UNITED STATES OF AMERICA
FINANCIAL CRIMES ENFORCEMENT NETWORK
DEPARTMENT OF THE TREASURY

IN THE MATTER OF:	)	
	)	**Number 2026-02**
UBS Financial Services Inc.	)	

CONSENT ORDER IMPOSING CIVIL MONEY PENALTY

The Financial Crimes Enforcement Network (FinCEN) has conducted a civil enforcement investigation and determined that grounds exist to impose a Civil Money Penalty against UBS Financial Services Inc. (UBSFS or the Firm) for violations of the Bank Secrecy Act (BSA) and its implementing regulations.[1] UBSFS admits to the Statement of Facts and Violations set forth below, consents to the issuance of this Consent Order, agrees to pay the civil money penalty imposed in this Consent Order, and agrees to comply with the provisions of this Consent Order, including, but not limited to, the Undertakings.

I. JURISDICTION

Overall authority for enforcement and compliance with the BSA lies with the Director of FinCEN, and the Director may impose civil penalties for violations of the BSA and its implementing regulations.[2]

At all times relevant to this Consent Order, UBSFS was a "broker or dealer in securities" (broker-dealer) and "futures commission merchant" (FCM), as defined by the BSA and its

[1] The BSA is codified at 12 U.S.C. §§ 1829b, 1951-1960, 31 U.S.C. §§ 5311-5314, 5316-5336 and includes other authorities reflected in notes thereto. Regulations implementing the BSA appear at 31 C.F.R. Chapter X.

[2] 31 U.S.C. § 5321(a); 31 C.F.R. § 1010.810(a), (d); Treasury Order 180-01 (July 1, 2014, reaff'd Jan. 14, 2020).

implementing regulations.[3] As such, UBSFS was required to comply with applicable BSA regulations.

AML Program: The BSA and its implementing regulations require broker-dealers and FCMs, such as UBSFS, to implement and maintain an anti-money laundering (AML) program, including policies, procedures, and controls to assure ongoing compliance with the applicable provisions of the BSA.[4] UBSFS is also required to: (1) conduct independent testing for compliance; (2) designate an individual or individuals responsible for implementing and monitoring the operations and internal controls of the program; (3) conduct ongoing training for appropriate persons; and (4) implement appropriate risk-based procedures for conducting ongoing customer due diligence, including but not limited to (a) understanding the nature and purpose of customer relationships for the purpose of developing a customer risk profile and (b) conducting ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information.[5]

Suspicious Activity Reporting: Broker-dealers and FCMs must identify suspicious transactions relevant to a possible violation of law or regulation in Suspicious Activity Reports (SARs) filed with FinCEN.[6] Specifically, the BSA and its implementing regulations require broker-dealers and FCMs to report transactions that involve or aggregate to at least $5,000; are conducted or attempted by, at, or through the broker-dealer or FCM; and that the broker-dealer or FCM "knows, suspects, or has reason to suspect" are suspicious.[7] A transaction is "suspicious" if

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[3] 31 U.S.C. § 5312(a)(2)(G) and (H); 31 C.F.R. § 1010.100(h), (t)(2), (t)(8), and (x).

[4] 31 U.S.C. § 5318(h); 31 C.F.R. § 1023.210; 31 C.F.R. § 1026.210.

[5] 31 U.S.C. § 5318(h); 31 C.F.R. § 1023.210(b); 31 C.F.R. § 1026.210(b).

[6] 31 U.S.C. § 5318(g); 31 C.F.R. § 1023.320; 31 C.F.R. § 1026.320.

[7] 31 U.S.C. § 5318(g); 31 C.F.R. § 1023.320; 31 C.F.R. § 1026.320.

a broker-dealer or FCM "knows, suspects, or has reason to suspect" that the transaction: (i) involves funds derived from illegal activities; (ii) is designed to evade the reporting or recordkeeping requirements of the BSA or regulations implementing it; (iii) has no business or apparent lawful purpose or is not the sort in which the customer normally would be expected to engage, and the broker-dealer or FCM knows of no reasonable explanation for the transaction after examining the available facts, including background and possible purpose of the transaction; or (iv) involves the use of the broker-dealer or FCM to facilitate criminal activity.[8] A broker-dealer or FCM is generally required to file a SAR no later than 30 calendar days after the initial detection by the broker-dealer or FCM of the facts that may constitute a basis for filing a SAR.[9]

The reporting and transparency that financial institutions provide through SARs is essential financial intelligence that FinCEN, law enforcement, and others use to safeguard the U.S. financial system and combat serious threats, including money laundering, terrorist financing, organized crime, corruption, drug trafficking, and massive fraud schemes targeting the U.S. government, businesses, and individuals.[10]

II. STATEMENT OF FACTS

The conduct described below took place from January 1, 2019, through June 30, 2023 (the Relevant Time Period) unless otherwise indicated.[11]

A. FinCEN

FinCEN is a bureau within the U.S. Department of the Treasury and is the federal authority

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[8] 31 C.F.R. § 1023.320(a)(2)(i)-(iv); 31 C.F.R. § 1026.320(a)(2)(i)-(iv).

[9] 31 C.F.R. § 1023.320(b)(3); 31 C.F.R. § 1026.320(b)(3).

[10] FinCEN, FIN-2014-A007, FinCEN Advisory to U.S. Financial Institutions on Promoting a Culture of Compliance (Aug. 11, 2014).

[11] As explained below, certain of the violations described in the Statement of Facts represent UBSFS's continued violation of the BSA following a prior consent order that it entered into with FinCEN and other regulators.

that enforces the BSA by investigating and imposing civil money penalties on financial institutions and individuals for willful violations of the BSA.[12] As delegated by the Secretary of the Treasury, FinCEN has "[a]uthority for the imposition of civil penalties" and "[o]verall authority for enforcement and compliance, including coordination and direction of procedures and activities of all other agencies exercising delegated authority under this chapter," including the Commodities Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC).[13]

B. CFTC

The CFTC is a federal regulator of UBSFS and has both delegated authority from FinCEN,[14] and separate authority under Title 7 of the United States Code, for examining FCMs, including UBSFS, for compliance with the BSA and its implementing regulations and similar rules under Title 7 of the United States Code.

C. SEC

The SEC is a federal regulator of UBSFS and has both delegated authority from FinCEN,[15] and separate authority under Title 15 of the United States Code, for examining broker-dealers, including UBSFS, for compliance with the BSA and its implementing regulations and similar rules under Title 15 of the United States Code.

D. FINRA

The Financial Industry Regulatory Authority (FINRA) is a self-regulatory organization

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[12] 31 U.S.C. § 5321(a). In civil enforcement of the BSA under 31 U.S.C. § 5321(a)(1), to establish that a financial institution or individual acted willfully, the government need only show that the financial institution or individual acted with either reckless disregard or willful blindness. The government need not show that the entity or individual had knowledge that the conduct violated the BSA, or that the entity or individual otherwise acted with an improper motive or bad purpose. UBSFS admits to "willfulness" only as the term is used in civil enforcement of the BSA under 31 U.S.C. § 5321(a)(1).

[13] 31 C.F.R. § 1010.810(a), (d).

[14] 31 C.F.R. § 1010.810(b)(9).

[15] 31 C.F.R. § 1010.810(b)(6).

with authority to examine its member firms, including UBSFS, for compliance with the BSA and its implementing regulations. FINRA also issues regulations that govern the conduct of its members, including minimum standards for AML programs.[16]

E. UBS Financial Services Inc.

As a full-service broker-dealer and FCM, UBSFS offers securities and commodities brokerage services; investment products and advisory services; portfolio management products and services; and execution and clearance services for transactions originated by individual investors. UBSFS is a wholly owned subsidiary of UBS Americas Inc., which is an indirect subsidiary of UBS AG in Switzerland (UBS Head Office), a subsidiary of its holding company, UBS Group AG. UBS Group AG reported consolidated total assets of approximately $1.62 trillion and annual total revenue of approximately $49.6 billion for the year ending December 31, 2025.

F. FinCEN's 2018 Consent Order with UBSFS

On December 11, 2018, UBSFS entered into a Consent Order with FinCEN for violations of the BSA that included the assessment of a civil money penalty of $14.5 million (the 2018 Consent Order).[17] There, FinCEN determined that, for the time period 2004 through April 2017, UBSFS willfully violated AML program requirements[18] and willfully violated the requirement to conduct ongoing due diligence on correspondent accounts for foreign financial institutions.[19] The 2018 Consent Order found that UBSFS failed to provide adequate resources to its AML

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[16] FINRA Rule 3310 requires that "[e]ach member shall develop and implement a written anti-money laundering program reasonably designed to achieve and monitor the member's compliance with the requirements of the Bank Secrecy Act (31 U.S.C. 5311, *et seq*.), and the implementing regulations promulgated thereunder by the Department of the Treasury." FinCEN's regulation requiring broker-dealers to implement an AML program requires, among other things, that broker-dealers comply with "the rules, regulations, or requirements of its self-regulatory organization governing such programs." 31 C.F.R. § 1023.210(c).

[17] FinCEN, In the Matter of UBS Financial Services, Inc. (Dec. 11, 2018).

[18] 31 U.S.C. § 5318(h); 31 C.F.R. § 1023.210.

[19] 31 U.S.C. § 5318(i); 31 C.F.R. § 1010.610(a).

Compliance Officer, including staffing, to ensure day-to-day compliance with the BSA, hindering UBSFS's ability to file SARs in a timely manner. The 2018 Consent Order also stated that UBSFS failed to develop sufficient policies and procedures to address the AML risks associated with providing financial services to shell companies, which can be used to mask the beneficial ownership of account assets, making the tracking of funds movement more difficult for law enforcement and tax officials. Lastly, the 2018 Consent Order stated that UBSFS also failed to adequately monitor foreign currency wires conducted through commodities accounts and retail brokerage accounts due to weaknesses in its automated monitoring system. In the 2018 Consent Order, FinCEN recognized UBSFS's "commitment and ability to correct the issues" identified therein, including "upgrading its AML surveillance monitoring system." However, as detailed below, such upgrade was subject to delays and a flawed implementation process, which UBSFS failed to disclose to FinCEN until FinCEN's own investigation was already underway.[20]

1. UBSFS's Failures Related to Monitoring of Commodities Accounts in the December 2018 Consent Order

Beginning in 2004, UBSFS failed to adequately monitor foreign currency wires conducted through UBSFS's commodities accounts. Specifically, UBSFS's automated transaction monitoring system failed to capture critical information about these foreign currency wires, including sender and recipient information and the country of origin and destination. This gap in the automated transaction monitoring system impacted thousands of wire transfers amounting to billions of dollars sent or received through commodities accounts, including transfers to and from countries known for heightened money laundering risk. In August 2012, UBSFS implemented a

[20] During the course of FinCEN's investigation, UBSFS uncovered certain transaction-related data issues; despite the 2018 Consent Order, such issues were not previously investigated by UBSFS in its implementation of the upgraded AML surveillance monitoring system. UBSFS then disclosed these issues to FinCEN.

manual report of foreign currency wires into and out of commodities accounts. This manual process, however, was insufficient to identify patterns of suspicious activity and ensure compliance with the BSA's monitoring requirements.

