



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Conditional Approval #565
January 2003

December 23, 2002

Thomas J. Delaney, Esq.
ShawPittman LLP
2300 N Street, NW
Washington, DC 20037-1128

Re: Applications by UBS AG to: convert two state branches located in New York, NY to Federal branches; convert a state agency in Miami, FL to a limited Federal branch; establish an additional limited Federal branch in New York, NY; and exercise fiduciary powers. ACN: 2002-IB-10-0003, 0004, 0005, 0006, and 2002-IB-12-0006

Dear Mr. Delaney:

The Office of the Comptroller of the Currency (OCC) has reviewed UBS AG's applications to convert the state licensed branches located at 101 Park Avenue and 299 Park Avenue, New York, NY to Federal branches and to convert a state licensed agency located at 701 Brickel Avenue, Miami, FL into a limited Federal branch (hereinafter "the branches"). Permission was also requested to exercise all permissible fiduciary powers at 101 Park Avenue. UBS AG also requested permission to establish a limited Federal branch with the title of UBS AG to be located at 1285 Avenue of the Americas, New York, NY (hereinafter "the new branch"). The subject applications to convert the branches are hereby conditionally approved; and this approval constitutes a permit to conduct fiduciary powers requested in your application to convert the branch located at 101 Park Avenue. Preliminary conditional approval also is granted for the establishment of the new branch.

UBS AG also has requested our confirmation that the new branch may operate an administrative office located at 135 West 50th Street as a unit of the new branch. We have reviewed your proposal and hereby confirm that the proposed administrative office may be operated pursuant to 12 U.S.C. § 3102(b) and 12 U.S.C. § 24(Seventh) as a unit of the new branch.

This approval is granted based on a thorough review of all information available including the representations and commitments made in the application and by UBS AG's representatives. It is understood that UBS AG will maintain a combined Capital Equivalency Deposit (CED) for the branches located in New York and a separate CED for the limited Federal branch located in Florida. The CEDs shall be maintained in a bank consistent with OCC regulations and pursuant to a letter-agreement in such form and containing such limitations and conditions as prescribed

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by the OCC. It is also understood that UBS AG will submit an after-the-fact notice of conversion to the Board of Governors of the Federal Reserve System (FRB).

These approvals are subject to the following conditions:

1. In addition to compliance with other applicable requirements under U.S. law, UBS AG will make available to the OCC such information on the operations and activities of UBS AG and any of its affiliates that the OCC deems necessary to determine and enforce compliance by the branches and the new branch with applicable Federal laws. If the disclosure of any required information is prohibited by law or otherwise, UBS AG will cooperate with the OCC including seeking timely waivers of or exemptions from any applicable confidentiality or secrecy restrictions or requirements in order to enable UBS AG to make such information available to the OCC. However, if any restrictions on access to information on the operations or activities of UBS AG or its affiliates interfere with the OCC's ability to obtain information to determine and enforce compliance with applicable federal laws, the OCC may require termination of any offices licensed by the OCC or take other appropriate actions.
2. UBS AG consents to the jurisdiction of the Federal courts of the United States and of all United States government agencies, departments and divisions for purposes of any and all claims made by, proceedings initiated by, or obligations to, the United States, the Office of the Comptroller and any other United States government agency, department or division, in any matter arising under the National Bank Act, the International Banking Act, and other applicable Federal banking laws.
3. For two years following conversion, in the case of the branches, and commencement of operations, in the case of the new branch, UBS AG: (i) shall give the OCC's New York Field Office at least sixty (60) days prior written notice of its intent to significantly deviate or change the business plans or operations of the branches or the new branch, and (ii) shall obtain the OCC's written determination of no objection before the branches and the new branch engage in any significant deviation or change from their business plans or operations.

The conditions of this approval are conditions "imposed in writing by the agency in connection with the granting of any application or other request" within the meaning of 12 USC §1818. As such, the conditions are enforceable under 12 USC §1818.

In connection with the granting of trust powers, the board of directors are responsible for the proper exercise of the Federal branch's fiduciary powers pursuant to 12 CFR §9.4. The board is encouraged to become fully familiar with the requirements and responsibilities enumerated in 12 CFR Part 9 as are the trust officers and staff.

The OCC has no objection to Messrs. Gerard Cella and Ronald W. Fleming serving as Trust Officers.

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You must notify the OCC within 10 days after commencing trust activities. If fiduciary powers are not commenced within six months from the decision date, approval is withdrawn. Should you cease these activities, you must notify the OCC and complete the procedural steps located in the Fiduciary Powers section of the “Federal Branches and Agencies” booklet (Federal Branch booklet) of the Comptroller’s Licensing Manual.

