12 C.F.R. § 21.21, included the following:

(a) The Branches had an inadequate system of internal controls, ineffective independent testing, and a weak BSA Officer/staffing function.

- (b) The Branches had systemic deficiencies in their transaction monitoring systems, which resulted in monitoring gaps. These systemic deficiencies resulted in alert and investigation backlogs, and led to a failure to file SARs in a timely manner.
- (c) The Branches had systemic deficiencies in their customer due diligence (“CDD”), enhanced due diligence (“EDD”), and customer risk rating processes.
- (d) The Branches failed to retain names and address information for funds transfer rule purposes.
- (e) The Branches failed to establish and apply an adequate due diligence program for foreign financial institutions.

(3) The Branches failed to file the necessary SARs concerning suspicious customer activity in a timely manner, in violation of 12 C.F.R. § 21.11.

(4) Pursuant to the authority vested in him by the Federal Deposit Insurance Act, as amended, 12 U.S.C. §1818, the Comptroller hereby ORDERS that:

ARTICLE II

COMPREHENSIVE BSA/AML ACTION PLAN

(1) Within sixty (60) days of the effective date of this Order, the Managing Officials 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 VIII of this Order (“BSA/AML Action Plan”) and which complies with the requirements of this Article.

(2) The Managing Officials shall ensure that the Branches achieve and thereafter maintain compliance with this Order, including, without limitation, successful implementation of the Action Plan. The Managing Officials shall further ensure that, upon implementation of the BSA/AML Action Plan, the Branches achieve and maintain effective BSA/AML compliance programs, in accordance with applicable laws and regulations. In order to comply with these requirements, the Managing Officials shall:

- (a) Require timely and accurate reporting by the Branches of such actions directed by the Managing Officials to be taken under this Order;
- (b) Follow up on any non-compliance with such actions in a timely and appropriate manner; and
- (c) Require corrective action be taken in a timely manner for any non-compliance with such actions.

(3) The BSA/AML Action Plan must specify timelines for completion of each of the requirements of Articles III through VIII of this Order. The timelines in the BSA/AML Action Plan must be consistent with any deadlines set forth in Articles III through VIII. The term “IB Branches” means the four investment bank branches of UBS AG (UBS AG Stamford Branch, UBS AG Chicago Branch, UBS AG 299 Park Avenue Branch and USA AG 1285 Avenue of the Americas Branch) and the term “WM Branches” mean the six wealth management branches of UBS AG (UBS AG New York 787 7th Avenue WMA Branch, UBS AG Miami Branch, UBS AG Tampa Branch, UBS AG 1285 Avenue of the Americas WMA CIO NY Branch, UBS AG Los Angeles Branch and UBS AG San Francisco Branch).

- (4) The BSA/AML Action Plan must:
- (a) Ensure that, to the extent the Branches are responsible for, or provide BSA/AML compliance program guidance, evaluation, policies, procedures, reporting or other services to other IB Branches and WM Branches, such activity must be consistent with the provisions of Articles III through VIII of this Order. The term “enterprise-wide” as used in this Order shall include the IB Branches and WM Branches. The term “Group Affiliates” as used in this Order shall mean the UBS AG Home Office and all affiliated banks and branches;
 - (b) Satisfactorily address all outstanding BSA/AML deficiencies;
 - (c) Include a comprehensive, enterprise-wide gap analysis of the Branches’ 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 Order. The evaluation shall include assessments of internal controls, including governance and oversight, accountability, staffing requirements, risk assessment processes, customer due diligence processes, management information systems and suspicious activity monitoring systems and processes; and
 - (d) Specify in detail budget outlays and staffing, including aggregated staff compensation information in a format acceptable to the Director, that are necessary to achieve and maintain full compliance with Articles III through VIII of this Order.

(5) An independent consultant or auditor engaged by the Branches to assist in the assessment of the BSA/AML Action Plan or other compliance with this Order must have demonstrated and specialized experience with the BSA/AML or OFAC 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.

