

COMUNICADO DE PRENSA

9 de octubre de 2014

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OCIF ANUNCIA UBS ACUERDA PAGAR \$3,500,000 Y OFRECER RESTITUIR \$1,681,742 EN CASO RELACIONADO A LA VENTA Y SUPERVISIÓN DE FONDOS MUTUOS CERRADOS

San Juan. La Oficina del Comisionado de Instituciones Financieras (“OCIF”) llevó a cabo un examen de las operaciones de UBS Financial Services Incorporated of Puerto Rico (“UBS”), el cual cubrió el período entre el 1ro de enero de 2006 al 30 de septiembre de 2013. El propósito de dicho examen fue evaluar el cumplimiento con las disposiciones de la Ley Número 60 (Ley de Valores de Puerto Rico), el Reglamento Número 6078 de dicha Ley, así como cualquier otra disposición de ley bajo la jurisdicción de la OCIF en relación con la oferta, venta o compra de fondos mutuos cerrados bajo la administración de dicha casa de corretaje.

Luego de analizar la información recopilada, la OCIF advino en conocimiento, mediante entrevista a una muestra representativa de clientes de perfil de tolerancia de riesgo conservadora y con un nivel significativo de sus activos líquidos invertidos en fondos mutuos cerrados, que UBS pudo haber permitido o recomendado la otorgación de líneas de crédito o préstamos conocidos como “non-purpose loans”, a algunos de estos clientes, el producto de los cuales pudo haber sido utilizado para la compra indebida de acciones en fondos mutuos cerrados. Además, la OCIF se percató de posibles irregularidades en el manejo de las cuentas y récords de estos clientes, y en la falta de una supervisión adecuada y diligente por parte de UBS a sus agentes.

En ánimo de dar por terminada cualquier controversia y poder restituir de forma expedita a 34 clientes que pudieron haber sufrido pérdidas de acuerdo a los parámetros establecidos de mayoría de edad y bajo patrimonio con inversiones concentradas en Fondos Mutuos Cerrados, UBS y la OCIF han decidido entrar en un ACUERDO mediante el cual UBS desembolsará un total de \$5,181,742.00 entre restituciones y una aportación impuesta por la OCIF al Fondo de Educación al Inversionista, adscrito a la OCIF. UBS, dentro de un término de 45 días de la firma del acuerdo y en coordinación con la OCIF, sin admitir haber incurrido en práctica ilegal alguna, ofrecerá restituir a los clientes afectados un total de \$1,681,742.00.

Además, UBS aportará a la OCIF \$3,500,000.00, dirigidos a nutrir el Fondo de Educación al Inversionista. Igualmente, el Acuerdo provee para que, durante un período de 6 meses, que pudiera extenderse a 6 meses adicionales, UBS supervise estrictamente a los seis agentes que pudieron haber incurrido en determinadas prácticas indebidas. Además, UBS se compromete, dentro de un período de 6 meses, a realizar un análisis extendido de cualesquiera otros clientes con características similares que pudieran haberse afectado y que no fueron parte de la muestra analizada por la OCIF. UBS se compromete en proveer a la OCIF el resultado de tal análisis.

Finalmente, UBS revisará y actualizará sus políticas y procedimientos para asegurar su cumplimiento con las disposiciones reglamentarias aplicables, en particular con relación a los llamados “non-purpose loans” y evitar incurrir en una situación similar a futuro.

“Ciertamente, este Acuerdo obra en beneficio de todas las partes. Por un lado, obviamos el proceso Administrativo – Judicial que acarrea costos a las arcas del gobierno y meses o años en resolver ante un foro relevante, y los clientes identificados en el examen podrán ser resarcidos de sus pérdidas de manera inmediata. De otro lado, la OCIF ha cumplido su deber ministerial de imponerle a UBS medidas de supervisión estrictas de manera que las prácticas señaladas no se repitan”, dijo el licenciado Rafael Blanco Latorre, Comisionado de Instituciones Financieras.

La totalidad del ACUERDO, se aneja a este COMUNICADO. Los anejos al acuerdo se mantienen de forma Confidencial para proteger la identidad y datos de los clientes al igual que los nombres de los agentes de UBS señalados en el ACUERDO.

El Comisionado aprovechó la oportunidad para exhortar al público inversionista y al público en general a mantener la confianza en el sistema financiero de Puerto Rico. Además, aprovechó para recordar a la ciudadanía que pueden comunicarse directamente al centro de llamadas del Financial Industry Regulatory Authority (FINRA) a los teléfonos 1+(301)590-6500, 1+(212)858-4200, 1+(561)443-8000 o mediante comunicación escrita a la siguiente dirección: FINRA, 1735 K Street, Washington DC, 20006. Finalmente exhorta al público en general a comunicarse con la OCIF al número telefónico libre de cargos, 1-800-981-7711, para atender consultas.