Additionally, you are reminded of the following standard requirements, which must be met before the branches convert:

- The branches must have adequate fidelity bond coverage.
- It is the responsibility of the board of directors to adopt, review, and modify as appropriate, those policies, practices, and procedures necessary to ensure the safe and sound operation of the branches and to ensure compliance with them. Enclosed are minimum policies and procedures applicable to national banks, which are also applicable to Federal branches and agencies.
- The branches will maintain their accounts, books, and records as prescribed by 12 CFR Part 28 and in such a manner as to facilitate the complete and accurate presentation of financial statements and other reports in form and content as required by the OCC.
- UBS AG must comply with all representations and commitments contained in any approval order or letter issued by the FRB in connection with the branches.
- UBS AG must notify the OCC’s New York Field Office when it has completed all steps required to convert and of the effective date. You may refer to the Change of Status section of the Federal Branch booklet for more information.
- If the conversion is not effected within six months from the decision date, approval will be withdrawn. The OCC is opposed to granting extensions except under the most extenuating circumstances and expects the conversion to occur as soon as possible.

In connection with preliminary conditional approval to establish the new Federal branch, final approval will not be granted until the applicant has met the following procedural requirements and the OCC determines that the new branch is ready to commence operations.

- The new branch must have adequate fidelity insurance coverage.
- The new branch must open within eighteen (18) months of the date the OCC granted preliminary approval; otherwise, the approval is withdrawn.

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- The new branch will maintain its accounts, books, and records as prescribed by 12 CFR 28 and in such a manner as to facilitate the complete and accurate presentation of financial statements and other reports in form and content as required by the OCC.
- UBS AG must comply with all representations and commitments contained in any approval order or letter issued by the FRB in connection with the new branch.

Management must ensure that the applicable policies and procedures (enclosed) are established and adopted by the board of directors before the new branch commences business. Also enclosed are standard requirements that must be met, as applicable, before the new branch will be allowed to commence business.

Please notify us at least 45 days prior to the date the new branch will open for business so that we may schedule a pre-opening examination and issue the license granting final approval to its establishment and operation.

The OCC poses no objection to the following persons serving as management as proposed in the applications.

- Robert B. Mills, General Manager of 101 Park Avenue and 1285 Avenue of the Americas Branches, Managing Director, Chief Financial Officer and Regional Operating Officer Americas
- Christopher Rowland, General Manager of 299 Park Avenue Branch, Managing Director, Chief Operating Officer Americas – Private Banking International
- Eli Butnaru, Agency Manager, Miami Agency
- Ruedi Burri, Managing Director, Head of Marketing for Latin America
- Gerard Cella, Executive Director and Head of Active Advisory, USA, UBS Wealth Management & Business Banking
- Per Dyrvik, Controller of the Americas, UBS Warburg
- Ronald W. Fleming, Executive Director, Head of Portfolio Management
- Philip J. Lofts, Managing Director and Chief Credit Officer, Americas, UBS Warburg
- Ernest A. Pittarelli, Chief Operations Officer for the Americas, UBS Warburg
- Michael Quinn, Chief Financial Officer, Executive Director, Head of Risk Management and Financial Control – Private Banking International
- Raymond Simon-Vermot, Managing Director, Head of Marketing, Europe/Far East

All other executive officers or directors are subject to the OCC's *prior* review and clearance. You are also reminded that for a period of two years after the branches and new branch are opened for business, the OCC must review and have no objection to any new executive officer or director *prior* to that person assuming such position.

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This approval, and the activities and communications by OCC employees in connection with the filing, do not constitute a contract, express or implied, or any other obligation binding upon the OCC, the United States, any agency or entity of the United States or any officer or employee of the United States, and do not affect the ability of the OCC to exercise its supervisory, regulatory and examination authorities under applicable law and regulations. The foregoing may not be waived or modified by any employee or agent of the OCC or the United States.

The OCC will send to you under separate cover an appropriate set of OCC handbooks, issuances, and other selected publications. The Comptroller's Licensing Manual can be located at www.occ.treas.gov/corpapps/corpapplic.htm.

If you have questions, please contact Senior Licensing Analyst Sandya Reddy at (212) 790-4055 or me at (202) 874-5060.

Sincerely,

/s/ J. Greg Parvin

for

Beverly Evans
Senior Licensing Analyst

Enclosures: Standard Requirements
Minimum Policies and Procedures