(6) Upon request by the Director, the Branches shall modify the BSA/AML Action Plan to address any BSA/AML deficiencies, or citations of violations of law concerning BSA/AML matters, which the OCC may issue to the Branches following the effective date of this Order.

(7) If the Director requires changes to the BSA/AML Action Plan, the Branches shall incorporate those changes or suggest alternatives that are acceptable to the Director. The Branches shall adopt, implement and adhere to the BSA/AML Action Plan upon the Director's issuance of a written determination of no supervisory objection. Following adoption, the Branches shall not take any action that will cause a significant deviation from, or material change to, the BSA/AML Action Plan unless and until the Branches have received a prior written determination of no supervisory objection from the Director.

(8) Commencing with the third calendar quarter of 2018, within thirty (30) days after the end of each calendar quarter following the date of this Order, the Managing Officials 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 Managing Officials shall ensure that the progress reports include timely and accurate information sufficient to validate compliance with this Order. The Director may at any point, in writing, discontinue the requirement for progress reports or modify the reporting schedule.

(9) 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, secure e-mail, or hand delivery to:

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

With copies to:

Examiner-In-Charge: UBS AG
National Bank Examiners
787 Seventh Ave, 14th Floor
New York, New York 10019

ARTICLE III

MANAGEMENT AND ACCOUNTABILITY

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

(2) The Managing Officials shall ensure that, enterprise-wide, compliance staff has the appropriate level of authority to implement the BSA/AML Compliance Program and, as needed, question account relationships and business plans. Compliance staff shall maintain independence from the business line. The Branches shall follow any applicable guidance addressing compliance staff independence issued by the OCC and the Federal Financial Institutions Examination Council (“FFIEC”).

(3) The Managing Officials shall ensure that, enterprise-wide, senior management and line of business management are accountable for effectively implementing Branch policies and procedures, and fulfilling BSA/AML obligations. The Managing Officials shall incorporate

BSA compliance into the performance evaluation process for senior and line of business management. Additionally, written Branch policies and procedures shall clearly outline the BSA/AML responsibilities of senior management, and relevant business line employees, including, but not limited to, relationship managers, foreign correspondent banking personnel, private banking staff, and business development staff, as well as compliance and other relevant control functions, and internal audit.

(4) The Managing Officials 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.

(5) The Managing Officials shall conduct a management information system (“MIS”) assessment with respect to BSA/AML compliance and develop a plan that will enable the Branches to more effectively identify, monitor, manage and report the BSA/AML-related risks on a timely basis. The plan must provide for appropriate reporting and consider the following:

- (a) any trends in unusual or suspicious activity that have been identified and reported by the Branches, as well as the product lines, departments and branches in which suspicious activity has occurred;
- (b) high risk accounts by line of business and type of business, country of origin, locations of customer businesses and residences, average dollar and transaction volume of activity; and
- (c) information regarding compliance with this Order.

(6) The Managing Officials shall ensure that the Branches have sufficient processes, management, personnel, and control systems to effectively implement and adhere to all

provisions of this Order, and that management and personnel have sufficient training and authority to execute their duties and responsibilities under this Order.

ARTICLE IV

BSA OFFICERS AND STAFFING

(1) The Managing Officials shall ensure that the Branches have permanent, qualified, and experienced BSA Officers who shall be vested with sufficient stature, authority, time, and resources to fulfill the duties and responsibilities of the position and to ensure compliance with the requirements of the BSA and whose retention will satisfactorily address any open BSA Officer deficiencies and the requirements of this Article. The Managing Officials shall ensure that the BSA Officers and other staff responsible for BSA/AML compliance have sufficient training, authority, and skill to perform their assigned responsibilities.

(2) If any of the BSA Officer positions are vacated, the appropriate Managing Official(s) shall identify and provide written notice to the Director of a new BSA Officer within ninety (90) days of the date of such vacancy.

