

Final: Answers to ICIJ Questions

Date: 17 March 2016

I. Questions relating to offshore companies

Offshore corporations are fairly common and there are many legitimate reasons for their establishment. Such entities are used by companies, individuals and families in order to consolidate participations, real estate or shareholdings in different jurisdictions, for example for the purpose of estate and asset planning. Like many other banks, UBS maintains an in-house trust offering in full compliance with applicable laws and regulations.

Your questions refer to services concerning the set-up and administration of offshore companies using third-party providers which UBS proactively decided to discontinue in 2010. We took this step due to changes in regulation in some of the jurisdictions where offshore companies were held and due to a further tightening of UBS's internal policies.

In all cases, UBS knows the identity of the beneficial owners of the companies that its customers ask the bank to work with and we apply the same strict anti-money laundering rules to all of our bank and business relationships. We apply these stringent rules consistently and did not accept less due diligence than normally required when we exited the offshore company business and clients established direct relationships with external service providers. We do not tolerate misconduct of any kind and systematically investigate suspect activity. In such cases we submit reports on suspicious activities to anti-money laundering authorities according to applicable laws.

Please refer to topic III for more details on the process to combat money laundering.

II. Questions relating to alleged clients

Laws and regulations prohibit us from commenting on individuals and whether they have been or are clients. This also prevents us from disclosing if authorities launched an investigation as a result of reports received from us. (Please refer to topic III for more details on the process to combat money laundering). What we can say, is that the information you are presenting and the assumptions you are making contain inaccuracies.

While we are unable to comment on specific cases, UBS has strict guidelines with respect to corroboration and verification of sources of wealth. UBS operates under a robust money laundering prevention framework (please refer to topic III for more details on the framework) and global principles for banking relationships with politically exposed persons, which provide for enhanced due diligence, approvals, annual reviews and enhanced monitoring of potentially suspicious transactions.

III. Questions relating to combatting money laundering and corruption

UBS applies a robust money laundering prevention framework across its business operations globally, consistent with locally applicable regulations as well as standards developed by the Wolfsberg Group. UBS is a founding member of the Wolfsberg Group, named after the UBS conference center where it first convened, which develops guidance for the management of financial crime risks in the financial system. This demonstrates our commitment to best practices in this area.

UBS employs a sophisticated set of IT-based monitoring tools to identify suspicious transactions (transaction monitoring) and trains its employees on a regular basis in all relevant aspects of anti-money laundering.

We regularly submit reports on suspicious activities to AML authorities. On a global basis, we file a significant four-digit number of such reports every year. Depending on local regulation we freeze funds and terminate the client relationship after having made a report. In certain jurisdictions we may be required not to freeze funds after making a report to avoid tipping-off risks.

Strict Swiss AML laws and regulations:

In cases of suspected money laundering, as well as suspected membership of or support for a criminal organization, UBS is required by the Swiss Money Laundering Act to advise the Federal Department of Justice and Police and to freeze the funds once the report has been handed over to the law enforcement authorities. Failure to comply with these legal obligations constitutes a criminal offence in itself.

The Swiss Money Laundering Act includes the obligation to judge customers according to the "know-your-customer" principle and to identify the beneficial owner of the funds.

The Money Laundering Reporting Office Switzerland (MROS) received 1,753 suspicious activity reports in 2014, the latest year for which numbers are available. The total asset value of these reports was over CHF 3 billion. UBS makes extensive use of this tool and files many reports each year. The current MROS report shows that Switzerland's major financial institutions alone filed close to 500 reports in their home country in 2014.