



COMMONWEALTH OF PUERTO RICO  
OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS

*Rafael Blanco-Latorre, Esq.*  
*Commissioner of Financial Institutions*

December 21, 2013

Mr. Allen G. Braithwaite III, Vice Chairman & CEO  
Guy Francesconi, Esq., General Counsel  
UBS BANK USA  
299 South Main Street Suite 2275  
Salt Lake City, Utah 84111

**Re: UBS Bank USA; Agreement and Understanding with the Office of the Commissioner of Financial Institutions**

Dear Messrs. Braithwaite and Francesconi:

This letter confirms our understanding and agreement (the "Agreement") regarding the resolution of the Office of the Commissioner of Financial Institutions' ("OCFI" or the "Office") investigation into securities-backed loans offered and made by UBS Bank USA (the "Bank") to residents of and businesses with their principal place of business located in Puerto Rico (collectively, "Puerto Rico Persons"). This Agreement is intended to resolve the issues identified by the OCFI in its role as the regulator and supervisor of Puerto Rico financial institutions and services.

**Background to Agreement:**

The Bank is a Utah industrial bank, whose deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). Under Utah law, the Bank is authorized to make consumer and commercial loans and to accept FDIC-insured deposits. In accordance with its role in supporting the UBS Wealth Management Americas business, the Bank offers those products primarily to clients of UBS Financial Services Incorporated ("UBSFSI") and, in Puerto Rico, of the UBSFSI wholly owned subsidiary known as UBS Financial Services Incorporated of Puerto Rico ("UBSPR"). Together, UBSFSI and UBSPR are referred to below as the "Securities Firms." Each of the Securities Firms is registered as a broker-dealer with the Securities and Exchange Commission, and each is registered as a broker-dealer with this Office.

The Bank is regulated and supervised by the Utah Department of Financial Institutions, the FDIC and, since 2011, the Consumer Financial Protection Bureau ("CFPB"). The Bank is subject to the full range of safety and soundness, consumer protection and compliance regulations that apply to other FDIC-insured state chartered banks in the United States.

Since 2003, the Bank has offered and made securities-backed loans to Puerto Rico Persons. These loans (the "Puerto Rico SBLs") are non-purpose credit lines that are secured by assets held by client Puerto Rico Persons in their accounts with the Securities Firms (UBSPR, with UBSPR acting as introducing broker to UBSFSI).



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The Office has been engaged in an investigation of the Puerto Rico SBLs, in our role as regulator and supervisor of Puerto Rico financial institutions and services.

Partly as a result of the OCIF's investigation of the Puerto Rico SBLs, without admitting or denying any wrongdoing by the Bank, or the violation of any law or regulation of the Commonwealth of Puerto Rico or the United States by the Bank in connection with the Puerto Rico SBLs, the Bank has decided to sell, transfer and assign to UBSPR all of its right, title and interest in the Puerto Rico SBLs.

Effective on or about December 20, 2013, the Bank is selling and transferring to UBSPR all of the Bank's rights, title and interest in its Puerto Rico SBLs. This sale and transfer includes both funded and unfunded (e.g., no outstanding loan balance) Puerto Rico SBLs, as well as all collateral and other rights relating to the Puerto Rico SBLs.

**Agreement:**

1. The Bank shall sell, transfer and assign to UBSPR all of its right, title and interest in the Puerto Rico SBLs, effective on or about December 20, 2013.
2. The Bank shall terminate its offering of Puerto Rico SBLs, effective on or about December 20, 2013.
3. The Bank shall not offer or make Puerto Rico SBLs after December 20, 2013.
4. This Agreement constitutes a final resolution of the investigation by the Office regarding the Bank's activities, operations and practices relating to the Puerto Rico SBLs.
5. Nothing in this agreement may be construed to bear on the enforceability of any agreements related to the Puerto Rico SBLs.

Please acknowledge your agreement to the terms and conditions of this letter by signing where indicated below.

Sincerely,

**ACCEPTANCE BY UBS BANK USA**

Accepted and agreed to this 21<sup>st</sup> day of December, 2013.

UBS BANK USA

By:

  
Allen G. Braithwaite III, Vice Chairman & CEO

By:

  
Guy Francesconi, Esq., General Counsel