FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021069426901

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: UBS Financial Services Inc. (Respondent)
Member Firm
CRD No. 8174

Pursuant to FINRA Rule 9216, Respondent UBS Financial Services Inc. submits this Letter of Acceptance, Waiver, and Consent (AWC) for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

UBS Financial has been a FINRA member since 1936. The firm is a full-service brokerage firm. The firm has over 10,900 registered representatives across more than 1,100 branches, including its headquarters in Weehawken, New Jersey.

In December 2018, pursuant to an AWC issued by FINRA, UBS Financial was censured and fined $4.5 million for violating FINRA Rules 3310 and 2010 and NASD Rules 3011 and 2110, for failing to develop and implement an anti-money laundering (AML) compliance program reasonably designed to detect and cause the reporting of suspicious transactions involving foreign currency wires. UBS Financial also settled actions addressing similar misconduct with the U.S. Securities and Exchange Commission (SEC) and the Financial Crimes Enforcement Network (FinCEN).[1]

OVERVIEW

From January 2019 through June 2023, UBS Financial failed to establish and implement policies and procedures for its AML compliance program that could be reasonably expected to detect and cause the reporting of suspicious transactions involving foreign currency wires. As a result, the firm failed to reasonably monitor and investigate foreign

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[1] For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

currency wires involving, among other issues, high-risk geographic locations, unusually large dollar amounts, and no apparent business purpose.

Additionally, between January 2019 and December 2022, UBS Financial failed to reasonably implement its customer due diligence program with respect to certain customers. The firm also failed to timely detect and report suspicious transactions involving money movements by these same customers.

As a result, UBS Financial violated FINRA Rules 3310(a), 3310(f), and 2010, and is censured, fined $20 million, and required to take corrective action.

FACTS AND VIOLATIVE CONDUCT

This matter originated from an examination of UBS Financial conducted by FINRA's Department of Member Supervision.

FINRA Rule 3310 provides 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."

FINRA Rule 3310(a) provides that a firm must "[e]stablish and implement policies and procedures that can be reasonably expected to detect and cause the reporting of transactions required under 31 U.S.C. 5318(g) and the implementing regulations thereunder." Under 31 C.F.R. § 1023.320, broker-dealers are required, in specified circumstances, to file with FinCEN a report of any suspicious transaction relevant to a possible violation of law or regulation, generally no later than 30 calendar days after initial detection of facts that may constitute the basis for filing a suspicious activity report (SAR).

FINRA Rule 3310(f) requires that a member firm's AML program include appropriate risk-based procedures for conducting ongoing customer due diligence, including "(i) [u]nderstanding the nature and purpose of customer relationships for the purpose of developing a customer risk profile; and (ii) [c]onducting ongoing monitoring to identify and report suspicious transactions and, on a risk basis, to maintain and update customer information."

In April 2002, FINRA issued guidance to broker-dealers regarding their AML compliance program, including SAR filing obligations. Notice to Members 02-21 reminded member firms that a reasonable AML compliance program should be tailored to the member's business, including the types of accounts it maintains and the types of transactions in which its customers engage. The Notice explained that each broker-dealer should perform additional due diligence when opening an account and before proceeding with a transaction raising "red flags" suggestive of money laundering or other violative activity. The Notice also provided a non-exhaustive list of red flags, including customers that have questionable backgrounds and where the customer's account has wire transfers that have no apparent business purpose to or from a country identified as a money laundering risk or a bank secrecy haven.