2. UBSFS's Failures Related to Monitoring of Retail Brokerage Accounts in the December 2018 Consent Order

In addition to commodities accounts, the 2018 Consent Order noted that UBSFS customers were able to send or receive foreign currency wires through retail brokerage accounts.[21] Unlike the foreign currency wires effected by commodities accounts, UBSFS did not implement a manual report or any other compensating control to adequately monitor foreign currency wires effected by these accounts.[22]

Retail brokerage accounts did not have multi-currency capability and therefore were restricted to carrying balances and conducting transactions in U.S. dollars. To assist customers who needed to transact in foreign currency, UBSFS provided a service to convert U.S. dollars to foreign currency (or vice versa). Although the U.S. dollar debits and credits in the accounts were subject to automated transaction monitoring, UBSFS's automated monitoring system failed to capture critical information about foreign currency wires, including the identity and location of the sender or recipient of the wire, the foreign currency denomination, and the counterparty (including whether a third party was involved in the transaction). Without this critical information about the transaction, UBSFS could not adequately monitor foreign currency wires in its retail brokerage accounts.

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[21] While not discussed in the 2018 Consent Order, securities-backed loan accounts were also affected by UBSFS's monitoring deficiencies.

[22] In July 2012, UBSFS adjusted its automated transaction monitoring system to enhance its review of foreign currency wires in retail accounts. However, as noted in the 2018 Consent Order, these measures were insufficient for BSA compliance purposes because the system still failed to capture certain information related to the foreign currency denomination and the identity and jurisdictions of the parties to the transaction.

Before entering into the 2018 Consent Order, UBSFS represented to FinCEN that, by mid-2019, it expected to implement a new system for the automated monitoring of foreign currency wires, currency transactions, and wire activity that would remediate these deficiencies.

G. UBSFS Continued to Violate the BSA After the 2018 Consent Order

Notwithstanding these representations to FinCEN, it was not until March 2021 that UBSFS belatedly deployed a new automated monitoring system in an attempt to remediate these known issues. As explained below, due to deficiencies in the planning and testing of the new system's implementation, UBSFS's monitoring failure persisted into the second quarter of 2023, more than four years after the 2018 Consent Order. UBSFS also failed to comply with its BSA obligations in other respects, primarily related to its provision of services to certain high-risk customers with ties to Russia and Latin America.

H. UBSFS's Failure to Implement and Maintain a Reasonably Designed AML Program during the Relevant Time Period

1. Policies, Procedures, and Internal Controls

Throughout the Relevant Time Period and despite the 2018 Consent Order, UBSFS failed to implement and maintain reasonably designed internal controls to monitor foreign currency wires effected through its customers' accounts. For more than four years, UBSFS failed to appropriately monitor more than 61,500 foreign currency wires with an aggregate value of more than $10.5 billion.

a. Failures to Correct Monitoring Deficiencies Related to Foreign Currency Wires for Commodities Accounts

1) Overview

Dating back to 2012 and through at least March 2021, UBSFS relied on a manual control—a report flawed in both its design and execution—to monitor foreign currency wires effected through customers' commodities accounts, even after the 2018 Consent Order and contrary to representations to FinCEN.

This manual control suffered from three primary deficiencies that rendered it unfit for purpose: (i) the report was not reasonably tailored for the attendant risk; (ii) the report-generation process was unreliable and prone to error; and (iii) the report was generated and reviewed too infrequently to mitigate known risks.

First, the report, which relied on three parameters, was not tailored to address the money laundering and terrorist financing risks of UBSFS's customer base. An internal UBSFS slide deck from January 2019—shortly after UBSFS entered into the 2018 Consent Order with FinCEN—acknowledged that the report was "as noted by the regulators . . . still not effective." When UBSFS implemented automated monitoring for foreign currency wire transactions in March 2021, it was finally able to enact appropriate monitoring scenarios—long used by many financial institutions with risk profiles and resources equivalent to UBSFS—that captured risks omitted by the prior, rudimentary controls, including: (i) high-risk geographies; (ii) suspicious payment instructions (based on keywords and an internal watchlist); (iii) deviation of a customer's actual behavior from expected behavior; (iv) velocity of funds movement across products; (v) activity in a dormant account; and (vi) round-dollar transactions. The application of these scenarios eventually led to necessary improvements to the Firm's monitoring of foreign currency wires, but only after years of delays wherein UBSFS failed to adequately monitor the risks associated with these accounts.

Additionally, as explained further below, UBSFS's flawed implementation of the new automated transaction monitoring system meant that many foreign currency wires were not subject to these scenarios—an issue that UBSFS remediated only after FinCEN's investigation raised questions about the new system's coverage of foreign currency wires.

Second, the interim control involved a complex, manual process that was not well documented and resulted in errors. The generation process required multiple UBSFS personnel to take a dozen steps to manually query four different systems and then manually copy and paste the corresponding data points into an Excel document. Two of the most important steps in the process often resulted in additional manual "cleanup" work.[23] Personnel who assisted in generating or using this report described its generation as a "big issue" because "the data [] a lot of time is incomplete and very messy." These challenges were compounded by an apparent lack of approved procedures governing this manual process for much of the Relevant Time Period.

Third, the report did not allow UBSFS to review the relevant transactions for potentially suspicious activity in a timely manner, because it was run, at best, quarterly,[24] leading to backlogs of alerts that UBSFS could only clear after delays associated with hiring and onboarding additional staff. In an internal email thread sent shortly after UBSFS entered into the 2018 Consent Order, UBSFS personnel were instructed to either "prevent FX [foreign currency wire] transactions from

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[23] In order to properly associate a wire transfer with an account, the wire had to be matched with the relevant account number that was debited or credited. However, incoming wires did not list the customer account in a standalone field, so any attempt to query for such account number, according to a UBSFS employee, "wasn't perfect and could never be." In one run of the report during the Relevant Time Period, nearly half of the records lacked a valid account number. Similarly, because alerts were based on activity at the "household" (*i.e.*, not account) level, a household identification number was also needed to properly generate an alert. However, the source data did not always include valid household identification numbers, so further manual "clean up" would often be required.

[24] UBSFS was inconsistent in running the report on even a quarterly basis, with largely all 2019 transactions covered through just two instances of the report (not four reports, as would be expected if they were generated on a quarterly basis).

being undertaken through commodities accounts . . . or (if there is strong rationale to retain), increase the frequency of checks to monthly from quarterly." The president of the intermediate holding company for UBS's operations in the U.S. "insist[ed]" that this change occur. UBSFS never implemented this change to the manual control before its deactivation in March 2021, in connection with the move to the new automated transaction monitoring system, despite recognizing early in the Relevant Time Period the importance of an increase in frequency of the report and taking preliminary steps to accomplish this.

2) Coding Glitch and Flawed Internal Lookback

One aspect of the report-generation process involved running "code" within Excel to identify transactions that met alert parameters. One of these parameters was identifying households whose accounts effected transactions that totaled more than USD-equivalent of 300,000 in foreign currency wires within a one-month period. Due to the lack of quality control in generating this report, UBSFS personnel failed to ascertain that UBSFS was systematically undercounting the value of these foreign currency wires for roughly two years. This delayed discovery resulted in a failure to "alert" on hundreds of transactions.

UBSFS personnel who discovered this issue in late 2020 were aware that it affected prior reports. Nevertheless, these UBSFS personnel took no immediate steps to escalate this issue or ascertain the scope of the missed transactions. After an inquiry from FINRA during an examination caused UBSFS to revisit the issue, UBSFS voluntarily commenced an internal lookback in December 2020, about two months after personnel discovered the issue and became aware of its effect on prior reports. UBSFS completed the internal lookback in 2021, which did not result in UBSFS filing any SARs. The relevant transactions and associated customers, however, included the following activity:

- A Venezuelan financial institution with a retail brokerage account for which UBSFS's investigator failed to obtain information to identify the originator of certain wire transfers, despite the fact that the missing originator was the primary reason that the alert was escalated (and a request for this information was sent to the relevant UBSFS branch without any response) and despite the investigator noting that the account posed heightened risks;
- A customer whose beneficial owner was under investigation for money laundering and tax evasion[25] and for whom UBSFS had already been informed by an affiliate that it had decided to exit its accounts with this customer due to negative news, for which the UBSFS investigator conducted no meaningful analysis of the transactions in light of the negative news.
- A Mexico-based customer who was involved in alleged fraud and was later kidnapped and murdered. UBSFS's investigator conducted no meaningful analysis of transaction activity that exhibited signs of pass-through activity despite concerns about potential pass-through activity forming the primary basis for the alert being escalated.
- A customer with Venezuelan beneficial owners whose account exhibited red flags that included sending wire transfers to "an unregistered currency exchanger" from high-risk jurisdictions such as Venezuela and transactions indicative of potential layering and other suspicious activity involving a private mortgage provider.

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[25] The customer was later added to the U.S. State Department's "Engel List" of individuals who have knowingly engaged in acts that threaten democratic processes or institutions, engaged in significant corruption, or obstructed investigations of such acts of corruption in Guatemala, Honduras, and El Salvador.

Notwithstanding these apparent red flags and risks, the UBSFS investigator failed to investigate the circuitous flow of funds and purpose of the transactions.

b. Failures to Timely Correct Monitoring Deficiencies Related to Foreign Currency Wires for Other Account Types

UBSFS also failed to reasonably monitor foreign currency wires for retail brokerage and securities-backed loan accounts or to implement adequate compensating controls, from the start of the Relevant Time Period until March 2021. As described above, foreign currency wires in UBSFS's retail brokerage and securities-backed loan accounts were monitored only for their U.S. dollar debits and credits, without the transaction monitoring system surveilling the foreign-currency and foreign counterparty aspects of the transactions, until at least March 2021,[26] despite the Firm having been cited in the 2018 Consent Order for inadequately monitoring retail brokerage accounts.[27] This gap in monitoring of foreign currency wires was particularly egregious for two reasons:

First, the 2018 Consent Order made clear that the automated monitoring system in place at the time (and which UBSFS continued to use until March 2021) was "not sufficient for BSA compliance" because it "failed to capture certain information related to the foreign currency denomination and the identity of certain parties to the transaction, and the jurisdictions involved."[28]

Second, UBSFS consistently ignored and failed to escalate examples of foreign currency wires for non-commodities accounts that were not subject to appropriate monitoring even after the

[26] The batch of transactions that the system monitored in March 2021 consisted of February 2021 transactions.

[27] The 2018 Consent Order established clear deficiencies with UBSFS's monitoring of these transactions, yet UBSFS neither implemented any changes to existing monitoring nor added other compensating controls while it waited for the automated monitoring system to be implemented. *See* FinCEN, In the Matter of UBS Financial Services, Inc. (Dec. 11, 2018).