(3) Within sixty (60) days of this Order, the Managing Officials shall ensure that the Branches conduct a formal written assessment of the Branches' oversight and infrastructure to ensure compliance with the requirements of the BSA. This assessment shall include, at a minimum:

(a) The adequacy of staffing of the BSA/AML compliance functions enterprise-wide, including:

(i) The level and scope of responsibilities of the BSA Officers;

- (ii) The knowledge, skills, and capabilities of the BSA Officers to conduct assigned responsibilities and ensure the Branches' compliance with the requirements of the BSA; and
 - (iii) The number, qualifications and experience of staff needed to support the BSA Officers and the Branches' BSA/AML compliance functions, and the level and scope of responsibilities of any support staff;
- (b) The BSA Officers' reporting structure, stature, authority, time, and resources; and
 - (c) The Branches' performance evaluation program that addresses periodic performance evaluations of staff involved with BSA/AML compliance.

(4) Within sixty (60) days after completing the formal written assessment under paragraph (3) of this Article, the Managing Officials shall ensure that the Branches implement any changes that are needed regarding the Branches' BSA Officers and supporting staff enterprise-wide, including their responsibilities, authority, structure, independence, competencies, or capabilities. In particular, the Managing Officials shall ensure that the BSA Officers and supporting staff have sufficient training, authority, and skill to perform their assigned responsibilities.

(5) The Managing Officials shall periodically, and no less than annually, review the adequacy of the Branches' BSA Officers and supporting staff enterprise-wide, and shall document its determinations in writing. The periodic reviews shall consider the factors described in paragraph (3) of this Article.

ARTICLE V

BSA/AML RISK ASSESSMENT

(1) Pursuant to the BSA/AML Action Plan submitted under Article II, the Managing Officials shall ensure that the Branches review, update, and implement an enhanced written enterprise-wide, ongoing BSA/AML Risk Assessment program that timely and accurately identifies the BSA risks posed to the Branches after consideration of all pertinent information (“BSA/AML Risk Assessment”). The BSA/AML Risk Assessment program shall reflect a comprehensive analysis of the Branches’ vulnerabilities to money laundering and financial crimes activity and provide strategies to control risk and limit any identified vulnerabilities. The Managing Officials shall ensure that the staff responsible for the BSA/AML Risk Assessment have sufficient training, authority, and skill to perform their assigned responsibilities.

(2) The BSA/AML Risk Assessment shall include a comprehensive assessment of the Branches’ BSA/AML risk, including detailed quantification of risk to accurately assess the level of risk and the adequacy of controls. The BSA/AML Risk Assessment shall include:

- (a) A written enterprise-wide assessment of the BSA/AML risk associated with each line of business, and an enterprise-wide assessment of BSA/AML risk for higher risk products, customers, and services. This review shall include, but is not limited to, an assessment of risk associated with foreign correspondent banking, pouch services, trade finance, safe deposit boxes, cash-intensive businesses, remote deposit capture, third-party payment processing, monetary instruments, and other higher risk products, services, customers, or geographies. The purpose of the enterprise-wide risk assessment is to identify systemic AML risk that may

not be apparent in a risk assessment focused on individual lines of business.

- (b) Evaluation of the Branches' 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 enterprise-wide relationship, 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, and material changes in the customer's relationship with the Branches, as well as other factors discussed within the 2014 FFIEC Bank Secrecy Act/Anti-Money Laundering Examination Manual (rev. Feb. 27, 2015) ("FFIEC BSA/AML Examination Manual");
- (c) The identification of specific lines of business, geographies, products or processes where controls are not commensurate with the level of BSA/AML risk exposure;
- (d) An assessment of BSA/AML risk both individually within the Branches' business lines and on an enterprise-wide consolidated basis across all IB and WM Branches activities and product lines, including BSA/AML risk involving Group Affiliate customers and/or transactions that impact the

Branches to the extent that the information can be obtained under the laws of each Group Affiliate's jurisdiction;

- (e) Aggregation of the Branches' enterprise-wide BSA/AML risk that is reasonable and clearly supported in the work papers. The work papers and supporting documentation shall be readily accessible for a third party review; and
- (f) Independent testing to validate the accuracy and reasonableness of the most recent BSA/AML risk assessments.