In May 2019, FINRA issued Regulatory Notice 19-18, which incorporated the red flags listed in Notice to Members 02-21 and reminded member firms of additional red flags for firms to consider incorporating into their AML programs. The Notice provided a non-exhaustive list of potential red flags in money movements, including wire transfers made to or from financial secrecy havens, tax havens, high-risk geographic locations or conflict zones, including those with an established presence of terrorism, the parties to the transaction (*e.g.*, originator or beneficiary) are from countries that are known to support terrorist activities and organizations, wire transfer activity that is unexplained, repetitive, unusually large, shows unusual patterns, or has no apparent business purpose, and wire transfer activity, when viewed over a period of time, that reveals suspicious or unusual patterns. The Notice also provided a non-exhaustive list of potential red flags in customer due diligence and interactions with customers, including the customer is domiciled in, doing business in or regularly transacting with counterparties in a jurisdiction that is known as a bank secrecy haven, tax shelter, high-risk geographic location or conflict zone, including those with an established threat of terrorism. Regulatory Notice 19-18 reminded member firms that where red flags of suspicious activity are detected, the firm should consider whether additional investigation, customer due diligence measures, or a SAR filing may be warranted. Regulatory Notice 19-18 also reminded member firms that SAR filing requirements also apply to non-securities products.

A violation of FINRA Rule 3310 also is a violation of FINRA Rule 2010, which requires member firms to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

1. **UBS Financial failed to establish and implement policies and procedures for its AML compliance program that could be reasonably expected to detect and cause the reporting of suspicious transactions involving foreign currency wires.**

UBS Financial has a large and diverse customer base, including customers based in high-risk geographic locations. At all relevant times, UBS Financial offered both foreign and domestic customers the ability to send and receive foreign currency via foreign currency wire transfers.

UBS Financial Failed to Take Corrective Action Following its December 2018 AWC

In the firm's December 2018 matter, FINRA found that, between January 2004 and April 2017, UBS Financial failed to develop and implement an AML compliance program reasonably designed to detect and cause the reporting of suspicious transactions involving foreign currency wires.

In connection with the December 2018 AWC, UBS Financial represented to FINRA that it would implement a new third-party automated transaction monitoring tool for foreign currency wires by mid-2019 to remediate the firm's deficient legacy monitoring systems.

The firm, however, failed to implement the new monitoring tool until February 2021 and instead continued to use the same deficient legacy monitoring systems identified in the December 2018 AWC. During a routine examination in 2020, FINRA discovered that UBS Financial failed to implement the new tool. The firm attributed the delays with implementing the new tool to data challenges and difficulty in calibrating the appropriate surveillance alert scenarios.

UBS Financial's Foreign Currency Wire Monitoring Failures Persisted Between January 2019 and June 2023

Between January 2019 and June 2023, UBS Financial processed hundreds of thousands of incoming and outgoing foreign currency wires involving billions of dollars. UBS Financial customers sent and received these wires through retail customer accounts and retail customer accounts approved to engage in foreign currency spot activity. Despite the risks posed by the firm's customer base (*i.e.*, customers located in various high-risk geographic locations), UBS Financial failed to develop and implement systems and procedures to reasonably monitor foreign currency wires through these accounts.

For the first two years during the relevant period (January 2019 through January 2021), UBS Financial continued to use the unreasonable legacy monitoring systems that were in place at the time of the firm's December 2018 AWC. The firm used two legacy monitoring systems for retail customer accounts that were not reasonably designed to capture foreign currency wire activity. These systems were not designed to monitor for information about the foreign currency wire transactions necessary to reasonably detect suspicious activity, such as beneficiary and originator information, the country of destination and origination (including high-risk geographic locations), and the foreign currency denomination.

From January 2019 through January 2021, UBS Financial relied on a quarterly manual report for foreign currency wire monitoring of retail customer accounts approved to engage in foreign currency spot activity. This report was unreasonable for a number of reasons. First, each report included thousands of foreign currency wires and did not reasonably allow for identification of suspicious or unusual patterns involving money movements. Second, the report's parameters focused on the number or dollar amount of foreign currency wires a customer sent or received during a particular month and did not consider activity over longer periods of time when patterns may emerge or persist. Third, the report often failed to include information related to the geographic locations at issue. Fourth, due to a coding error, the report excluded over 16% of foreign currency wire activity between January 2019 and October 2020 that should have generated an alert including, for example, wire activity involving unusually large dollar amounts and potentially without an apparent business purpose. Finally, the manual steps required to generate and review the report resulted in frequent delays in the timing of the firm's reviews, which often exceeded several months. As a result of these failures, from January 2019 through January 2021, UBS Financial failed to reasonably monitor more than 52,000 foreign currency wires totaling approximately $7.6 billion.