[28] FinCEN, In the Matter of UBS Financial Services, Inc. (Dec. 11, 2018).

2018 Consent Order. On multiple occasions, UBSFS personnel investigating alerts in connection with the report for commodities accounts identified that, due in part to the complex and manual nature of the report generation process, the report sometimes included foreign currency wires for other, non-commodities account types. At no point did UBSFS take steps to confirm that such foreign currency wires were being properly monitored; instead, UBSFS closed the alerts without any investigation under the rationale that they were "generated in error" or "not in scope of the manual control."

c. Delayed and Flawed Implementation of the New Automated Monitoring System

UBSFS's implementation of the new automated monitoring system was delayed and flawed. In communications related to the 2018 Consent Order, UBSFS informed FinCEN that it anticipated the automated monitoring system would be in place and applicable to foreign currency wires by mid-2019. Within weeks of the December 2018 Consent Order, however, UBSFS, including its senior executives, and UBS Head Office became aware that it would not meet the mid-2019 implementation date and that automated monitoring of foreign currency wires would not be in place until at least late 2019 and potentially into 2020. UBSFS did not inform FinCEN regarding these delays.[29] UBSFS internally attributed the delays in implementing the automated monitoring system to: (i) data feed problems; (ii) a high volume of alerts in the model calibration phase; (iii) limitations associated with the sponsorship of this project within the broader UBS organization; and (iv) changes to UBSFS's approach to model governance.

[29] UBS's Group Internal Audit group issued audit reports in 2019 and 2020 that focused on UBSFS's transaction monitoring program; although the audits noted the need to implement the new automated system, the later of these two reports inaccurately found that UBSFS had "adequately implemented compensating controls over the legacy [] applications…"

As the year progressed, UBSFS's planned implementation date continued to slip further away. In September 2019, the Americas Head of Monitoring received an update to include in an upcoming briefing he was providing to the CEO of UBS Americas Holding indicating that the automated monitoring system was now expected to be implemented in the first quarter of 2020. UBSFS did not implement the automated monitoring system until March 2021, and FinCEN only learned of this deficiency through its follow-up investigation.

Even with these delays, UBSFS's implementation of the new system was flawed and failed to adequately address the deficiencies associated with the monitoring of foreign currency wires. These issues were compounded by deficiencies in the application of UBSFS's data governance framework to its transaction monitoring program, which failed to require complete data lineage mapping and testing. As a result, UBSFS failed to appropriately monitor thousands more foreign currency wires after the date of the 2018 Consent Order and promised remediation, aggregating to billions of dollars.

UBSFS acknowledged the ongoing deficiencies once they were discovered in mid-2022, after extensive engagement with FinCEN, as well as FINRA and the SEC, regarding concerns about the adequacy of UBSFS's controls—including whether the recently implemented system was, in fact, monitoring the relevant foreign currency wire transactions. In August 2022, UBSFS engaged a third-party consultant to assist in identifying and remediating the various deficiencies in UBSFS's implementation of the automated monitoring system. UBSFS identified a number of errors that hindered the effectiveness of its monitoring system, which generally fell into three categories: (i) certain foreign currency wire transactions were not transmitted from other systems to the automated monitoring system, and therefore went unmonitored; (ii) many foreign currency wire transactions were missing counterparty information, thus hindering monitoring—notably this was one of the issues identified in the 2018 Consent Order, yet it remained an issue even after 2018; and (iii) UBSFS's implementation of the system did not include an exception queue or error reporting mechanism, which would have detected when certain transactions were either not monitored or were missing critical data points necessary for adequate monitoring.

More broadly, a root cause associated with many of these discrete issues was that UBSFS failed to apply relevant data-governance policies, procedures, and internal controls to the data upon which its anti-money laundering transaction monitoring process relied. UBSFS did not apply a coherent data management framework to this process until April 2023, and the absence of such a coherent framework contributed to the issues described below.

In particular, although UBSFS conducted certain data quality tests as part of the validation of the new system's implementation, such tests did not include data lineage mapping and testing. Similarly, after the system's launch, UBSFS generated monthly model performance monitoring (MPM) reports to assess the performance of the new system's model, yet none of the MPM reports identified any problems with the automated monitoring model. The failure of these processes to identify the ongoing gaps in foreign currency wire monitoring stemmed from the fact that no group within UBS—such as Group Internal Audit or Model Risk Management and Control—had responsibility within UBSFS for conducting full data lineage mapping and testing back to the sources of foreign exchange wire data. As a result, UBSFS did not identify foreign exchange wire-related data discrepancies between the source data and the data relied upon by the Firm's transaction monitoring system. Not until around May 2022 did UBSFS, prompted by FinCEN's investigation, appreciate and begin to address—including by retention of a third-party consultant—the issues with the foreign exchange wire data flowing into its new automated transaction monitoring system.

1. The Automated Monitoring System Omitted Transactions

UBSFS failed to monitor a significant number of the transactions that flowed to and from its customers' accounts. UBSFS selected an incorrect, partial data feed of foreign currency wires, instead of a complete, end-of-day data feed. As a result, UBSFS omitted a significant number of foreign currency wire transactions from the automated monitoring system, likely due to its inadequate testing and data management framework. UBSFS made its initial attempt to quantify the scope of this monitoring gap in early 2022, based on data from a one-month sample. It found that more than five percent of foreign currency wires were completely excluded from the automated monitoring system and another roughly 12% were missing certain counterparty information, thus resulting in a material percentage of the foreign currency wires failing to include adequate data.

Similarly, UBSFS's failure to implement adequate policies, procedures, and internal controls to oversee manual processes or appropriately oversee the management of data resulted in additional foreign currency wires not being sent to the monitoring system.[30]

2. Missing or Incomplete Counterparty Information in Foreign Currency Wire Transactions

Certain foreign currency wires captured by the monitoring system lacked critically important counterparty information. Critical information about the counterparty to a foreign currency wire is stored separately from information about the customer or other aspects of the transaction due to the way in which UBSFS maintained data. Therefore, to properly monitor the wire for potentially suspicious activity, UBSFS needed to ensure that such counterparty information was identified and matched with the relevant wires. UBSFS failed to implement a

[30] As an example, UBSFS's Payment Operations team changed the label of certain foreign currency wires from "FX RECEIVED" to "FX RCVD," which prevented them from being sent to the monitoring system.

unique identifier or other safeguard that would allow for a reliable process to do so. Instead, UBSFS adopted a complex matching logic that was vulnerable to errors as mismatches were likely to (and did) occur, such as rounding up of the exchange rate used at the time of the transaction. UBSFS failed to implement appropriate policies, procedures, and internal controls to check that the matching logic was working as required.

3. Missing Exception-Handling Process Control

UBSFS's data repository had no exception queue or process to catch, resolve, and report when a foreign currency wire could not be processed by the automated monitoring system. In the case of UBSFS's monitoring of foreign currency wires, the lack of such a control resulted in UBSFS failing to reasonably identify the existence of, much less remediate, unmonitored transactions and the root causes that prevented them from being properly monitored. UBSFS's failure to implement this basic feature meant that it processed a significant volume of foreign currency wires without proper monitoring and missed opportunities to remediate this deficiency until December 2022, after FinCEN commenced its investigation. This failure was particularly egregious in light of the large size, scale, and complexity of UBSFS's business.

d. Other Monitoring Issues

In addition to the above, UBSFS engaged in a series of other practices that hindered its ability to appropriately monitor its customers' foreign currency transfers to identify potentially suspicious activity. For example, prior to the implementation of UBSFS's new automated transaction monitoring system in March 2021, UBSFS utilized a report to monitor cross-border U.S. dollars wires. Among other criteria, the report identified wire transfers involving high-risk countries using predetermined parameters. The Firm designated transactions on this report with a specific code if the Firm's systems were unable to recognize the country of the beneficiary based on the wire message details.

Prior to April 2019, the Firm assigned such transactions a moderate risk rating, which was not a reasonably designed control because a transaction involving a high-risk country would have been otherwise treated by UBSFS as high risk. This issue was compounded by the fact that UBSFS failed to consistently capture beneficiary addresses for outgoing wire transfers. The third-party consultant that UBSFS engaged in connection with the remediation of foreign currency wire monitoring issues found that many outgoing foreign currency wires lacked beneficiary address information because UBSFS failed to obtain that information from the customers who requested that UBSFS send these wires. In a sample of outgoing wires, the third-party consultant found nearly 20% lacked an address for the beneficiary of the wire.

2. Customer Due Diligence

UBSFS is a U.S. broker-dealer and indirect subsidiary of UBS Group AG, the world's largest global wealth manager. UBSFS provides products and services to U.S.-based customers, as well as those who live in or derive their source of wealth from high-risk jurisdictions, including Russia and Latin American jurisdictions. In growing its business, UBSFS has sought out wealthy customers, some of whom present greater risk of money laundering and other illicit activities. This includes ultra-high net worth customers who live in or derive their source of wealth from jurisdictions that present a heightened risk of illicit finance.

As part of its obligation to implement and maintain an effective AML program, UBSFS was required to maintain risk-based procedures to conduct ongoing customer due diligence (CDD). To comply with this regulatory requirement, UBSFS's CDD processes must, among other things, allow it to: (i) understand the nature and purpose of the customer relationship and accounts; (ii) conduct ongoing monitoring of the accounts to identify and report suspicious transactions; and (iii) on a risk basis, maintain and update customer information (including beneficial ownership information of legal entity customers).[31]

Appropriate CDD at onboarding also aims to, among other things, assess the applicant's risk profile—which can include, for example, understanding the customer's source of wealth and source of funds,[32] and determining whether the customer or related parties are politically exposed persons (PEPs)[33]—and to consider any red flags the applicant might present.[34]

UBSFS's own policies and procedures stated that CDD "establishes the institution's understanding of risk associated with its client, as well as the client's expected and usual practices, such that the institution can detect and report where required unusual or potentially suspicious transactions."[35] As part of its CDD process, UBSFS classified a customer into one of four risk ratings: Low, Medium, High, or Higher. UBSFS policies and procedures required that Higher-risk customers be subjected to increased scrutiny. For example, a High- or Higher-risk rating would subject a customer to enhanced due diligence (EDD), stricter monitoring, and more frequent (at least annual) periodic reviews.

In practice, as described below, UBSFS did not consistently maintain updated customer profiles associated with certain customers in accordance with the CDD Rule. The examples set

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[31] 31 C.F.R. § 1023.210(b)(5).

[32] *See* FinCEN, *Customer Due Diligence Requirements for Financial Institutions*, 81 Fed. Reg. 29422 (May 11, 2016) (noting that broker-dealers are expected to, among other things, "inquire about the source of the customer's assets and income" as part of account opening due diligence).

