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MARKETS

UBS Hit With \$545 Million in Fines

The Swiss lender is the latest global bank to plead guilty to crimes in the U.S.



UBS offices in New York. The Swiss bank was fined for its role in an interest-rate rigging scheme. *PHOTO: BLOOMBERG NEWS*

By **JOHN LETZING**

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ZURICH— UBS AG became the latest global bank to plead guilty to crimes in the U.S. and was slapped with \$545 million in fines, after authorities probing the manipulation of foreign-exchange rates tore up a three-year-old immunity agreement with Switzerland's biggest lender.

The fines for UBS are the first of what is expected to be a wave of settlements Wednesday between big banks and U.S. regulators over alleged manipulation of foreign-exchange markets.

Zurich-based UBS said it isn't being charged as part of a broader foreign-exchange investigation, but that its conduct prompted the Justice Department to void a separate agreement struck in 2012 that spared the bank from charges related to manipulation of the London interbank offered rate, or Libor.

UBS will plead guilty to wire fraud and pay a fresh \$203 million fine related to the Libor case. In addition, the bank will pay a \$342 million penalty to the U.S. Federal Reserve, for "engaging in unsound business practices" related to its foreign-exchange business.

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Street



UBS CEO Sergio Ermotti said the conduct of a small number of employees was unacceptable. *PHOTO: REUTERS*

Journal previously reported that U.S. prosecutors took into account UBS's promise not to break the law in its 2012 nonprosecution agreement for Libor, and believed misconduct by bank's employees trading in foreign currencies violated those terms.

A Justice Department spokeswoman didn't immediately respond to a request for comment.

Banks have sought to avoid criminal charges, which can add complications to their businesses. UBS rival Credit Suisse Group AG, pleaded guilty last year to a charge of aiding U.S. tax evasion by providing undeclared Swiss bank accounts to American

clients. Credit Suisse has experienced some wrinkles in its U.S. businesses as a result of the plea, related to its ability to manage money for pension funds and to quickly raise capital.

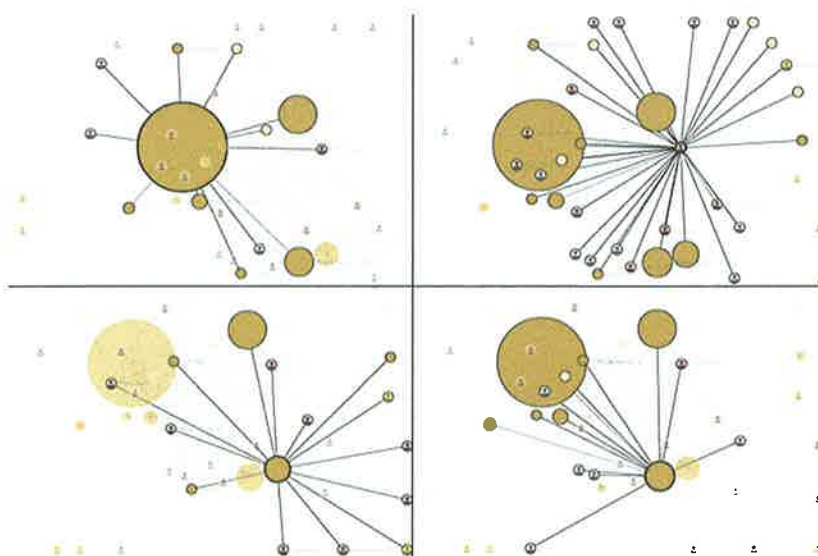
French bank BNP Paribas SA pleaded guilty last year to dealings with sanctioned countries.

People familiar with the matter had previously been expecting UBS and other banks to settle the foreign exchange probes with the Justice Department last week. However, the banks need to apply for waivers from the U.S. Securities and Exchange Commission in light of their guilty pleas—which could help protect their businesses from related complications—contributed to pushing the respective resolutions back by one week.

UBS is expected to be one of a handful of big banks that are soon to settle foreign-exchange rigging probes with the Justice Department. Barclays PLC, J.P. Morgan Chase & Co., Citigroup Inc. and Royal Bank of Scotland are expected to enter guilty pleas related to the foreign-exchange probes.

UBS said it expected no financial impact on its results for the second quarter as a

Interactive: Libor, the Spider Network



result of Wednesday's settlements. The bank's Chief Executive Sergio Ermotti and Chairman Axel Weber said "the conduct of a small number of employees was unacceptable."

UBS noted in its statement that the conduct that prompted its guilty plea related to Libor is the same that underpinned a guilty plea made previously in the U.S. by the bank's Japanese subsidiary.

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