In February 2021, UBS Financial implemented a new third-party automated transaction monitoring tool for foreign currency wires across all account types. However, between February 2021 and June 2023, due primarily to the firm's use of an incomplete data file that omitted wires and a labeling change that resulted in the failure to recognize and transmit wires to the tool, the transaction monitoring tool did not review a significant percentage of the firm's foreign currency wire activity, including approximately 33% of foreign currency wires in retail customer accounts approved to engage in foreign currency spot activity. The unreviewed foreign currency wire activity included high-risk geographic locations, excessive transfers, unusually large dollar amounts, and instances where the firm previously filed SARs for similar activity by the same accounts. In addition, during this period, hundreds of foreign currency wires totaling over $110 million had incomplete or missing counterparty information, which affected UBS Financial's ability to reasonably monitor suspicious activity involving potentially high-risk geographic locations. As a result of these failures, between February 2021 and June 2023, UBS Financial failed to reasonably monitor more than 9,000 foreign currency wires totaling more than $2.8 billion.

In total, from January 2019 through June 2023, UBS Financial failed to reasonably monitor more than 61,000 foreign currency wires totaling more than $10.4 billion. These included foreign currency wires involving high-risk geographic locations, excessive transfers, unusually large dollar amounts, no apparent business purpose, and instances where the firm previously filed SARs for similar activity by the accounts. As part of ongoing remediation efforts, UBS Financial filed SARs for transactions involving foreign currency wires that should have been filed years earlier.

By failing to develop and implement a reasonably designed AML compliance program, UBS Financial violated FINRA Rules 3310(a), 3310(f), and 2010.

2. **UBS Financial failed to reasonably implement its customer due diligence program and failed to timely detect and report suspicious transactions involving money movements.**

As part of its customer due diligence program, the firm collected information about customers, including name, address, citizenship, occupation, source of wealth, and source of funds for the account. Collecting this information allowed the firm to assess its customers for potential risk factors. Those risk factors, among others, included customers residing in locations that posed a higher risk for money laundering and terrorist financing and customers that derived most of their wealth or income from their connections to such locations. Additional risk factors included a customer's political exposure, including whether the customer was a politically exposed person (PEP) or affiliated with or related to a PEP and whether the customer had material adverse media (negative news) hits, such as allegations of money laundering, regulatory enforcement actions, and reports of fraud.

At times during the relevant period, the firm used an automated client risk rating tool to assign customers a risk rating of "Low," "Medium," "High," or "Higher," and conducted different types of due diligence based on a customer's assigned risk rating. For customers assigned a risk rating of "High" or "Higher," the firm collected additional information to corroborate and validate the customer's reported source of wealth and source of funds.

Between January 2019 and December 2022, UBS Financial failed to reasonably implement its customer due diligence program with respect to certain retail customers. Specifically, the firm failed to timely detect and investigate certain risk factors described above, including customers' connections to geographic locations it designated as higher-risk (including Russia), unexplained changes in domicile and employment, adverse media and negative news, and potential political exposure, which impacted the firm's maintenance of customer profiles.

In certain instances, the firm did not timely detect and reasonably incorporate these factors into its customer due diligence, which led the firm to incorrectly assign or maintain lower customer risk ratings. This subsequently impacted the firm's monitoring of the accounts' transaction activity because the firm applied less scrutiny to these customers and had less available information to consider when reviewing their accounts for potential suspicious activity. As a result, the firm failed to detect and timely report certain suspicious transactions involving money movements.