[33] The term "PEP" is commonly used in the financial industry to refer to foreign individuals who are or have been entrusted with a prominent public function, as well as their immediate family members and close associates. *See* Joint Statement on Bank Secrecy Act Due Diligence Requirements for Customers Who May Be Considered Politically Exposed Persons (Aug. 21, 2020) ("A bank may choose to determine whether a customer is a PEP at account opening, if the bank determines the information is necessary for the development of a customer risk profile").

[34] Red flags commonly observed at onboarding include, among other things, inconsistent identification details, complex ownership structures, and reluctance to provide necessary information.

[35] "Client" is not a term used in the BSA. "Customer" is. *See* 31 C.F.R. § 1023.100(d) (defining "customer" in the context of Customer Identification Programs for broker-dealers). UBSFS interchangeably uses the terms "client" and "customer."

forth below illustrate CDD failures by UBSFS in certain instances to appropriately consider, document, and mitigate money-laundering and illicit finance risks, including those related to: (i) source of wealth, such as instances in which questions about ties to "unwanted business relationships" or alleged corruption were dispositioned without sufficient analysis or evidence; (ii) negative news, including not reasonably analyzing the negative news that UBSFS identified; (iii) PEPs, including incomplete assessment of the money laundering risks posed by certain PEPs; and (iv) account restrictions and monitoring of customers, including not implementing specially tailored restrictions identified at account opening.

a. Customer 1

Customer 1 is a retired U.S. national who first opened accounts with UBSFS in April 2021, which were funded entirely through same-name transfers from a U.S. bank account. During the onboarding process, Customer 1 indicated that he had been retired since 2018 and reported a source of wealth derived from prior employment at a consulting firm.

Based on the information provided at onboarding, UBSFS did not evaluate the nature and extent of the nexus of Customer 1's income to Russian sources and rated this customer as Low-risk, meaning this customer was not subject to enhanced due diligence. Such enhanced due diligence could have identified that Customer 1 earned consulting income from his work for a project associated with a Russian oligarch through at least 2017, years after this oligarch was designated by the U.S. Office of Foreign Assets Control (OFAC). Despite Customer 1's affiliation with the Russian oligarch being publicly reported as early as 2018, UBSFS did not identify it until shortly before Customer 1 was indicted for U.S. sanctions violations in March 2022. After UBSFS learned of this negative news, Customer 1 and his wife processed multiple large dollar same name transactions that were not subject to increased monitoring or restrictions. UBSFS later determined that a SAR should be filed regarding Customer 1's transactional activity and decided to exit this customer relationship in April 2022. As a result of its failure to identify Customer 1's nexus with Russia and the sanctioned oligarch at onboarding, UBSFS did not adequately maintain this customer's risk profile as required by the CDD Rule.

b. Customer 2

UBSFS onboarded Customer 2, a U.S. national, in July 2008. UBSFS records identified Customer 2's source of wealth as derived from an inherited retirement account and his employment as a professor at an educational institution in the United States, where he resided at the time, and he was consequently rated a Low-risk customer. In 2013, Customer 2 relocated to Russia and joined the faculty of a technical university supported by the Russian government and indirectly affiliated with a Russian national that was subsequently designated under U.S. sanctions, eventually being appointed to a leadership position.[36] Customer 2 did not notify UBSFS of these changes to his customer risk profile, and because he remained rated Low-risk, he was not subject to periodic KYC reviews.

UBSFS did not identify the change in Customer 2's domicile and source of wealth for more than eight years despite multiple indicia of activity inconsistent with his existing customer risk profile—including adding a Russia-based phone number to his profile—and Customer 2 opening a new account in May 2018.

Between 2014 and 2022, Customer 2 received wires totaling more than $2 million from a same-name Russian account at the Russian branch of a U.S. financial institution, representing the only source of funding for Customer 2 during that period. Two of these transactions from the Russian bank account generated alerts due to their nexus to a high-risk jurisdiction but were

[36] The FBI has publicly raised national security concerns about this university, including concerns about espionage arising from its access to American science and technology and its links to Russian defense contractors

dispositioned without further investigation based on public reporting regarding Customer 2's affiliation and employment with the Russian technical university (which, as noted above, was not reflected in UBSFS's customer profile for Customer 2). Customer 2 instructed his UBSFS financial advisor to add a Russian phone number to his customer profile in 2019 and accessed UBSFS online services fourteen times between June 2021 and February 2022, all but one of which took place from Russia.

Despite these multiple indicia, UBSFS did not update Customer 2's customer risk profile or ask for additional information about his apparent Russia nexus until this customer relationship was reviewed as part of an internal Russia review in 2022. Pursuant to this review, UBSFS recommended Customer 2 for exit in June 2022 due to its reduced risk appetite regarding Russia-related customers following the invasion of Ukraine and filed a SAR in July 2022 regarding Customer 2's Russia-related transactional activity. As a result of its failure to appropriately respond to multiple indications of a change in Customer 2's domicile and source of wealth, UBSFS did not appropriately maintain this customer's risk profile as required by the CDD Rule.

c. Customer 3 and its UBO, Individual A

By opening an account in 2020, UBSFS accepted known money-laundering risks related to Customer 3, a Cypriot personal investment company, without sufficient justification for taking on the risks and without sufficient controls to mitigate such risks. During onboarding, UBSFS examined Customer 3's ultimate beneficial owner, Individual A, and Individual A's brother, Individual B, a high-profile Russian oligarch who, according to negative news articles identified by UBSFS, was suspected of embezzlement and laundering billions of dollars for Russian oligarchs and politicians.[37]

At onboarding, UBSFS identified that Individual A's source of wealth stemmed from: (i) salary from senior positions at Russian oil and gas companies, one of which UBSFS had identified as an "Unwanted Business Relationship;"[38] and (ii) a $40 million gift from Individual B, for which UBSFS noted that Individual B "currently, does not contribute" to Individual A's source of wealth. UBSFS's CDD process identified multiple reported connections between Individual B and the Troika Laundromat,[39] but this reporting was not addressed when assessing the risk associated with Customer 3. Instead, an internal memorandum concluded that there was "no formal negative news on [Individual B]." UBSFS later determined that Customer 3's actual account activity was inconsistent with expected activity, including the receipt of inbound wires totaling roughly ten times the amount of expected incoming wire activity. UBSFS failed to escalate or adequately investigate these discrepancies.

d. Customer 4, Customer 5, and their UBO, Individual C

Individual C is a Russian oligarch, reported as one of the wealthiest individuals in the world with close ties to Russian President Vladimir Putin. In 2015, Individual C became a customer of a UBS affiliate, which resulted in "significant" assets under management. During the onboarding process, UBSFS branch management and the responsible financial advisor repeatedly "expressed their wish to proceed forward" because Individual C was "an existing client of a UBS affiliate with

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[37] At the time of UBSFS's onboarding of Customer 3 in January 2020, Individual A was an existing customer of multiple UBS affiliates; Individual B had also recently been onboarded by a UBS affiliate.

[38] UBSFS's policies and procedures categorically prohibited business relationships with companies identified as Unwanted Business Relationships due to possible "link[s] to money laundering or to activity that might support it."

[39] The Troika Laundromat, which operated from 2006 to early 2013, involved a network of dozens of offshore shell companies with fraudulent nominees that were reportedly controlled by Russia's then-largest private investment bank, Troika Dialog.

AUM [assets under management] there of approximately $1.5 billion and he has never been arrested or charged with any crimes." Ultimately, UBSFS opened six accounts for two entities beneficially owned by Individual C: Customer 4 and Customer 5. UBSFS assigned Customer 4 and Customer 5 a Higher-risk rating at onboarding. In February 2022, these customer accounts had assets at UBSFS of more than $175 million.

UBSFS proceeded to open accounts for Individual C without sufficient justification for taking on heightened money-laundering risks and without adequate controls to mitigate those risks. At onboarding, UBSFS's negative news screening of Individual C resulted in thousands of hits across more than 300 articles. Similarly, the periodic KYC process returned more than 150 articles, of which UBSFS reviewed only the first twenty-five. For the negative news that UBSFS considered, UBSFS did not appropriately explain or justify how it dispositioned this news.

Such negative news included a significant "criticism" of Individual C that his source of wealth derived from the controversial "loans for shares" program—a program where the Soviet Russian government received money "loans" from Russian businessmen, such as Individual C, in exchange for "shares" of Russia's largest state industrial assets, which were then sold at exceptionally low prices at rigged "auctions." In dismissing this criticism, UBSFS wrote that "[t]he adverse news regarding how [Individual C] originally began amassing his wealth through the 'loans for shares' are only speculations and there have been no legal proceeding filed against [him]." UBSFS also found multiple articles during its own internet search that reported on a close relationship between Individual C and Russian President Putin.

UBSFS personnel also accepted without any scrutiny the financial advisor's assessment—which was based on discussions with a UBS affiliate and Individual C—of news reports related to Individual C's connections to an alleged 2020 money laundering scheme involving the use of a professional sports team and multiple OFAC Specially Designated Nationals to transfer billions of euros to offshore firms. In response to concerns about Individual C's connections to this scheme, the financial advisor concluded that the allegations were not credible, reporting that Individual C "simply doesn't have the funds" for the alleged money-laundering scheme and recommended that UBSFS "disregard these [negative news] articles altogether."

During a subsequent, periodic review of Customer 4 conducted in or around 2020, UBSFS identified a 2012 article reporting on a ship that docked at a Middle Eastern port with weapons for a dictatorial regime. As indicated in contemporaneous notes, UBSFS understood that the ship was registered to a company ultimately owned by Individual C. During the same periodic review, UBSFS also identified negative news dated 2015 of Individual C's investment in a company that actively invested in Iranian digital assets. UBSFS personnel failed to further investigate or escalate either piece of negative news about Individual C.

UBSFS also found multiple articles during its own internet search that reported on a close relationship between Individual C and Russian President Putin that were at odds with UBSFS's PEP assessment of Individual C. At onboarding, UBSFS adopted the same reasoning as another UBS affiliate's assessment that Individual C was not a PEP, with the rationale given that Individual C had "cooled off" his prior positions and no explanation provided as to why Individual C's status as a "close associate" of Putin did not result in Individual C remaining as a PEP.

Due to the significant risk associated with Individual C, UBSFS imposed restrictions on the accounts of Customer 4 and Customer 5 to bring them within UBSFS's "risk threshold." In particular, the accounts for Customer 4 and Customer 5 were subject to, among other restrictions, restrictions on third-party wires and enhanced monitoring. Of the more than $60 million of outgoing wires from Customer 4's accounts, about three-quarters (by amount) were third-party wires seemingly in violation of the restriction on third-party activity and wires.[40] For example, Customer 4's third party wires included transactions with a virtual asset service provider that Individual C controlled, despite not having performed appropriate due diligence to comply with UBSFS's requirements applicable to beneficial owners of virtual asset service providers.

