

## News Release

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# FINRA Fines UBS \$5 Million for Significant Deficiencies in Anti-Money Laundering Programs

## UBS to Pay \$15 Million Total Fine to FINRA, SEC and FinCEN

WASHINGTON - FINRA announced today that it has fined UBS Financial Services Inc. (UBSFS) \$4.5 million and UBS Securities LLC (UBSS) \$500,000 for failing to establish and implement anti-money laundering (AML) programs reasonably designed to monitor certain high-risk transactions in customer accounts. The high-risk transactions included foreign currency wire transfers at UBSFS, and transactions in low-priced equity securities, or “penny stocks,” at UBSS.

“AML systems must be reasonably designed to monitor transactions for potentially suspicious activity,” said Susan Schroeder, FINRA’s Executive Vice President, Department of Enforcement. “When firms are part of global operations involving high-risk international securities trades and money movements, it is critical that they design and implement an AML program tailored for their business model.”

FINRA found that, from January 2004 to April 2017, UBSFS processed thousands of foreign currency wires for billions of dollars, without sufficient oversight. UBSFS’s AML surveillance systems failed to reasonably monitor billions of dollars in foreign currency wires flowing through customer accounts, including hundreds of millions of dollars in foreign currency wires to and from countries known to be at high risk for money-laundering. For example, for foreign currency wires to and from certain accounts, UBSFS’s AML surveillance systems did not capture the number and identity of customers, the number and dollar value of the transfers, whether the transfers involved third parties and whether the transfers involved countries known for money-laundering risk. UBSFS’s failure to monitor these high-risk transactions went undetected for more than eight years until discovered in 2012, and the firm failed to implement a reasonable system until April 2017.

With respect to UBSS, FINRA found that, from January 2013 to June 2017, the firm failed to reasonably monitor penny stock transactions that its Swiss parent routed to UBSS for execution through an omnibus account. During this time, UBSS facilitated the purchase or sale of more than 30 billion shares of penny stocks valued at over \$545 million through the omnibus account for undisclosed customers.

In settling this matter, the firms neither admitted nor denied the charges, but consented to the entry of FINRA’s findings.

In its [2018 Regulatory and Examination Priorities Letter](#), FINRA highlighted AML as an area of concern and noted it will assess the adequacy of firms’ AML programs and their policies and procedures to detect and report suspicious transactions. Firms can also review FINRA’s

Examination Findings Reports to understand [FINRA's areas of concern](#) and [observations on effective practices](#) related to AML.

The Securities and Exchange Commission (SEC) and the Financial Crimes Enforcement Network (FinCEN), a bureau of the United States Department of the Treasury, also announced today that UBSFS has agreed to pay a \$5 million penalty to each of these agencies in separate actions for AML violations. FINRA appreciates the cooperation of the SEC and FinCEN in the UBSFS investigation.

### **About FINRA**

FINRA is a not-for-profit organization dedicated to investor protection and market integrity. It regulates one critical part of the securities industry – brokerage firms doing business with the public in the United States. FINRA, overseen by the SEC, writes rules, examines for and enforces compliance with FINRA rules and federal securities laws, registers broker-dealer personnel and offers them education and training, and informs the investing public. In addition, FINRA provides surveillance and other regulatory services for equities and options markets, as well as trade reporting and other industry utilities. FINRA also administers a dispute resolution forum for investors and brokerage firms and their registered employees. For more information, visit [www.finra.org](http://www.finra.org).