The following two examples illustrate the firm's failures to reasonably implement its customer due diligence program and to reasonably detect and investigate suspicious transactions involving money movements.

- Between April and June 2021, the firm opened five accounts for Customer A's household. UBS Financial's registered representative for Customer A knew that Customer A had previously worked in Russia. These facts implicated risk factors under the firm's procedures that UBS Financial did not reasonably investigate, including whether the customer's source of wealth was derived from a geographic location that the firm designated as higher-risk. Contrary to firm procedure, this information was not incorporated into Customer A's profile and risk rating, and the accounts were assigned a risk rating of "Low." As a result, the firm did not conduct additional due diligence for these accounts, which it performed for accounts with a "High" or "Higher" risk rating, and which could have revealed more information about Customer A's prior work, including his connections to a sanctioned individual. In early 2022, Customer A's spouse repeatedly contacted UBS Financial to liquidate securities held in a joint account and then directed an outgoing $150,000 wire transfer to another account, which exceeded the amount of Customer A's prior wire transfers. Approximately one week later, UBS Financial discovered Customer A's connections to the sanctioned individual when Customer A's spouse applied for a nearly $1 million line of credit. Between April 2021 and mid-March 2022, the firm processed more than 40 money movements for Customer A's account, which the firm failed to reasonably detect and investigate as suspicious, in part due to the firm's assignment of a "Low" risk rating.

- In 2008, the firm opened an account for Customer B, a college professor living in the United States, and assigned a "Low" risk rating to the account. In June 2014, Customer B moved to Russia and became employed by a research institution affiliated with an individual who was sanctioned in 2018. Beginning in 2014, Customer B's UBS Financial account started receiving incoming wires (apparently compensation for his work at the Russian institution) from Customer B's account maintained at a Russian branch of a U.S.-headquartered bank. In 2019, UBS Financial did not reassess Customer B's domicile and "Low" risk rating when a member of Customer B's registered representative team updated his customer profile to add a Russian telephone number. In 2021, UBS Financial again did not reassess Customer B's domicile, employment, and "Low" risk rating when two firm alert analysts identified publicly available information about Customer B's employment in Russia when reviewing money movements that triggered alerts in the firm's transaction monitoring system. Neither analyst escalated the discrepancy between the information they identified and the customer's firm profile and "Low" risk rating. Indeed, the firm did not reassess the customer's risk rating until 2022, despite multiple indicators that Customer B's domicile, employment, and risk profile had changed. Between 2014 and February 2022, Customer B received 23 incoming wires from Customer B's Russian bank account, totaling more than $2.2 million, some of which were not reasonably detected or investigated by the firm.

By December 2022, the firm completed internal reviews of customers' connections to certain high-risk geographic locations, offboarded certain customers, updated customer profiles, and filed SARs that should have been filed earlier.

Through this conduct, UBS Financial violated FINRA Rules 3310(a), 3310(f), and 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a censure;
- a $20 million fine;[2] and
- an undertaking to do the following:

    a. A third-party lookback review of foreign currency wires, including:

        i. Continue to retain,[3] at its own expense, the Third-Party Consultant to conclude the lookback review of UBS Financial's monitoring of

[2] Contemporaneously with the issuance of this AWC, UBS Financial is settling actions addressing similar underlying misconduct with FinCEN, the SEC, and the Commodity Futures Trading Commission.