(3) The BSA/AML Risk Assessment shall also include assessments of the organizational structure, enterprise-wide effectiveness, competency of management, accountability, staffing requirements, internal controls, customer due diligence processes, enhanced due diligence processes, risk assessment processes, suspicious activity monitoring and reporting systems and processes, audit/independent testing, and training.

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

(5) The Branches shall submit the comprehensive BSA/AML Risk Assessment to the Director for a written determination of no supervisory objection. If the Director requires changes to the evaluation or the assessments, the Branches shall incorporate those changes or suggest alternatives that are acceptable to the Director. The Branches shall adopt, implement and adhere

to the BSA/AML Risk Assessment upon the Director's issuance of a written determination of no supervisory objection.

ARTICLE VI

CUSTOMER DUE DILIGENCE AND ENHANCED DUE DILIGENCE

(1) Pursuant to the BSA/AML Action Plan submitted under Article II, the Managing Officials shall ensure that appropriate enterprise-wide Customer Due Diligence ("CDD") and Enhanced Due Diligence ("EDD") policies and procedures, and an adequate CDD and EDD MIS, are developed and implemented for the Branches. 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. CDD shall be commensurate with the customer's risk profile, and sufficient for the Branches to develop an understanding of the nature and purpose of customer relationships. The Managing Officials shall ensure that the staff responsible for gathering CDD and EDD information and for the development and maintenance of the MIS have sufficient training, authority, and skill to perform their assigned responsibilities.

(2) The CDD and EDD policies and procedures must be documented and satisfactorily address any identified CDD and EDD deficiencies and include, at a minimum:

- (a) Policies and procedures to ensure a methodology for assigning documented risk levels to the customer base, and that consider appropriate factors such as type of customer; geographic activity; the expected account activity by type of service used, including the volume and frequency by dollar amount and number, and the specification of the CDD and EDD information that must be obtained, commensurate with these risk levels;

- (b) Policies and procedures to ensure the quantification of risk encompasses a customer's entire enterprise-wide relationship with the IB and WM Branches, to include the nature and purpose of the account, actual or anticipated activity in the account (*e.g.*, type, volume, and value (number and dollar) of transaction activity engaged in), nature of the customer's business or occupation, customer location (*e.g.*, customer's geographic location, where they transact business, and where they have significant operations), types of products and services used by the customer, material changes in the customer's relationship with the Branches, as well as other factors outlined within the FFIEC BSA/AML Examination Manual;
- (c) Policies and procedures to obtain customer information regarding the client's/customer's relationship with Branches and all Group Affiliates (if applicable and to the extent that the information can be obtained under the laws of each Group Affiliate's jurisdiction). This includes accounts within all lines of business, regions and countries (as permitted by the laws of each jurisdiction);
- (d) Policies and procedures that comply with 31 C.F.R. § 1020.220 for the opening of new accounts that ensure that the required customer identification information is recorded in an automated system of record;
- (e) Policies and procedures that comply with 31 C.F.R. § 1010.610 for foreign correspondent accounts that ensure that the required due diligence information is recorded in an automated system of record, and shall ensure:

- (i) Timely, sustained and documented reviews of foreign correspondent account relationships;
 - (ii) Nested account activity risk is effectively identified and managed through risk-based processes; and
 - (iii) Identification, monitoring and review of Pouch and U.S. Dollar demand products and accounts;
- (f) Policies and procedures to ensure full realignment of line of business specific CDD and EDD processes to enterprise-wide processes, including consistency, sustainability, timeliness, and documentation of CDD and EDD reviews across all lines of business, including trade finance;
 - (g) Policies and procedures to ensure CDD includes ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information as defined in 31 C.F.R. 1020.210(b)(5);
 - (h) Policies and procedures to ensure the customer relationship BSA/AML risk score is detailed in the CDD record, along with the supporting factors, including transaction activity, geographies involved, and suspicious activity monitoring alert and filing history; and
 - (i) A due diligence database that is readily accessible to the relationship manager and other parties responsible for the customer relationship, BSA/AML compliance personnel, suspicious activity monitoring alert analysts and investigators, and quality control personnel.