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In connection with Russia's invasion of Ukraine, UBSFS identified about 100 customers who, as of March 2022, were domiciled in or whose source of wealth derived from Russia or countries in the former Soviet Union. Following its review of these customers, UBSFS decided to exit, or require additional controls, for a third of these customers, which held several hundred million dollars' worth of assets under management.

e. Equity Syndicate Customers

UBSFS's historically deficient approach to KYC allowed a small cohort of illicit actors to open more than 40 accounts across multiple UBSFS branches for dozens of shell companies through at least December 2020. These accounts concealed third-party financing related to secondary market or initial public offering (IPO) issuances, which had the effect of permitting the beneficial owners of the accounts to maximize their share in syndicated allocations. The scheme involved the same handful of illicit actors, including one former UBSFS financial advisor, with the same modus operandi, but it escaped UBSFS's detection for more than a decade.

The scheme primarily persisted because of UBSFS's failure to identify common ownership at onboarding. However, UBSFS also missed other red flags in its CDD processes, including that certain

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[40] The third-party wire restrictions provided an exception for "third parties" with Individual C as their beneficial owner. Some of the third-party wires from Customer 4's accounts may have met this exception, but UBSFS's records suggest that UBSFS failed to conduct a reasonable analysis of beneficial ownership before processing these third-party wires.

CDD forms were left incomplete or blank, certain customers listed suspicious mailbox addresses,[41] incongruencies between stated income and occupation (without corroboration), and unverified material changes to customer income and net worth.[42] UBSFS detected the broader scheme only after a regulatory inquiry about one of the accounts.

I. Failures to Report Suspicious Transactions

FinCEN has identified hundreds of suspicious transactions for which UBSFS failed to timely and accurately file a SAR. These suspicious transactions involved tens of millions of dollars. These suspicious transactions related to both the high-risk customer relationships set forth above, including those with a nexus to Russia[43] and Latin America[44] and the broader lookback involving foreign currency wires that were not subject to proper monitoring due to the issues described above with UBSFS's controls applicable to such wires. For example, one customer had been the subject of a 2021 arrest warrant from the Prosecutor General's Office in Mexico, but UBSFS's foreign currency wire control gaps resulted in UBSFS failing to investigate certain transactions this customer effected shortly before the arrest warrant was issued; one such transaction was an incoming wire for which UBSFS was unable to identify the originator of the transaction, but because so much time had elapsed between when the wire was effected and when it was subject to investigation, UBSFS's resulting SAR filing was both untimely and incomplete (*i.e.*, because it could not identify the counterparty to this transaction) and therefore deprived law enforcement of important information. UBSFS

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[41] Newly registered Limited Liability Corporations were formed utilizing mailbox services as their principal place of business and multiple examples of mail being noted as "undeliverable" for companies utilizing mailbox service addresses were not addressed.

[42] For example, UBSFS onboarded two accounts for one of these customers four months apart. In the interim, the customer purportedly doubled his annual income and liquid assets from $500,000 to $900,000 and increased his net worth fourfold from $10 million to $40 million.

[43] *See supra* at Section II.H.2.

[44] *See* Section II.H.1 a(2), describing UBSFS's flawed internal lookback.

ultimately filed dozens of SARs relating to hundreds of transactions that were recommended as part of the consultant's lookback, years later than they would have been filed but for the issues with UBSFS's monitoring of foreign currency wires. Those customers and transactions also included the following activity:

1. Customer 6 and Individual D

This activity included a SAR reporting two suspicious transactions that were processed for Customer 6, a legal entity that serves as an investment vehicle with assets funded by Individual D. The two transactions between June and November 2020 had an aggregate value of more than $100,000.

Individual D served as a high-ranking official in a Latin American country and is associated with negative news related to corruption, improper seizure of assets, and the murder of multiple individuals by that country's army. Until 2022, Customer 6 was beneficially owned by Individual D, but Customer 6 is now beneficially owned by Individual D's two children as well as two of Individual D's grandchildren.

Between June and November 2020, Customer 6 effected and attempted to effect multiple wire transfers to accounts beneficially owned by a company that purports to serve as the marketing arm of a Mexican fruit and vegetable farm. However, in reality, the beneficiary of these wire transfers served as an entity to receive campaign financing for a political party. In 2022, UBSFS filed two SARs involving this customer, reporting 157 wires amounting to $20 million worth of activity, but at that time, UBSFS did not include in the SARs any reference to the purported Mexican fruit and vegetable farm, thereby limiting their utility to law enforcement. UBSFS did not file a SAR on these two additional wires until 2024, as a result of the voluntary lookback it conducted in this matter.

2. Customer 7 and Individuals E and F

UBSFS also ultimately filed a SAR, several years late, on activity conducted by Customer 7, a legal entity whose principals, Individuals E and F, were charged by the Prosecutor General's Office of Mexico with tax fraud, criminal association, and money laundering in connection with the fraudulent theft and laundering of nearly six billion Mexican pesos they illicitly obtained from a Mexican governmental fund. Customer 7 opened an account at UBSFS in March 2008. In December 2020, Mexico's Specialized Prosecutor's Office for Organized Crime announced that it had issued warrants against both Individual E and Individual F on allegations of criminal association and money laundering. Individual E was arrested and imprisoned in Mexico in April 2021 while he awaited trial. The charges against Individual F were ultimately dropped in June 2022, but his children as well as those of Individual E continued to access and operate accounts associated with Individual E and Individual F throughout the year and a half during which he evaded arrest. As of at least late 2025, Individual E was reportedly still awaiting trial and may have been staying at a luxury property he had purchased in the United States.

Public reporting indicates that Individuals E and F carried out a money laundering scheme that included, among other things, sales of foreign currency, check deposits, interbank transfers, and donations in order to hide the origin and final destination of more than 900 million laundered Mexican pesos during the time that they maintained their account at UBSFS.

In connection with the lookback into foreign currency wires, UBSFS ultimately filed a SAR in February 2024 to report several suspicious foreign currency wire transfers totaling over $1.6 million that Customer 7 transacted throughout 2019 to 2020 (*i.e.*, the time period following UBSFS's 2018 Consent Order with FinCEN and during which it continued to fail to properly monitor foreign currency wires). In the filing, UBSFS cited concerns (a) that the transactions lacked transparency regarding the business rationale or economic purpose; (b) that the customer's relationship to the counterparties remains unknown; and (c) that the customer's remitting of funds to various third parties were potentially indicative of an intent to conceal illicit assets.

3. Customer 8

UBSFS also filed a late SAR in August 2024 on activity conducted through Customer 8's accounts at UBSFS and UBS affiliates between 2018 and 2022. Customer 8 opened two accounts at UBSFS in December 2016. In 2021, the Mexican government issued an arrest warrant for Customer 8 for his alleged engagement in criminal money laundering on behalf of a criminal network led by a Mexican individual known for his use of shell companies that allegedly invoiced and laundered tens of millions of dollars to hide the identity of recipients. The allegations of money laundering by Customer 8 coincided with large dollar deposits into his accounts that represented more than his stated net worth.

During this time, Customer 8's account activity showed clear signs of layering and pass-through activity by moving money back and forth between accounts and investments. For example, he would liquidate holdings in a money market fund in one account, transfer the resulting USD funds to first one FX Commodity account and then to another, before ultimately transferring the funds back to the original money market fund in the original account. The combined amount of the reported activity totaled more than $57 million over four years.

III. VIOLATIONS

FinCEN has determined that UBSFS willfully violated the BSA and its implementing regulations during the Relevant Time Period. Specifically, FinCEN has determined that UBSFS willfully failed to implement and maintain an AML program that met the minimum requirements of the BSA, in violation of 31 U.S.C. § 5318(h), 31 C.F.R. § 1023.210, and 31 C.F.R. § 1026.210. Additionally, FinCEN has determined that UBSFS willfully failed to accurately and timely report suspicious transactions to FinCEN, in violation of 31 U.S.C. § 5318(g) and 31 C.F.R. § 1023.320, and 31 C.F.R. § 1026.320.

IV. ENFORCEMENT FACTORS

FinCEN considered all of the factors outlined in the Statement on Enforcement of the Bank Secrecy Act issued August 18, 2020, when deciding whether to impose a civil money penalty in this matter.[45]

- **Nature and seriousness of the violations, including the extent of possible harm to the public and the amounts involved:** UBSFS's violations presented significant risk of serious harm to the U.S. financial system. During the Relevant Time Period, UBSFS failed to appropriately monitor more than 61,500 foreign currency transactions, totaling approximately $10.5 billion, that flowed through the U.S. financial system. This gap in transaction monitoring dates back nearly twenty years, to at least 2004, despite UBSFS acknowledging these issues in the 2018 Consent Order. These monitoring issues, however, persisted substantially unaddressed and without mitigation until at least March 2021, and after that continued in other forms for more than two years. UBSFS also improperly discounted money-laundering risks presented by certain customer relationships with individuals from high-risk jurisdictions, such as Russia and Venezuela. UBSFS grew its assets under management by opening accounts for, and those closely associated with, ultra-high net worth Russian oligarchs. In opening accounts for these high-risk customers, UBSFS disregarded risks associated with, among other things, sources of wealth arising from, and negative news related to, bribery, cronyism, corruption, and money laundering. Once accounts were opened, UBSFS failed to sufficiently monitor account activity—including due to the monitoring issues described above. As a result, UBSFS maintained customers despite negative news regarding

[45] FinCEN, Statement on Enforcement of the Bank Secrecy Act (Aug. 18, 2020).

their alleged connections to high-risk activities such as the Troika Laundromat, political corruption, and potential ties to Russian propaganda.

- **Impact or harm of the violations on FinCEN's mission to safeguard the financial system from illicit use, combat money laundering, and promote national security:** As a general matter, SARs represent one of the most important tools to FinCEN and law enforcement in fighting financial crime, both in proactively identifying potential illicit activity and in understanding the scope and scale of that illicit activity. FinCEN and law enforcement must be able to rely on financial institutions to remain vigilant and comply with their obligation to report suspicious activity, and UBSFS's failures caused a significant gap in the reporting of suspicious activity. UBSFS also materially harmed FinCEN's mission to safeguard the U.S. financial system from illicit use because it onboarded and failed to appropriately monitor high-risk customers from jurisdictions posing elevated risks of illicit financial activity.
- **Pervasiveness of wrongdoing within an entity, including management's complicity in, condoning or enabling of, or knowledge of the conduct underlying the violations:** UBSFS's violations were pervasive. The 2018 Consent Order reinforced UBSFS's, including its management's, notice of its longstanding failure to adequately monitor foreign currency wires. Despite assurances made to FinCEN, UBSFS did not implement an automated transaction monitoring system for foreign currency wires until years later in March 2021, and management was aware of such delays. Despite these repeated delays, UBSFS took no steps to notify FinCEN that automated monitoring had not been implemented as promised. Moreover, UBSFS made no meaningful attempt to implement mitigating controls to address this delay.

