Press Release

UBS to Pay $25 Million to Settle SEC Fraud Charges Involving Complex Options Trading Strategy

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Washington D.C., June 29, 2022 — The Securities and Exchange Commission today announced that UBS Financial Services Inc. has agreed to pay approximately $25 million to settle fraud charges relating to a complex investment strategy referred to as YES, or Yield Enhancement Strategy.

According to the SEC's order, UBS marketed and sold YES to approximately 600 investors through its platform of domestic financial advisors from February 2016 through February 2017. The order finds that, during this time, UBS did not provide its financial advisors with adequate training and oversight in the strategy, and although UBS recognized and documented the possibility of significant risk in YES investments, it failed to share this data with advisors or clients. As a result, the order finds, some of UBS's advisors did not understand the risks and were unable to form a reasonable belief that the advice they provided was in the best interest of their clients. When investors suffered losses, many of them, along with their financial advisors, expressed surprise and closed their YES accounts.

"Advisory firms are obligated to implement appropriate policies and procedures to ensure all parties involved in the sale of complex financial products and strategies have a clear understanding of the risks those products present," said Osman Nawaz, Chief of the Division of Enforcement's Complex Financial Instruments Unit. "As fiduciaries, advisers also must make suitable recommendations to their clients. Complex products can present unique risks, and the SEC will remain vigilant and continue to take action to protect those who invest in these products from misconduct."

UBS consented to the entry of the SEC's order finding that it violated Sections 206(2) and 206(4) of the Investment Advisers Act of 1940 and Rule 206(4)-7. Without admitting or denying the SEC's findings, UBS agreed to a cease-and-desist order, a censure, and to pay disgorgement of $5.8 million and prejudgment interest of $1.4 million, which is deemed satisfied by payments made to investors in related arbitration proceedings. UBS also agreed to pay a civil penalty of $17.4 million, which it will undertake to distribute to harmed investors pursuant to the fair fund provisions of the Sarbanes-Oxley Act of 2002.

The SEC's investigation was conducted by James F. Murtha, Jonathan C. Shapiro and Brent S. Mitchell, and was supervised by Reid A. Muoio of the Complex Instruments Unit with assistance from Timothy K. Halloran of the Trial Unit.

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Related Materials

- SEC Order