(3) CDD and EDD MIS shall be commensurate with the Branches' BSA/AML risk as identified by the Branches' risk assessments required by Article V, and shall provide appropriate

business, BSA/AML compliance, and investigations staff enterprise-wide with the appropriate access to sufficient CDD and EDD information to enable timely and sound analysis and monitoring of customers' activity.

(4) The Managing Officials shall submit the CDD/EDD policies and procedures to the Director for a written determination of no supervisory objection. If the Director requires changes to the CDD and EDD policies and procedures, or the CDD and EDD MIS, the Branches shall incorporate those changes or suggest alternatives that are acceptable to the Director. The Branches shall adopt, implement and adhere to the CDD and EDD policies and procedures, and to the CDD and EDD MIS, upon the Director's issuance of a written determination of no supervisory objection.

ARTICLE VII

SUSPICIOUS ACTIVITY MONITORING, INVESTIGATION AND REPORTING

(1) Pursuant to the BSA/AML Action Plan Submitted under Article II, the Managing Officials shall ensure that the Branches develop, implement, and thereafter adhere to enterprise-wide policies and procedures that comply with the requirements of this Article and that ensure the timely, appropriate, and documented review and dispositioning of suspicious activity alerts and the timely filing of SARs, and that satisfactorily address any identified suspicious activity monitoring and reporting deficiencies ("Suspicious Activity Monitoring and Reporting Program"). The Managing Officials shall ensure that the staff responsible for the Suspicious Activity Monitoring and Reporting Program have sufficient training, authority, and skill to perform their assigned responsibilities.

(2) The Suspicious Activity Monitoring and Reporting Program shall include evaluation of the enterprise-wide suspicious activity identification processes to ensure they are

effective, sustainable, and provide comprehensive coverage. This evaluation shall include an assessment of the capabilities of any surveillance and transaction monitoring systems used, the scope of coverage provided by the systems, and the management of those systems. Upon completion of the Branches' evaluation, the Branches shall take appropriate corrective action to remedy any identified weaknesses or deficiencies. The evaluation shall address, but not be limited to, the following issues:

- (a) An assessment of the functionality of automated transaction monitoring systems used to determine if the systems are sufficiently robust to provide for the timely identification of potentially suspicious activity, a comprehensive listing of weaknesses or deficiencies in the systems, the risks presented by these deficiencies, and proposed corrective actions; and
- (b) The development of a documented project plan and a timeline for the effective implementation, validation, and optimization of any proposed upgrades or changes to the transaction monitoring systems.

(3) With respect to each surveillance and transaction monitoring system, the Suspicious Activity Monitoring and Reporting Program must ensure the following:

- (a) The integrity of data feeding the transaction monitoring systems;
- (b) The system has been sufficiently tailored to the Branches' risk profile, operations, and all lines of business, including foreign correspondent banking accounts, intermediary wires, and trade finance;
- (c) The system's functionality is being fully utilized to appropriately address risk;

(d) The business logic units, parameters, rules, or other factors selected for automated monitoring are appropriate and effective in identifying customer activity that is unreasonable or abnormal given the nature of the customer's occupation or business and expected activity, and considers geographic risks. In addition, there shall be:

(i) Sufficient management information and metrics to manage and adjust the system, including identification of employees responsible for completing SARs, suspect information, the date the suspicious activity was detected, alert date, alert determination, investigation received date, time from alert to investigation, the filing deadline, the actual date of filing, and the date the SAR was reported to senior management and/or governance committees; and

(ii) Sufficient management information and metrics to manage and adjust the system and surveillance processes, and 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; and

(e) Timely completion and documentation of all investigations, quality control reviews, and filing of any SARs.