- **History of similar violations, or misconduct in general, including prior criminal, civil, and regulatory enforcement actions:** The 2018 Consent Order specifically addressed, among other things, UBSFS's violation of the BSA by failing to effectively monitor foreign currency wires. These failures were that of a recidivist, which allowed UBSFS to continue the same BSA violations subject to its 2018 Consent Order with FinCEN.
- **Financial gain or other benefit resulting from, or attributable to, the violations:** UBSFS did not appropriately analyze and explain its assessment of risk relating to certain clients associated with high-risk jurisdictions or timely implement adequate controls to mitigate them. A substantial portion of UBSFS's Russia business was later the subject of remediation by UBSFS and UBSFS voluntarily improved certain controls and exited many of these high-risk customers after the Russian invasion of Ukraine. The unmonitored foreign currency wires accounted for a high volume of activity: over 61,500 transactions amounting to more than $10.5 billion over more than four years.
- **Presence or absence of prompt, effective action to terminate the violations upon discovery, including self-initiated remedial measures:** Despite UBSFS's awareness of significant gaps in its AML program and the corresponding risks and impact of the filing of SARs, it nevertheless continued business as usual. UBSFS addressed these gaps only after coming under regulatory scrutiny. The gap in monitoring foreign currency wires, for example, began in 2004, continued through the 2018 Consent Order, and remained unresolved until late 2023. Similarly, UBSFS was aware of the heightened risk from its book of high-risk customers, particularly those with a nexus to Russia, but failed to consistently implement appropriate and effective controls proportionate to that increased risk. Only after the 2022 Russian invasion of Ukraine (and under the threat of regulatory scrutiny) did UBSFS

voluntarily implement additional controls and take remedial action including restricting or exiting some Russia-related customers following a portfolio review.

- **Timely and voluntary disclosure of the violations to FinCEN:** UBSFS was neither timely nor voluntary in its disclosure of violations. UBSFS knew, from at least the 2018 Consent Order, that it violated the BSA by failing to adequately monitor foreign currency wires. UBSFS also knew that, in entering the 2018 Consent Order, it had represented to FinCEN that it anticipated remediating the violation by mid-2019. FinCEN acknowledged such commitment in the 2018 Consent Order, referencing UBSFS's "commitment and ability" to correct the identified issues and noting that the accuracy of certain assertions was "a condition to the settlement of any claim that FinCEN may have against UBSFS" for conduct described in the 2018 Consent Order. When delays resulted in a failure to timely complete these remedial measures, UBSFS neglected to voluntarily self-disclose its continued BSA violation. In connection with Russia's invasion of Ukraine, UBSFS scrutinized its Russia-related business. The review resulted in the offboarding of some Russian customers and filing of SARs, and uncovered deficiencies in UBSFS's CDD. UBSFS did not voluntarily disclose these issues.

- **Quality and extent of cooperation with FinCEN and other relevant agencies, including as to potential wrongdoing by its directors, officers, employees, agents, and counterparties:** UBSFS cooperated with FinCEN's investigation by making substantial productions, providing routine reporting, delivering multiple presentations, and, in connection with FinCEN's investigation, engaged a third-party vendor to assist in remediating the longstanding gaps in its monitoring of foreign currency wires. However, UBSFS's responses to requests for information and documents were at times delayed and incomplete.

- **<u>Systemic nature of the violations. Considerations include, but are not limited to, the number and extent of violations, failure rates (*e.g.*, the number of violations out of total number of transactions), and duration of violations</u>:** As explained above, the violations that FinCEN identified were numerous, substantial in aggregate value, and occurred over an extended period. UBSFS failed to effectively monitor foreign currency wires for nearly twenty years, including over 61,500 transactions with an aggregate value of more than $10.5 billion during the Relevant Time Period. UBSFS also demonstrated reoccurring issues with its customer due diligence for certain customers. For high-risk Russian customers, a meaningful portion of these customers required further action upon a focused review that UBSFS self-initiated and conducted following Russia's invasion of Ukraine.
- **<u>Whether another agency took enforcement action for related activity. FinCEN will consider the amount of any fine, penalty, forfeiture, and/or remedial action ordered</u>:** Following separate but parallel investigations, UBSFS has agreed to pay $20 million to FINRA, $20 million to the SEC, and $8 million to the CFTC to resolve these investigations.

V. CIVIL PENALTY

FinCEN may impose a Civil Money Penalty of up to $71,545 per day for willful violations of the requirement to implement and maintain an effective AML program.[46]

For each willful violation of a SAR reporting requirement, FinCEN may impose a civil money penalty not to exceed the greater of the amount of the transaction (capped at $286,184) or $71,545.[47]

After considering all the facts and circumstances, as well as the enforcement factors discussed above, FinCEN is imposing a Civil Money Penalty of $125 million in this matter. FinCEN has agreed

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[46] 31 U.S. C. § 5321(a)(1); 31 C.F.R. § 1010.821.

[47] 31 U.S. C. § 5321(a)(1); 31 C.F.R. § 1010.821.

to credit against the $125 million Civil Money Penalty payments of $48 million to the CFTC, SEC and FINRA. UBSFS shall make payment of $62 million to the U.S. Department of the Treasury pursuant to the payment instructions that will be transmitted to UBSFS upon execution of this Consent Order, with the remaining amount of $15 million due to FinCEN on or before May 31, 2028 (Remaining Amount).

Subject to the conditions set out below, FinCEN shall waive UBSFS's obligation to pay all or a portion of the Remaining Amount equal to the amount of Qualifying Expenses (as defined below) and not exceeding the Remaining Amount, provided FinCEN determines, in its sole discretion, that: (i) UBSFS has fully complied with all aspects of the AML Program Undertaking set forth in Section VI.B, *infra*; and (ii) in completing the AML Program Review Undertaking described in Section VI.B, *infra*, UBSFS has incurred and paid Qualifying Expenses.

For purposes of this Consent Order, "Qualifying Expenses" are specified fees and costs UBSFS has incurred and paid in completing the AML Program Review Undertaking, consisting only of: (i) fees that, subject to the exclusions below, UBSFS paid to third parties conducting or assisting in the AML Program Review; and (ii) internal costs that, subject to the exclusions below, are associated with UBSFS's implementation of enhancements associated with such AML Program Review. For the avoidance of doubt, "Qualifying Expenses" do not include any amounts that UBSFS would have incurred in the ordinary course of implementing and maintaining its AML program, including conducting independent testing of its AML program for compliance with the BSA and its implementing regulation (even if such testing is conducted as part of the AML Program Review). FinCEN, in its sole discretion, shall determine whether any fees or costs that UBSFS has incurred and paid in completing the AML Program Review Undertaking are Qualifying Expenses. In connection with reaching a determination about the amount of Qualifying Expenses that UBSFS incurred, FinCEN may request from UBSFS, and UBSFS shall produce, documents, records, or other tangible evidence. In exercising its discretion to determine the amount of Qualifying Expenses that UBSFS incurred, FinCEN will consider the extent of UBSFS's cooperation with FinCEN's requests for tangible evidence of the Qualifying Expenses, including applicable laws and regulations relevant to such requests for tangible evidence, as well as valid and properly documented claims of attorney-client privilege or the attorney work product doctrine. Within 60 days of UBSFS's submission of each of the quarterly progress reports described in Section VI.B.3 and provided that UBSFS timely produces any documents, records, or other tangible evidence requested by FinCEN, FinCEN shall indicate to UBSFS whether the expenses documented in such quarterly report as having been incurred and paid by UBSFS are eligible to be deemed Qualifying Expenses as defined above. In addition, if FinCEN concludes that fees or costs that UBSFS has incurred and paid in completing the AML Program Review Undertaking are not Qualifying Expenses, it shall provide UBSFS with a reasonable opportunity to justify the fees or costs and obtain credit for them as Qualifying Expenses within a period of time not to exceed 60 days.

Provided that FinCEN determines that UBSFS has satisfied these conditions, the portion of the Remaining Amount that FinCEN waives (Waived Amount) shall equal the amount of Qualifying Expenses that FinCEN determines, in its sole discretion, that UBSFS has incurred and paid in completing the AML Program Review Undertaking, with the Waived Amount not to exceed the Remaining Amount. In the event that the Waived Amount is less than the Remaining Amount, UBSFS shall make payment of the difference between the Remaining Amount and the Waived Amount to the U.S. Department of the Treasury pursuant to the payment instructions that will be transmitted to UBSFS upon FinCEN's determination of the Waived Amount.

VI. UNDERTAKINGS

By execution of this Consent Order, UBSFS agrees to the following Undertakings:

A. SAR LOOKBACK UNDERTAKING

1. In connection with this resolution, UBSFS has engaged a qualified independent consultant (SAR Lookback Consultant) at its own expense to conduct a SAR Lookback Review. The SAR Lookback Consultant will: (i) complete a review of foreign currency wire transactions or attempted transactions by, at, or through UBSFS, that occurred during the Relevant Time Period;[48] and (ii) complete data lineage mapping and testing to determine whether the transaction monitoring associated with other products during the time period that UBSFS's automated transaction monitoring system was implemented was subject to material gaps similar to, including due to similar root causes, those affecting the monitoring of foreign currency wires (Covered Transactions) to determine whether suspicious activity was properly identified and reported under 31 U.S.C. § 5318(g) and implementing regulations.[49]

2. Upon completion of the SAR Lookback Review, and by no later than 180 days from the date of this Consent Order, the SAR Lookback Consultant will deliver a detailed report (SAR Lookback Report) to FinCEN and UBSFS that summarizes the methodology and findings of its review and identifies the Covered Transactions that may require a SAR to be filed pursuant to 31 U.S.C. § 5318(g) and its implementing regulations. UBSFS will make, and will cause the SAR Lookback Consultant to make, interim reports, drafts, work papers, or other supporting materials related to the SAR Lookback Review available to FinCEN upon request. UBSFS will comply with the findings of the SAR Lookback Consultant or FinCEN that UBSFS file SARs on any of the Covered Transactions, and, in the event that the SAR Lookback Consultant or FinCEN recommend

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[48] The SAR Lookback Consultant may consider the results of a lookback review covering part of the Relevant Time Period completed by the consultant.

[49] The time period for the review of any transactions involving other products (but associated with gaps similar to those affecting foreign currency wires) will depend on the period in which such gaps affected UBSFS's monitoring of the transactions.

that UBSFS file a SAR on a Covered Transaction(s), UBSFS will comply with that recommendation. Subject to approval of FinCEN, UBSFS may, during the pendency of the SAR Lookback Review, begin to file SARs regarding the Covered Transactions that would have required a report pursuant to 31 U.S.C. § 5318(g) and implementing regulations.

3. No later than 90 days from the date of the SAR Lookback Report, UBSFS will complete the filing with FinCEN of SARs regarding all of the Covered Transactions identified by the SAR Lookback Consultant as ones that would have required a report pursuant to 31 U.S.C. § 5318(g) and implementing regulations. UBSFS shall be entitled to one 60-day extension of this SAR filing deadline as of right. Any additional extensions require the written consent of FinCEN in its sole discretion.