[3] In August 2022, UBS Financial engaged a third-party consultant to, among other things, conduct a lookback review of the foreign currency wires that the firm failed to reasonably monitor.

foreign currency wires from January 2019 through June 2023 (FX Lookback).

ii. Cooperate with the Third-Party Consultant in all respects, including providing the Third-Party Consultant with access to UBS Financial's files, books, records, and personnel, as reasonably requested for the FX Lookback. UBS Financial shall require the Third-Party Consultant to report to FINRA on its activities as FINRA may request and shall place no restrictions on the Third-Party Consultant's communications with FINRA. Further, upon request, UBS Financial shall make available to FINRA any and all communications between the Third-Party Consultant and UBS Financial and documents examined by the Third-Party Consultant in connection with the FX Lookback.

iii. Refrain from terminating the relationship with the Third-Party Consultant without FINRA's written approval. UBS Financial shall not be in and shall not have an attorney-client relationship with the Third-Party Consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the Third-Party Consultant from transmitting any information, reports, or documents to FINRA.

iv. Require the Third-Party Consultant to submit a final written report to UBS Financial and FINRA at the conclusion of the Third-Party Consultant's review, which shall be no more than 90 days after the date of the notice of acceptance of this AWC. The final report shall, at a minimum, (i) evaluate and address the adequacy of UBS Financial's monitoring system, policies, procedures, and internal controls relating to the firm's monitoring of transactions involving foreign currency wires for suspicious activity; (ii) provide a description of the review performed and the conclusions reached; and (iii) make recommendations as may be needed regarding how UBS Financial should modify or supplement its processes, controls, policies, systems, procedures, and training to manage its regulatory and other risks in relation to the firm's monitoring of transactions involving foreign currency wires for suspicious activity; and

1. Within 30 days after delivery of the final report, UBS Financial shall adopt and agree to implement the recommendations of the Third-Party Consultant or, if UBS Financial considers a recommendation to be, in whole or in part, unduly burdensome or impractical, propose to the Third-Party Consultant an alternative procedure designed to achieve the same objective. UBS Financial shall submit any such proposed alternative procedure in writing simultaneously to the Third-Party Consultant and to FINRA.

2. UBS Financial shall require that, within 30 days of UBS Financial's submission of any proposed alternative procedure, the Third-Party Consultant: (A) reasonably evaluate the alternative procedure and determine whether it will achieve the same objective as the Third-Party Consultant's original recommendation; and (B) provide UBS Financial and FINRA with a written report reflecting the Third-Party Consultant's evaluation and determination. In the event the Third-Party Consultant and UBS Financial are unable to agree, UBS Financial must abide by the Third-Party Consultant's ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the Third-Party Consultant.

3. Within 180 days after the issuance of the later of the Third-Party Consultant's final report or any written report regarding proposed alternative procedures, UBS Financial shall provide the Third-Party Consultant and FINRA with a written implementation report, certified by an officer of UBS Financial, attesting to, containing documentation of, and setting forth the details of UBS Financial's implementation of the Third-Party Consultant's recommendations. The certification shall identify the undertakings, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. FINRA may make reasonable requests for further evidence of compliance, and UBS Financial agrees to provide such evidence.

v. Upon written request showing good cause, FINRA staff may extend any of the procedural dates set forth above.

b. A member of Respondent's senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has remediated the AML issues identified in this AWC and developed and implemented a written AML program that complies with FINRA Rules 3310(a) and 3310(f) and is reasonably designed to achieve compliance with applicable sections of the Bank Secrecy Act and its implementing regulations noted above regarding the issues identified in this AWC. This certification shall be provided within 30 days of the completion of UBS Financial's remediation of any issues identified in connection with an AML Program Review that is mandated pursuant to a separate consent order. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to Kavitha Sivashanker, Senior Counsel, at FINRA Department of Enforcement, Valo Park, 7950 Jones Branch Drive, Suite 301, Tysons, VA 22102 and Kavitha.Sivashanker@finra.org, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. FINRA's Finance Department will contact Respondent regarding payment. Respondent has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall become effective on a date set by FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

A. To have a complaint issued specifying the allegations against it;

B. To be notified of the complaint and have the opportunity to answer the allegations in writing;

C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made, and to have a written decision issued; and

D. To appeal any such decision to the National Adjudicatory Council (NAC) and then to the SEC and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

Respondent further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondent understands that:

A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;

B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and

C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;

2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;

3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and

4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.

D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this statement. This statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA.