(4) With respect to the alert investigation process, the Suspicious Activity Monitoring and Reporting Program must ensure the following:

(a) The adequacy of qualified staffing to investigate and clear alerts;

- (b) The quality and completeness of information available to analysts working transaction monitoring alerts and conducting investigations;
- (c) The standards for disposition of different types of alerts are reasonable, communicated in writing to relevant staff, and are adhered to by the alert investigators;
- (d) Adequate documentation is maintained to support the disposition of alerts;
- (e) Methods to obtain additional information to investigate potentially suspicious activity, including, if applicable, information from multiple lines of business a customer transacts with or information from Group Affiliates to the extent that the information can be obtained under the laws of each Group Affiliate's jurisdiction, and supporting information concerning foreign suspicious activity/transaction reports involving Branch customers (as permitted by the laws of each jurisdiction);
- (f) Disposition of each alert within a reasonable time period after the generation of the alert and the filing of SARs and follow-up SARs within the time frames specified in the applicable rules, regulations, and regulatory guidance;
- (g) Standards that ensure accounts with high volumes of investigations are identified, elevated, properly categorized as high risk, and subject to EDD and monitoring;
- (h) Effective and sustainable quality control processes designed to ensure the surveillance and transaction monitoring system, alert management

process, and SAR decisioning and filing are working effectively and according to internal standards, and include all lines of business;

- (i) Any backlogs in the Suspicious Activity Monitoring and Reporting Program are promptly reported to the Managing Officials and appropriate management committee(s), in writing, for resolution; and
- (j) The effectiveness 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.

(5) If the Director requires changes to the Suspicious Activity Monitoring and Reporting Program, the Branches shall incorporate those changes or suggest alternatives that are acceptable to the Director. The Branches shall adopt, implement and adhere to the Suspicious Activity Monitoring and Reporting Program upon the Director's issuance of a written determination of no supervisory objection.

ARTICLE VIII

BSA/AML INTERNAL AUDIT

(1) Pursuant to the BSA/AML Action Plan submitted under Article II, the Managing Officials shall ensure that the Branches develop, implement and adhere to an effective and sustainable independent BSA/AML audit program so that its scope, testing, documentation, and follow-up testing are sufficient to address any identified deficiencies and to:

- (a) Detect irregularities in the Branches' operations;
- (b) Perform a sufficient audit quality assurance review to ensure adequate internal controls, including that alert dispositions are accurate and properly supported;

- (c) Determine the Branches' level of compliance with all applicable laws, rules, regulations, and regulatory guidance;
- (d) Determine the root cause for BSA/AML deficiencies;
- (e) Evaluate the Branches' adherence to established policies and procedures;
- (f) Perform an appropriate level of testing to support the audit findings; and
- (g) Ensure adequate audit coverage and audit frequency in all areas.

(2) The Managing Officials shall ensure that the person(s) or external firm responsible for implementing the BSA/AML audit program described in paragraph (1) of this Article reports directly to the UBS Americas Holding LLC Audit Committee ("Audit Committee"), which shall have the power to oversee the audit activities. All reports prepared by the internal audit staff with respect to any external BSA/AML audit shall be filed directly with the Managing Officials, and/or the Audit Committee, and not through any intervening party.

(3) The Managing Officials, or designated committee, shall ensure appropriate oversight of the BSA compliance audit function, with particular emphasis on an adequately staffed BSA/AML audit department or outside firm that has the necessary expertise and knowledge regarding BSA/AML experience, and an adequate number of individuals employed.

(4) The Managing Officials shall ensure that the Branches conduct a formal written assessment of the Branches' oversight and infrastructure to ensure compliance with the requirements of the BSA. This assessment shall include, at a minimum, the number, qualifications and experience of staff needed to maintain sufficient qualified staff in the Internal Audit Department, including quality assurance and standards teams, to provide for timely execution of independent audits and quality assurance reviews of completed audits, and provide sufficient training on internal controls relative to their respective roles and responsibilities.