B. AML PROGRAM UNDERTAKING

1. Within 60 days of signing the Consent Order, UBSFS will propose a qualified independent consultant (AML Program Consultant) to hire within 30 days (at its own expense) to conduct a review of the effectiveness of UBSFS's current AML program though an AML Program Review focused on areas of the Program identified to contain deficiencies that contributed to the violations described in this Consent Order. For purposes of this provision, "independent" means that the qualified consultant and any affiliate thereof did not, since the start of the Relevant Time Period, provide services to UBSFS or an affiliate thereof regarding the design, implementation, testing, or enhancements to the aspects of the current AML program of UBSFS or an affiliate thereof that are within the scope of the Program Review described in this Section VI or otherwise described in the Statement of Facts set forth in Section II, *supra*. FinCEN has the right to veto the engagement of an AML Program Consultant deemed unsuitable to complete the AML Program Review but shall provide a written explanation of its reasoning for exercising this veto right to UBSFS. The AML

Program Review will determine whether the assessed areas of UBSFS's AML Program support UBSFS's compliance with the BSA.

2. Within 90 days from the date of UBSFS's retention of the AML Program Consultant, the AML Program Consultant will provide FinCEN with a report summarizing the proposed scope and methodology of the review of UBSFS's current AML program (AML Program Scope Report). Such methodology must include risk-based testing of UBSFS's high-risk customers, with the determination of the in-scope population for such testing to be in the discretion of the AML Program Consultant, in consultation with FinCEN, which may provide to the AML Program Consultant, prior to the AML Program Scope Report deadline, a list of specific accounts that must be included in the in-scope population for the risk-based testing of UBSFS's high-risk customers. UBSFS will grant the AML Program Consultant access to all appropriate systems and records reasonably necessary to identify the in-scope population for such testing. In undertaking such testing, as well as approaching the AML Program Review more broadly, the Consultant will prioritize customers and transactions with potential ties to the following risks: (i) the U.S. Southwest border, cartels, and possible narcotics trafficking; (ii) Iran; (iii) Venezuela; and (iv) Russia (collectively, "Priority Illicit Finance Risks"). For purposes of determining the in-scope population, the AML Program Consultant may, in its discretion, primarily select samples from customers that UBSFS rated as high and higher risk, provided that such sample is supplemented with additional customers that the Consultant identifies from populations that UBSFS rated as medium and low risk. At a minimum, such testing should occur at two different times during the AML Program Review: (i) an initial review to inform and highlight instances in which potential deficiencies associated with UBSFS's policies and procedures (including failure to adhere to them) may have led to issues involving UBSFS customers, and (ii) following UBSFS's execution of the steps set forth in the Implementation Plan described below,

a subsequent review to validate the effectiveness in meaningfully mitigating the relevant risks of any enhancements UBSFS makes in connection with the AML Program Review. The Consultant will measure the results of such testing using objective criteria to determine UBSFS's compliance with the BSA and its implementing regulations, including but not limited to the degree of UBSFS's adherence to its current AML program's internal controls, policies, and procedures. Additionally, the AML Program Scope Report must include proposed analyses to cover the following aspects of UBSFS's AML Program:

i. Independent Testing: whether UBSFS conducts periodic reviews and tests of its AML program designed to evaluate and improve its effectiveness in preventing and detecting money laundering, terrorist financing, and other illicit finance activity, including by taking into account ongoing or recently completed enhancements to AML-related systems.

ii. CDD – Customer Risk Profiles: whether UBSFS's current policies, procedures, and controls are reasonably designed to ensure it develops and maintains customer risk profiles consistent with the requirements of 31 CFR 1023.210(b)(5), including by ensuring that UBSFS incorporates and adjudicates in such risk profiles information regarding: (A) the customer's source of wealth, including information regarding the customer's wealth derived from business ownership, employment, and/or gifts that may have potential connections to illicit or suspicious activity; (B) information identified by UBSFS in media reports regarding the customer's alleged direct or indirect ties to illicit or suspicious activity; and (C) transaction monitoring alerts and related investigations, including processes maintained by UBSFS to prevent maintenance of such information in siloes that are not considered as part of the customer's risk profile.

iii. CDD – Ongoing Monitoring of Customer Activity: whether UBSFS conducts ongoing monitoring of customer activity to identify and report suspicious transactions in a manner consistent with the requirements of 31 CFR 1023.210(b)(5), including, as applicable: (A) how such monitoring by UBSFS is informed by the relevant customer risk profile, such as UBSFS's processes to identify and address material deviations between expected activity and actual transactions; (B) the extent to which such monitoring is informed by changes to customer information, including updated risk profiles, such as in response to information about a customer identified by UBSFS in adverse media (*e.g.*, alleged ties to cartel activity), and the procedures UBSFS applies to that customer's subsequent transactions to validate the purpose of significant and/or high-risk transactions; and (C) processes used by "second-level" investigators to review concerns raised by "first-level" reviewers of alerts (*e.g.*, if an alert for potential pass-through activity is escalated, does the resulting investigation address the potential concerns with pass-through activity?) as well as quality assurance, quality control, and/or independent testing to evaluate the consistency and effectiveness of such processes.

iv. Other CDD and Transaction Monitoring-related Policies, Procedures and Internal Controls: the extent to which UBSFS maintains and enforces clearly articulated and visible corporate AML policies that are consistent with the BSA and applicable to all officers and employees, and, where necessary and appropriate, UBSFS's agents; including policies, procedures, and internal controls associated with:

   a. verifying customer identification and KYC, including the consistent application of any applicable proof of address requirements, and the use of customer identification, KYC, and other data houses by UBSFS to identify users resident in high-risk jurisdictions;

b. the controls associated with UBSFS's exposure to customers with a nexus to high-risk jurisdictions, including Russia and Latin America;

c. transaction monitoring, including related data governance controls;

d. issue management for identified deficiencies to assess timely remediation and compensating controls;

e. identifying suspicious activity and filing reports of such activity with FinCEN; and

f. restricting or offboarding of customers—including the extent to which personnel from UBSFS's revenue generating units as well as those associated with UBSFS affiliates influence the application of such controls.

3. FinCEN may amend the scope of the review of UBSFS's current AML program through a notification to UBSFS within 30 days of FinCEN's receipt of the report summarizing the proposed scope and methodology. Following submission of the AML Program Scope Report to FinCEN, UBSFS will deliver quarterly progress reports to FinCEN documenting the status of the AML Program Review, including the amounts of Qualifying Expenses incurred as of the date for which such quarterly report is effective.

4. Within 60 days from the end of its review, but no later than nine months from the date of its engagement,[50] the AML Program Consultant will submit to FinCEN a written report: (i) addressing the overall adequacy of the aspects of UBSFS's current AML program set forth in the

[50] After consultation with UBSFS, the AML Program Consultant may extend the time period for issuance of the written report for up to 60 days with prior written approval of FinCEN.

AML Program Scope Report; (ii) describing the review performed—including, at a minimum, the sampling methodology, number of customers, and amount of transactional activity evaluated as part of the review (including the number of customers and amount of transactional activity evaluated because of a potential nexus to Priority Illicit Finance Risks); (iii) the number of SARs and other reports UBSFS filed as a result of the review, including those with a nexus to Priority Illicit Finance Risks (*e.g.*, SARs filed with a tag responsive to a corresponding FinCEN Advisory, Alert, or Notice with a nexus to a customer or transaction within the scope of the review); and (iv) describing any recommended modifications or enhancements to the aspects of UBSFS's AML program set forth in the AML Program Scope Report. UBSFS will make, and will cause the AML Program Consultant to make, interim reports, drafts, workpapers or other supporting materials related to the AML Program Review available to FinCEN upon request.

5. UBSFS will develop a plan to implement any recommendations made in connection with the AML Program Review (Implementation Plan) or, within 90 days after issuance of a report, propose alternatives. The AML Program Consultant will provide a written response to the Implementation Plan, including any proposed alternatives, within 60 days. Within 180 days after finalization of the Implementation Plan,[51] the AML Program Consultant will provide FinCEN with a written report detailing the extent to which UBSFS has adopted and implemented the Implementation Plan, including, but not limited to specific changes that the AML Program Consultant verified that

[51] If UBSFS determines that execution of certain aspects of the Implementation Plan will take more than 180 days to complete (*e.g.*, if the Implementation Plan involves significant changes to UBSFS systems), UBSFS may request an alternative timeline for those aspects of the Implementation Plan through the provision of a written request, including the justification for the alternative timeline, to FinCEN and the AML Program Consultant. In its discretion and after consultation with the AML Program Consultant, FinCEN may provide an extension for the deadline of the Consultant's written report consistent with such alternative timeline provided that the Consultant confirms that it will provide FinCEN with its written report detailing the extent to which UBSFS has adopted and implemented such aspects of the Implementation Plan no later than 90 days of the deadline set forth in the alternative timeline for UBSFS to complete its implementation.

UBSFS made to customer relationships in response to the review, such as enhanced monitoring, the application of new controls, and/or restriction of products and services.

6. Upon completion of the foregoing, FinCEN will consider waiving, pursuant to Section V and in its sole discretion, all or a portion of the Remaining Amount.

VII. CONSENT AND ADMISSIONS

To resolve this matter and only for that purpose, UBSFS admits to the Statement of Facts and Violations set forth in this Consent Order and admits that it willfully violated the BSA and its implementing regulations. UBSFS consents to the use of the Statement of Facts, and any other findings, determinations, and conclusions of law set forth in this Consent Order in any other proceeding brought by or on behalf of FinCEN, or to which FinCEN is a party or claimant, and agrees they shall be taken as true and correct and be given preclusive effect without any further proof. UBSFS understands and agrees that in any administrative or judicial proceeding brought by or on behalf of FinCEN against it, including any proceeding to enforce the Civil Money Penalty imposed by this Consent Order or for any equitable remedies under the BSA, UBSFS shall be precluded from disputing any fact or contesting any determinations set forth in this Consent Order.

To resolve this matter, UBSFS agrees to and consents to the issuance of this Consent Order and all terms herein and agrees to make payment of $62 million to the U.S. Department of the Treasury within ten days of the Effective Date of this Consent Order. UBSFS further agrees to make payment of the Remaining Amount of $15 million to FinCEN on or before May 31, 2028, with all or a portion of the Remaining Amount subject to waiver by FinCEN, in its sole discretion, pursuant to Section V, *supra*. If timely payment is not made (including any portion of the Remaining Amount that is not waived by FinCEN), UBSFS agrees that interest, penalties, and administrative costs will accrue.[52]

UBSFS understands and agrees that it must treat the Civil Money Penalty paid under this Consent Order as a penalty paid to the government and may not claim, assert, or apply for a tax deduction, tax credit, or any other tax benefit for any payments made to satisfy the Civil Money Penalty. UBSFS understands and agrees that, with the exception of FinCEN's determination, and its sole discretion, of the Waived Amount pursuant to Section V, *supra*, any acceptance by or on behalf of FinCEN of any partial payment of the Civil Money Penalty obligation will not be deemed a waiver UBSFS's obligation to make further payments pursuant to this Consent Order, or a waiver of FinCEN's right to seek to compel payment of any amount assessed under the terms of this Consent Order, including any applicable interest, penalties, or other administrative costs.