The undersigned, on behalf of Respondent, certify that persons duly authorized to act on Respondent's behalf have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

7/13/26
Date

Jaclyn A. Barnao
UBS Financial Services Inc.
Respondent

Print Name: Jaclyn A. Barnao

Title: Managing Director

July 13, 2026
Date

Taryn V. Shelton
UBS Financial Services Inc.
Respondent

Print Name: TARYN V. SHELTON

Title: EXECUTIVE DIRECTOR

Reviewed by:

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Michael J. Leotta
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Accepted by FINRA:

Signed on behalf of the
Director of ODA, by delegated authority

July 31, 2026

Date

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This Corrective Action Statement is submitted by the Respondent, UBS Financial Services Inc. ("UBS Financial"). It does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

STATEMENT OF CORRECTIVE ACTION BY UBS FINANCIAL SERVICES INC.

UBS Financial has addressed the issues described above in the Letter of Acceptance, Waiver, and Consent in Matter No. 2021069426901 through the following corrective actions:

1. <u>Implementation of automated transaction monitoring system.</u> In February 2021, UBS Financial implemented an automated suspicious activity transaction monitoring system, which replaced the legacy tools previously used for monitoring retail brokerage accounts and the manual report used to monitor foreign currency wires in retail commodity accounts. The automated suspicious activity transaction monitoring system monitored retail foreign currency wires and other transactions effected in February 2021 and going forward.

2. <u>Identification and Disclosure of Data Issues.</u> In May 2022, while FINRA's investigation was ongoing, UBS Financial self-disclosed to FINRA its discovery that data issues impacted its automated suspicious activity monitoring of retail foreign currency wires. UBS Financial continued to investigate the scope of these issues, and in June 2022 presented to FINRA its findings regarding its historical foreign currency wire transaction monitoring, the data issues impacting the automated suspicious activity monitoring system, and the Firm's plan for remedial action, including proactive retention of a third-party consultant, to ensure that these issues do not occur again.

3. <u>Engagement of Third-Party Consultant to Evaluate Data Issues.</u> In August 2022, UBS Financial proactively engaged a third-party consultant to test the flow of foreign currency wire-related data into its automated suspicious activity monitoring tool, evaluate UBS Financial's steps to remediate the identified issues, determine whether further corrective actions were necessary, and evaluate the root causes of the foreign currency wire-related data issues. The Firm produced to FINRA the third-party consultant's Statements of Work, as well as the third-party consultant's data lineage test plans. UBS Financial incorporated feedback from FINRA before finalizing these documents.

4. <u>Remediation of Foreign Currency Wire-Related Data Issues.</u> By the fourth quarter of 2022, UBS Financial corrected the core foreign currency wire-related data deficiencies that had contributed to its AML transaction monitoring issues. In February 2023, UBS Financial produced to FINRA the third-party consultant's Corrective Action Assessment that detailed the root causes of the foreign currency wire-related data issues and the fixes for those issues, so that UBS Financial could prevent those issues from recurring.

5. <u>Data Lineage Mapping and Testing of Foreign Currency Wire-Related Data.</u> Following the Firm's initial remediation described above, UBS Financial tasked the third-party consultant with conducting full data lineage mapping and testing of its retail foreign currency wire AML data. In May 2023, the third-party consultant provided a data lineage report, which validated that UBS Financial had addressed the core foreign currency wire-related data deficiencies that were previously identified. UBS Financial produced to FINRA the third-party consultant's findings and report, to be fully

transparent and ensure that such issues did not recur.

6. Enhancements Related to Data Governance Framework's Treatment of AML Data. In or around August 2023, UBS Financial further enhanced its data governance related to AML transaction monitoring, and the AML transaction data became subject to additional verification and controls for accuracy and completeness. UBS Financial also made other enhancements to address the findings about data issues related to retail foreign currency wire monitoring, including improvements to training, the structure around data ownership, and documentation, as well as the implementation of additional data verification and data flow controls. In April 2024, the Firm voluntarily produced to FINRA a comprehensive overview of the enhancements made to UBS Financial's data governance and framework for AML transaction monitoring that it was undertaking to prevent similar issues from recurring.