(5) All audit reports prepared by internal audit staff or an independent third party shall be in writing and supported by adequate work papers, which must be provided to the Branches. The Managing Officials under the oversight of the Audit Committee, shall ensure the Branches take immediate actions to remedy deficiencies cited in audit reports, and that the auditors maintain a written record describing those actions.

(6) The audit staff shall have access to any records necessary for the proper conduct of its activities. The OCC shall have access to all reports and work papers of the audit staff and any other parties working on its behalf.

(7) If the Director requires changes to the Internal Audit program, the Branches shall incorporate those changes or suggest alternatives that are acceptable to the Director. The Branches shall adopt, implement and adhere to the Internal Audit program upon the Director's issuance of a written determination of no supervisory objection.

ARTICLE IX

CLOSING

(1) Although the Managing Officials by this Order are 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 Managing Officials have the ultimate responsibility for proper and sound management of the Branches as well as compliance with all of the provisions contained in the Order.

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

- (a) Ensure the Branches have sufficient processes, management, personnel, and control systems to effectively implement and adhere to all provisions of this Order and that 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 Branches as may be necessary for the Branches to perform its obligations and undertakings under the terms of this Order;
- (c) Require appropriate, timely, and accurate reporting by Branch management of such actions directed by the Managing Officials 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 noncompliance with such actions.

(3) If, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States to undertake any action affecting the Branches, nothing in this Order shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(4) 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.

(5) 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.

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

(7) Any time limitations imposed by this Order shall begin to run from the effective date of this Order, as shown below, unless the Order specifies otherwise. The time limitations, progress report responses, and other similar requirements may be amended in writing by the Director for good cause upon written request by the Branches. Any written request to extend any time limitations, progress report responses and other requirements shall include a statement setting forth in detail the special facts and circumstances that prevent the Branches from complying with the time limitations, progress report responses, and other similar requirements and shall be submitted by the Managing Officials. All such written requests shall be accompanied by relevant supporting documentation, and any other facts upon which the Branches rely. The OCC's decision concerning a request will be communicated to the Managing Officials in writing by the Director and is final and not subject to further review.

(8) 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. Without limiting the foregoing, nothing in this Order shall affect any action against the Branches or its institution-affiliated parties by a bank regulatory agency, the United States Department of Justice, or any other law enforcement agency.

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

(10) 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.

IT IS SO ORDERED, this 31st day of May, 2018.

/s/Vance S. Price

Vance S. Price

Deputy Comptroller

Large Bank Supervision

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

In the Matter of:)	
)	
)	
UBS AG, New York Branch)	AA-EC-201830
New York, New York)	
)	
UBS AG, Stamford Branch)	
Stamford, Connecticut)	
)	
UBS AG, Miami Branch)	
Miami, Florida)	
)	
Federal Branches of)	
)	
UBS AG)	
Zurich, Switzerland)	

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

WHEREAS, the Office of the Comptroller of the Currency (“OCC”), based upon information derived from the exercise of its regulatory and supervisory responsibilities, intends to initiate a cease and desist order to the UBS AG New York Wealth Management Americas Private Bank Branch, New York, New York (License #80113), UBS AG Stamford Investment Bank Branch, Stamford, Connecticut (License # 80135) and UBS AG Miami Wealth Management Americas Private Bank Branch, Miami, Florida (License # 80115) (collectively “Branches”), which are Federal Branches of UBS AG, Zurich, Switzerland (“Home Office”), pursuant to 12 U.S.C. § 1818(b), for the Branches’ violations of 12 C.F.R. §§ 21.21 and 21.11; and

WHEREAS, in the interest of cooperation and to avoid additional costs associated with administrative and judicial proceedings with respect to the above matter, the Branches, through the General Manager of the UBS AG Stamford Investment Bank Branch, the General Manager of the UBS AG New York Wealth Management Americas Private Bank Branch and the UBS AG Miami Wealth Management Americas Private Bank Branch, the Americas Head of Compliance and Operational Risk Control, UBS AG, and the President of UBS Americas (“Managing Officials”), have 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 Branches that:

ARTICLE I

JURISDICTION

(1) The Branches are uninsured Federal branches 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 Branches are “insured depository institutions” 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 Branches pursuant to 12 U.S.C. § 1818(b).