UBSFS affirms that it agrees to and approves this Consent Order and all terms herein freely and voluntarily and that no offers, promises, or inducements of any nature whatsoever have been made by FinCEN or any employee, agent, or representative of FinCEN to induce UBSFS to agree to or approve this Consent Order, except as specified in this Consent Order.

UBSFS understands and agrees that this Consent Order implements and embodies the entire agreement between UBSFS and FinCEN, and its terms relate only to this enforcement matter and any related proceeding and the facts and determinations contained herein. UBSFS further understands and agrees that there are no express or implied promises, representations, or agreements between UBSFS and FinCEN other than those expressly set forth or referred to in this Consent Order and that

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[52] 31 U.S.C. § 3717; 31 C.F.R. § 901.9.

nothing in this Consent Order is binding on any other law enforcement or regulatory agency or any other governmental authority, whether foreign, Federal, State, or local.

UBSFS understands and agrees that nothing in this Consent Order may be construed as allowing UBSFS, its subsidiaries, affiliates, Board, officers, employees, or agents to violate any law, rule, or regulation.

UBSFS consents to the continued jurisdiction of the courts of the United States over it and waives any defense based on lack of personal jurisdiction or improper venue in any action to enforce the terms and conditions of this Consent Order or for any other purpose relevant to this enforcement action. Solely in connection with an action filed by or on behalf of FinCEN to enforce this Consent Order or for any other purpose relevant to this action, UBSFS authorizes and agrees to accept all service of process and filings through the Notification procedures below and to waive formal service of process.

VIII. COOPERATION

UBSFS shall fully cooperate with FinCEN in any and all matters within the scope of or related to the Statement of Facts, including any investigation of its current or former directors, officers, employees, agents, consultants, or any other party. UBSFS understands that its cooperation pursuant to this paragraph shall include, but is not limited to, truthfully disclosing all factual information with respect to its activities, and those of its present and former directors, officers, employees, agents, and consultants. This obligation includes providing to FinCEN, upon request, any document, record or other tangible evidence about which FinCEN may inquire of UBSFS. UBSFS's cooperation pursuant to this paragraph is subject to applicable laws and regulations, as well as valid and properly documented claims of attorney-client privilege or the attorney work product doctrine.

IX. RELEASE

Execution of this Consent Order and compliance with all of the terms of this Consent Order settles all claims that FinCEN may have against UBSFS for the conduct described in this Consent Order during the Relevant Time Period. Execution of this Consent Order, and compliance with the terms of this Consent Order, does not release any claim that FinCEN may have for conduct by UBSFS other than the conduct described in this Consent Order during the Relevant Time Period, or any claim that FinCEN may have against any current or former director, officer, owner, or employee of UBSFS or any other individual or entity other than those named in this Consent Order. In addition, this Consent Order does not release any claim or provide any other protection in any investigation, enforcement action, penalty assessment, or injunction relating to any conduct that occurs after the Relevant Time Period as described in this Consent Order.

X. WAIVERS

Nothing in this Consent Order shall preclude any proceedings brought by, or on behalf of, FinCEN to enforce the terms of this Consent Order, nor shall it constitute a waiver of any right, power, or authority of any other representative of the United States or agencies thereof, including but not limited to the Department of Justice.

In consenting to and approving this Consent Order, UBSFS stipulates to the terms of this Consent Order and waives:

A. Any and all defenses to this Consent Order, the Civil Money Penalty imposed by this Consent Order, and any action taken by or on behalf of FinCEN that can be waived, including any statute of limitations or other defense based on the passage of time;

B. Any and all claims that FinCEN lacks jurisdiction over all matters set forth in this Consent Order, lacks the authority to issue this Consent Order or to impose the Civil Money

Penalty, or lacks authority for any other action or proceeding related to the matters set forth in this Consent Order;

C. Any and all claims that this Consent Order, any term of this Consent Order, the Civil Money Penalty, or compliance with this Consent Order, or the Civil Money Penalty, is in any way unlawful or violates the Constitution of the United States of America or any provision thereof;

D. Any and all rights to judicial review, appeal or reconsideration, or to seek in any way to contest the validity of this Consent Order, any term of this Consent Order, or the Civil Money Penalty arising from this Consent Order;

E. Any and all claims that this Consent Order does not have full force and effect, or cannot be enforced in any proceeding, due to changed circumstances, including any change in law; and

F. Any and all claims for fees, costs, or expenses related in any way to this enforcement matter, Consent Order, or any related administrative action, whether arising under common law or under the terms of any statute, including, but not limited to, under the Equal Access to Justice Act. UBSFS agrees to bear its own costs and attorneys' fees.

XI. VIOLATIONS OF THIS CONSENT ORDER

Determination of whether UBSFS has failed to comply with this Consent Order, or any portion thereof, and whether to pursue any further action or relief against UBSFS shall be in FinCEN's sole discretion. If FinCEN determines, in its sole discretion, that a failure to comply with this Consent Order, or any portion thereof, has occurred, or that UBSFS has made any misrepresentations to FinCEN or any other government agency related to the underlying enforcement matter, FinCEN may void any and all releases or waivers contained in this Consent Order; reinstitute administrative proceedings; take any additional action that it deems appropriate; and pursue any and all violations, maximum penalties, injunctive relief, or other relief that FinCEN deems appropriate. FinCEN may take any such action even if it did not take such action against UBSFS in this Consent Order and notwithstanding the releases and waivers herein. In the event FinCEN takes such action under this paragraph, UBSFS expressly agrees to toll any applicable statute of limitations and to waive any defenses based on a statute of limitations or the passage of time that may be applicable to the Statement of Facts in this Consent Order, until a date 180 days following UBSFS's receipt of notice of FinCEN's determination that a misrepresentation or breach of this agreement has occurred, except as to claims already time barred as of the Effective Date of this Consent Order.

In the event that FinCEN determines that UBSFS has made a misrepresentation or failed to comply with this Consent Order, or any portion thereof, all statements made by or on behalf of UBSFS to FinCEN, including the Statement of Facts, whether prior or subsequent to this Consent Order, will be admissible in evidence in any and all proceedings brought by or on behalf of FinCEN. UBSFS agrees that it will not assert any claim under the Constitution of the United States of America, Rule 408 of the Federal Rules of Evidence, or any other law or federal rule that any such statements should be suppressed or are otherwise inadmissible. Such statements shall be treated as binding admissions, and UBSFS agrees that it shall be precluded from disputing or contesting any such statements. FinCEN shall have sole discretion over the decision to impute conduct or statements of any director, officer, employee, agent, or any person or entity acting on behalf of, or at the direction of UBSFS in determining whether UBSFS has violated any provision of this Consent Order.

XII. PUBLIC STATEMENTS

UBSFS agrees that it shall not, nor shall its attorneys, agents, partners, directors, officers, employees, affiliates, or any other person authorized to speak on its behalf or within its authority or control, take any action or make any public statement, directly or indirectly, contradicting its admissions and acceptance of responsibility or any terms of this Consent Order, including any fact finding, determination, or conclusion of law in this Consent Order.

FinCEN shall have sole discretion to determine whether any action or statement made by UBSFS, or by any person under the authority, control, or speaking on behalf of UBSFS contradicts this Consent Order, and whether UBSFS has repudiated such statement.

XIII. RECORD RETENTION

In addition to any other record retention required under applicable law, UBSFS agrees to retain all documents and records required to be prepared or recorded under this Consent Order or otherwise necessary to demonstrate full compliance with each provision of this Consent Order, including supporting data and documentation. UBSFS agrees to retain these records for a period of 6 years after creation of the record, unless required to retain them for a longer period of time under applicable law.

XIV. SEVERABILITY

UBSFS agrees that if a court of competent jurisdiction considers any of the provisions of this Consent Order unenforceable, such unenforceability does not render the entire Consent Order unenforceable. Rather, the entire Consent Order will be construed as if not containing the particular unenforceable provision(s), and the rights and obligations of FinCEN and UBSFS shall be construed and enforced accordingly.

XV. SUCCESSORS AND ASSIGNS

UBSFS agrees that the provisions of this Consent Order are binding on its owners, officers, employees, agents, representatives, affiliates, successors, assigns, and transferees to whom UBSFS agrees to provide a copy of the executed Consent Order. Should UBSFS seek to sell, merge, transfer, or assign its operations, or any portion thereof, that are the subject of this Consent Order, UBSFS must, as a condition of sale, merger, transfer, or assignment obtain the written agreement of the buyer, merging entity, transferee, or assignee to comply with this Consent Order.

XVI. MODIFICATIONS AND HEADINGS

This Consent Order can only be modified with the express written consent of FinCEN and UBSFS. The headings in this Consent Order are inserted for convenience only and are not intended to affect the meaning or interpretation of this Consent Order or its individual terms.

XVII. AUTHORIZED REPRESENTATIVE

UBSFS's representative, by consenting to and approving this Consent Order, hereby represents and warrants that the representative has full power and authority to consent to and approve this Consent Order for and on behalf of UBSFS and further represents and warrants that UBSFS agrees to be bound by the terms and conditions of this Consent Order.

XVIII. NOTIFICATION

Unless otherwise specified herein, whenever notifications, submissions, or communications are required by this Consent Order, they shall be made in writing and sent via first-class mail and simultaneous email, addressed as follows:

To FinCEN:

Associate Director, Enforcement and Compliance Division,
Financial Crimes Enforcement Network,
P.O. Box 39, Vienna, Virginia 22183

To UBS Financial Services Inc.:

Taryn V. Shelton
Executive Director and Senior Regulatory Counsel
1000 Harbor Boulevard, 9th Floor, Legal Department
Weehawken, NJ 07086
Taryn.Shelton@ubs.com

Notices submitted pursuant to this paragraph will be deemed effective upon receipt unless otherwise provided in this Consent Order or approved by FinCEN in writing.

XIX. COUNTERPARTS

This Consent Order may be signed in counterpart and electronically. Each counterpart, when executed and delivered, shall be an original, and all of the counterparts together shall constitute one and the same fully executed instrument.

XX. EFFECTIVE DATE AND CALCULATION OF TIME

This Consent Order shall be effective upon the date signed by FinCEN. Calculation of deadlines and other time limitations set forth herein shall run from the effective date (excluding the effective date in the calculation) and be based on calendar days, unless otherwise noted, including intermediate Saturdays, Sundays, and legal holidays.

By Order of the Director of the Financial Crimes Enforcement Network.

/s/____

Andrea Gacki Date:
Director

Consented to and Approved By:

/s/____

Jaclyn A. Barnao Date:
Managing Director and Head of Americas Litigation
UBS Financial Services Inc.

/s/____

Taryn V. Shelton Date:
Executive Director and Senior Regulatory Counsel
UBS Financial Services Inc.