7. Foreign Currency Wires Look-back Review and Filing of SARs. UBS Financial also engaged a third-party consultant to conduct a voluntary SAR look-back related to the Firm's transaction monitoring of foreign currency wires and to recommend whether any SARs should be filed. This SAR look-back covered foreign currency wires transacted from October 2019 through June 2023 (45 months). UBS Financial shared the methodology for the look-back with FINRA and revised the methodology in response to their feedback. As part of this process, UBS Financial also shared with FINRA the results of the look-back in a series of monthly meetings. Thereafter, UBS Financial and the third-party consultant completed a supplemental SAR look-back covering foreign currency wires transacted during the earlier period from January 2019 through September 2019 (9 months). In total, UBS Financial filed multiple SARs covering the 54 months of the combined SAR look-back. These SARs were a corrective and remedial action that closed reporting gaps, enhanced transparency, and provided law enforcement with information to assess potentially suspicious activity.

8. Enhancements to Customer Due Diligence Program. UBS Financial has implemented a number of enhancements to its policies, procedures, and controls to identify, analyze, and mitigate customer risk and ensure consistent implementation of core processes. These implementation enhancements include:

- The establishment in Q4 2020 of a specialized investigative unit dedicated exclusively to conducting in-depth research and analysis to generate actionable intelligence, which includes targeted analyses of groups of customers based on specific typologies or risks, including in anticipation of geopolitical developments that could implicate money laundering, sanctions, and terrorist financing risks;
- The launch in January 2022 of a proactive, event-driven global portfolio review of customers with a direct or indirect nexus to Russia and the former Soviet Union ("R-FSU") in response to the anticipated invasion of Ukraine and associated changes in geopolitical and regulatory risk, which resulted in filing of SARs and exit of customers, including the two customers with R-FSU ties described in the AWC;

- The implementation of additional policy, procedure, and controls enhancements specifically designed to mitigate the risks associated with R-FSU customers, including IP geofencing controls, reviews of login activity, monitoring for changes in customer behavior focused on movements involving the R-FSU region, and the adoption of global de-risking principles for customers with ties to Russia and Belarus calling for the exit of all customers in certain categories;

- The implementation of program enhancements, beginning in 2019, to UBS Financial's processes for collecting and analyzing source of wealth ("SOW") information from all customers at onboarding, including extensive employee training regarding the identification, screening, documentation, and corroboration of SOW information;

- The proactive implementation, beginning in 2019, of expanded onboarding and ongoing screening of clients and related parties against negative news, PEP, and internal Unwanted Business Relationship lists using industry-leading platforms to ensure consistent standards and implementation; and

- The implementation of a new client risk rating system beginning in 2019, as well as the rollout of enhanced periodic KYC review ("PKR") processes calling for annual PKRs on customers rated Higher or High risk, PKRs every two years on customers rated Medium risk, and a trigger-based system to identify Low-risk clients that should be subjected to a PKR based on certain risk attributes.

9. Improved Guidance, Training, and Quality Assurance. Since 2020, UBS Financial has implemented significant enhancements to the guidance and training it provides to first-line and second-line employees regarding AML-related topics including onboarding and ongoing due diligence procedures, adverse media screening, and the collection and analysis of source of wealth information. UBS Financial also implemented first-line and second-line quality assurance testing programs.

10. Improved Coordination between Advisory, Investigation, and Surveillance Functions to Ensure Customer Profiles Remain Accurate. UBS Financial has made substantial progress in formalizing the investigations feedback loop to ensure that transactional activity inconsistent with an existing client profile is appropriately escalated. Although a feedback mechanism historically existed, UBS Financial has now established a more structured and formal process.