ARTICLE II

CONSENT

(1) The Branches, without admitting or denying any wrongdoing, consent and agree to issuance of the accompanying Consent Order (“Order”) by the OCC.

(2) The Branches consent and agree 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 consent and agree 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 Branches under its supervisory powers, including 12 U.S.C. § 1818(i), and not as a matter of contract law. The Branches expressly acknowledge that neither the Branches nor the OCC has any intention to enter into a contract.

(4) The Branches declare 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 Branches to consent to the issuance of the Order and/or execute this Stipulation.

(5) The Branches expressly acknowledge 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.

(6) The Order constitutes a settlement of the cease and desist proceeding against the Branches contemplated by the OCC, based on the practices and violations of law described in the Comptroller's Findings set forth in Article I of the Order. The OCC releases and discharges the Branches from all potential liability for a cease and desist order that has been or might have been asserted by the OCC based on the practices and violations described in Article I of the Order, to the extent known to the OCC as of the effective date of the Order. Nothing in this Stipulation or the Order, however, shall prevent the OCC from:

- (a) Instituting enforcement actions other than a cease and desist order against the Branches based on the findings set forth in Article I of the Order;
- (b) Instituting enforcement actions against the Branches based on any other findings;
- (c) Instituting enforcement actions against the Branches' institution-affiliated parties based on the findings set forth in Article I of the Order, or any other findings; or
- (d) Utilizing the findings set forth in Article I of the Order in future enforcement actions against the Branches or institution-affiliated parties to establish a pattern or the continuation of a pattern.

Further, nothing in this Stipulation or the Order shall affect any right of the OCC to determine and ensure compliance with the terms and provisions of this Stipulation or the Order.

ARTICLE III

WAIVERS

- (1) The Branches, by executing this Stipulation and consenting to the Order, waive:
 - (a) Any and all rights to the issuance of a Notice of Charges pursuant to 12 U.S.C. § 1818(b);
 - (b) Any and all procedural rights available in connection with the issuance of the Order;
 - (c) 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;
 - (d) Any and all rights to seek any type of administrative or judicial review of the Order;
 - (e) 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;
 - (f) 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
 - (g) Any and all rights to challenge or contest the validity of the Order.

ARTICLE IV

OTHER PROVISIONS

- (1) Regarding the effect of the Order, and unless the OCC informs the Branches otherwise in writing with respect to any or all of the subparts below:
- (a) The Home Office 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 Branches are 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.

(2) Notwithstanding Paragraph (1) of this Article, the Branches’ status under 12 C.F.R. §§ 5.51(c)(7) and 28.12(f) is contingent upon the Branches’ satisfaction of the requirements of 12 C.F.R. §§ 5.51(c)(7)(i), (iii) and 28.12(f)(1).

ARTICLE V

CLOSING

(1) 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 Branches or 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.

(2) 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 Branches 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.

(3) 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, the Managing Officials of the Branches, have hereunto set their hands, on behalf of the Branches.

/s/Tom Naratil
Tom Naratil, President Americas
Co-President, Global Wealth Management
Member of Group Executive Board, UBS Group AG

5/30/18
Date

/s/Carlos Juan Ortiz
Carlos Juan Ortiz, General Manager
UBS AG New York (787 7th Ave) WMA Branch
and
UBS AG Miami Branch

5-30-18
Date

/s/Darryll Hendricks
Darryll Hendricks, General Manager
UBS AG Stamford Branch

5/30/18
Date

/s/Andrew Crean
Andrew Crean, Americas Head of Compliance and
Operational Risk Control, UBS AG

5/30/18
Date

Accepted by:

THE COMPTROLLER OF THE CURRENCY

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

5-31-18
Date