

**UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.**

In the Matter of)	
UBS, AG)	Order of Assessment of a Civil
Zurich, Switzerland)	Money Penalty Issued Upon
)	Consent
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WHEREAS, pursuant to Sections 8(b)(4) and 8(i) of the Federal Deposit Insurance Act, as amended (12 U.S.C. §§ 1818(b)(4) and 1818(i)) (the "FDI Act"), the Board of Governors of the Federal Reserve System (the "Board of Governors") issues this Order of Assessment of a Civil Money Penalty Issued Upon Consent (the "Order") against UBS, AG ("UBS"), Zurich, Switzerland, a foreign bank as defined in Section 3101(7) of the International Banking Act (12 U.S.C. § 3101(7));

WHEREAS, UBS operated an Extended Custodial Inventory facility in Zurich, Switzerland ("Zurich ECI") as an independent contractor of the Federal Reserve Bank of New York (the "Reserve Bank") to facilitate, among other things, the distribution and repatriation of U.S. currency. The operations of the Zurich ECI were governed by a contractual agreement between UBS and the Reserve Bank (the "Agreement");

WHEREAS, UBS' operations in Switzerland are subject to supervision by the Swiss Federal Banking Commission, which is taking action with respect to activities conducted by UBS relating to the Zurich ECI;

WHEREAS, the Reserve Bank has determined that: (1) in violation of the Agreement, UBS engaged in U.S. dollar banknote transactions through the Zurich ECI with counterparties in

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jurisdictions subject to sanctions by the Office of Foreign Assets Control of the U.S. Department of the Treasury, specifically, Cuba, Libya, Iran, and Yugoslavia; and (2) in violation of law, certain former officers and employees of UBS engaged in intentional acts aimed at concealing those banknote transactions from the Reserve Bank, including, but not limited to, the falsification of monthly reports submitted by UBS to the Reserve Bank;

WHEREAS, in assessing this civil money penalty, the Board of Governors took into account UBS' cooperation in investigating these matters;

WHEREAS, pursuant to section 8(i) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. § 1818(i)), the Board of Governors is assessing a civil money penalty of \$100,000,000 against UBS for its violations of law;

WHEREAS, on May 7, 2004 the Group Executive Board of UBS adopted resolutions:

1. authorizing and directing Peter Kurer to enter into this Order on behalf of UBS and consenting to compliance by UBS with each and every provision of this Order; and

2. waiving any and all rights that UBS may have pursuant to Section 8 of the FDI Act and 12 C.F.R. Part 263 or otherwise:

- (a) to the issuance of a notice of assessment of a civil money penalty;
- (b) to a hearing for the purpose of taking evidence with respect to any matter implied by or set forth in this Order;
- (c) to judicial review of this Order; and
- (d) to challenge or contest, in any manner, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provision hereof.

NOW, THEREFORE, before the filing of any notices and prior to the taking of any testimony or adjudication of, or finding on any issue of fact or law herein, and without this Order constituting an admission of any allegation made or implied by the Board of Governors in connection with this proceeding, and solely for the purpose of settlement of this proceeding:

IT IS HEREBY ORDERED, pursuant to Section 8(i) of the FDI Act, that:

1. UBS is hereby assessed and shall pay to the Board of Governors a civil money penalty in the sum of \$100,000,000.

2. The penalty assessed by this Order shall be remitted in full at the time of the execution of this Order by wire transfer of immediately available funds to the Federal Reserve Bank of New York, ABA No. 021001208, to the attention of Thomas C. Baxter, Jr., General Counsel and Executive Vice President. The Reserve Bank, on behalf of the Board of Governors, shall distribute this sum to the U.S. Department of the Treasury, pursuant to Section 8(i) of the FDI Act (12 U.S.C. § 1818(i)).

3. The provisions of this Order shall not bar, estop, or otherwise prevent the Board of Governors or any other federal or state agency from taking any other action affecting UBS or any of its current or former institution-affiliated parties, as defined in Sections 3(u) and 8(b)(4) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(4)), or their successors and assigns.

BY ORDER of the Board of Governors, this 10th date of May, 2004.

UBS, AG

By: 

Dr. Peter Kurer
UBS Group General Counsel

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

By: 

Jennifer J. Johnson
Secretary of the Board