

Opening statement of Mark Branson before the permanent subcommittee on investigation United States Senate

July 17, 2008

Thank you Chairman Levin, Senator Coleman (and Members of the Subcommittee). My name is Mark Branson of UBS. I am the Chief Financial Officer of our Global Wealth Management and Swiss businesses located in Zurich. I have been with UBS since 1997, and in my current position for five months. Prior to this, I was Chief Executive Officer of UBS in Japan. I am now responsible for finance and risk control, including financial reporting of our performance, and the maintenance of a strong compliance framework for our wealth management business worldwide.

Mr. Chairman, I have now had the chance to review the Subcommittee's staff report. I am here to make absolutely clear that UBS genuinely regrets any compliance failures that may have occurred. We will take responsibility for them; we will not seek to minimize them. On behalf of UBS, I am apologizing, and committing to you that we will take the actions necessary to see that this does not happen again.

- First, we have decided to exit entirely the business in question. That means UBS will no longer provide offshore banking or securities services to U.S. residents through our bank branches. Such services will only be provided to residents of this country through companies licensed in the United States. While we are winding down this business, there will be no new accounts opened and Swiss-based client advisors will not be permitted to travel to the United States for the purpose of meeting with U.S. clients.
- Second, we are working with the U.S. Government to identify the names of U.S. clients who may have engaged in tax fraud. Client identity is generally protected from disclosure under Swiss law. But such privacy protections do not apply when disclosure of client names is requested in connection with an investigation of tax fraud and where the requests are presented to the Swiss government through established legal channels. We will fully support and assist that process.

Mr. Chairman, I have worked in this organization in many different divisions and locations over the last 11 years. What I have experienced is a firm which not only puts an enormous emphasis on compliance -- compliance with law, compliance with regulations, compliance with internal policies - not only that, but also acts as a partner to governments seeking the assistance of the financial system. We have been a recognized partner to the U.S. Government in its efforts to stop the flow of money that supports terrorism, the illegal drug trade or organized crime. And, we have constructed a best in class system for reconciling the multiple sanction rules imposed by the United

States, the United Nations, the European Union and other countries. This system has won direct praise from senior officials in the U.S. Treasury Department.

These are just two examples.

Like many international financial institutions with clients around the globe invested in U.S. securities, UBS has entered into a Qualified Intermediary Agreement, or QI Agreement, with the Internal Revenue Service. We entered this Agreement with the IRS, effective January 1, 2001. The QI Agreement established a reporting and withholding regime by which UBS would help the U.S. Treasury collect more taxes. Chairman Levin, I know that you and Senator Coleman object to banks providing cross border services to U.S. clients with accounts that do not require the filing of a Form W-9 with the IRS. But, respectfully, this cross border business was -- and is -- entirely legal in both Switzerland and the United States. Indeed, the QI expressly contemplates that U.S. citizens could access bank accounts in Switzerland and other countries without providing a Form W-9, as long as they held no U.S. securities. Unless or until those rules are changed, that is the framework with which we and other banks must comply.

In 2000, UBS adopted detailed policies and procedures to implement the QI Agreement and worked hard to comply. For example, UBS undertook a comprehensive process to identify accounts of U.S. persons which contained assets that could generate U.S.-source income. Then, consistent with the QI Agreement, UBS systematically communicated with all of these U.S. persons advising them that they must either provide UBS with an IRS Form W-9, and thereby disclose to the IRS their relationship to the account, or must agree to sell all of the U.S. securities in their accounts. If those clients did not respond by taking one of those two options, we administered forced sales of the U.S. securities in those accounts. Notwithstanding this effort, we now know that our compliance system had failures and misconduct appears to have occurred.

As this Subcommittee is aware, the U.S. Department of Justice has been conducting an investigation of UBS' business of servicing U.S. clients from Switzerland. Last year, in order to respond to U.S. investigations, UBS launched a comprehensive internal investigation into our cross border business with U.S. customers. These still ongoing investigations suggest that misconduct occurred that we consider unacceptable. We did have detailed written policies that prohibited our employees from engaging in some of the conduct that our internal investigation has uncovered, such as assisting in the creation of sham offshore companies to defraud tax authorities. While our own review is not complete, it is apparent now that our controls and supervision were inadequate. UBS is committed to taking both corrective and disciplinary measures.

Mr. Chairman, as you know, we have nearly 32,000 U.S. employees out of some 80,000 around the world. They are understandably alarmed by the reports of misconduct that they have seen. They want to know that such misconduct does not belong in UBS, and that the firm's ethics match their own. I am here today to tell you and to tell them that no, that kind of misconduct does not belong in UBS. And further that by exiting this business, we have taken a major step, designed to ensure that this misconduct will not be repeated and that this matter can be properly resolved. Thank you for this opportunity and I will be pleased to answer any questions.