



May 10, 2004

Media release

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The SFBC Reprimands UBS over US Dollar Banknotes Trading

Bank officers and employees of UBS Investment Bank Switzerland have repeatedly acted in breach of UBS's contractual obligations by failing to comply with US embargo provisions incorporated by reference in an agreement providing for the circulation of US Dollar banknotes and by providing incorrect information to the Federal Reserve Bank of New York (New York FED). The Swiss Federal Banking Commission (SFBC) has reprimanded UBS and decided to impose corrective measures. This action has been coordinated with action being taken by the Federal Reserve in the United States.

UBS Investment Bank Switzerland has entered into a contract with the New York FED concerning its participation to the Extended Custodial Inventory Program for United States Dollar Banknotes (ECI Program). The ECI Program seeks to ensure the world-wide supply of US dollars to the economy. Pursuant to this program, UBS was selected as a depository institution to hold currency in its vaults in Zurich and was entrusted to introduce new series of banknotes and to purchase used banknotes. In this connection, UBS had agreed to comply with US-Embargo provisions.

Bank officers and employees of the Banknote Trading Unit of UBS Investment Bank Switzerland have repeatedly entered into transactions under the ECI Program with banks from countries targeted by US embargo provisions (Libya, Cuba, Iran and Yugoslavia), thereby knowingly acting in breach of its contractual obligations to the New York FED. Moreover, certain bank officers and employees of the Banknote Trading Unit of UBS Investment Bank Switzerland have provided to the New York FED manipulated statistical data, omitting to report the prohibited ECI-related transactions. In Oktober 2003, the contract was terminated.

The bank expressed regrets for its misconduct and initiated wide ranging corrective measures. These measures comprise consequences for bank officers and employees, including several dismissals, and a decision to terminate banknote trading activities with foreign professional banknote traders.

In the context of its investigation, the SFBC has closely coordinated its action with the Federal Reserve (www.ny.frb.org/newsevents/index.html). Today, both authorities are simultaneously publicly announcing their measures. In its decision, the SFBC declared that (i) employees of the Banknote Trading Unit of UBS Investment Bank Switzerland had repeatedly and knowingly acted in breach of the ECI Program contract and had



Eidgenössische Bankenkommission
Commission fédérale des banques
Commissione federale delle banche
Swiss Federal Banking Commission

submitted manipulated statistical data to the New York FED; (ii) UBS had insufficiently monitored the execution of the said contract and insufficiently informed the SFBC and the New York FED. Consequently, the SFBC reprimanded the bank on account of its serious violations of the requirements concerning fit and proper business conduct and organizational adequacy. The SFBC also prohibited UBS from resuming banknote trading with foreign professional banknote traders, until re-authorized. SFBC personnel will inspect on site the effectiveness of the measures taken by the bank. Unlike the Federal Reserve, the SFBC however cannot impose monetary penalties in such cases.