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PRESS RELEASE

October 9, 2014

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UBS AGREES TO SETTLEMENT WITH OCIF ON OFFERING AND SALE OF PUERTO RICO CLOSED-END MUTUAL FUNDS; WILL PAY \$3.5 MILLION CONTRIBUTION IMPOSED BY THE OCIF AND \$1.7 MILLION RESTITUTION ON CLIENT LOSSES

San Juan, Puerto Rico. The Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico ("OCFI") examined the operations of UBS Financial Services Incorporated of Puerto Rico ("UBS") which covered the period between January 1st, 2006 through and including September 30, 2013. The examination verified compliance with Act # 60 (Puerto Rico Uniform Securities Act) and Regulation 6078 of the aforementioned Act, as well as other applicable laws under the jurisdiction of OCIF with respect to the offer, sale, and/or purchase of Puerto Rico Closed-End Funds ("PRCEF") under the administration of UBS.

After analyzing the data collected, OCIF became aware, by means of interviews of a representative sample of clients with a conservative risk tolerance profile and with a significant level of their liquid net assets invested in PRCEF, that UBS may have permitted or recommended such clients the use of "non-purpose" loans for the purchase of additional PRCEF, an ineligible activity for "non-purpose" loans. Additionally, OCIF observed apparent irregularities in the management of some of these client's accounts and lack of adequate record keeping and diligent supervision by UBS of its agents.

In the best interest of all concerned, and without an admission of liability or wrongdoing on the part of UBS, OCIF and UBS agreed to reach a complete and final SETTLEMENT AGREEMENT ("Agreement") whereby 34 clients, mostly senior, low net worth investors with conservative investment profiles whose investments in PRCEF represented a substantial portion of their liquid net assets, will be offered by UBS, within 45 days of the execution of the Agreement, and in coordination with OCIF, an aggregate restitution of \$1,681,742.00 for their losses. Additionally, UBS will pay a contribution imposed by the OCIF of \$3,500,000 that will be destined to the Securities Trading, Investor Education, and Investigation Fund.

The Agreement calls for an enhanced supervision for six UBS agents who may have incurred in objectionable practices for a period of six months, automatically extendable for an additional six months, unless otherwise approved by the OCIF. Within six months from the execution of the Agreement, UBS will conduct a good faith, confidential review of customer accounts where senior, low



net worth investors with a conservative risk profile had a potentially significant level of their liquid net assets invested in PRCEF to determine whether additional action and restitution, if any, is required. Further, UBS will review and update its policies and procedures to ensure compliance with applicable regulatory rules, in particular, with respect to the use of “non-purpose” loans.

“This Agreement is fair to all concerned. On one hand we avoid a costly and protracted administrative/judicial process and affected clients identified in the examination receive immediate restitution for their losses. On the other hand OCFI meets its ministerial obligation by ensuring that UBS adopts measures that will avoid recurrence of cited findings” stated Commissioner Rafael Blanco. The totality of the Agreement is included as an appendix to this Press Release. The exhibits to the Agreement will remain confidential to protect the identity and other confidential data of both clients and UBS agents.

Commissioner Blanco further underlined the importance of investors to maintain its trust in the Puerto Rico financial industry. Any interested party should communicate directly with OCFI, at the number indicated below, or with the Financial Industry Regulatory Authority (FINRA) at (301) 590-6500, (212)858-4200, (561)443-8000 or by mail to the following address:

FINRA
1735 K Street
Washington, DC 20006

Finally, OCFI remains committed to serve the community and can be reached at our toll free number 800-981-7711 for consultation.

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SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT, made and entered on this 9th day of October 2014, to be effective as of this date between UBS FINANCIAL SERVICES INCORPORATED OF PUERTO RICO ("UBS"), and the OFFICE OF THE COMMISSIONER OF FINANCIAL INSTITUTIONS OF THE COMMONWEALTH OF PUERTO RICO (the "OCFI")

WITNESSETH

WHEREAS, UBS has been registered with the OCFI as a general securities broker/dealer since 1984 (CRD-13042, B/D No. 177).

WHEREAS, the OCFI conducted a routine Examination (as defined below) of UBS whose fieldwork initiated on October 15, 2013 and concluded on June 27, 2014. The primary period covered was from June 1st, 2010 to September 30, 2013. The Examination included a review of the activities and supervision of present and former UBS registered agents.

WHEREAS, the Examination was conducted to determine whether UBS complied with the requirements of Act No. 60 of June 18, 1963, as amended, known as the "Puerto Rico Uniform Securities Act" ("PRUSA"), Regulation No. 6078, approved thereunder, as well as any other legal provision under the OCFI's jurisdiction related to the securities activities of UBS (hereinafter referred as the "Examination"). UBS's compliance with certain requirements of the Securities and Exchange Commission and Self-Regulatory Organizations securities laws and regulations were also the subject of the OCFI's Examination inasmuch as such compliance could be construed to be required by PRUSA, Regulation No. 6078 and/or public policy concerns.

WHEREAS, the OCFI interviewed a sample of clients and examined whether certain former and current UBS agents ("Certain Brokers") may have either (i) recommended that, or (ii) permitted certain clients to, use non - purpose loans through UBS Bank USA (BUSA) to purchase securities in UBS brokerage accounts during 2011 - 2013 in violation of the customers' loan agreements and UBS policies. For certain clients, such practice also may have been potentially unsuitable based on the customers' financial objectives, risk

tolerance, and needs, and/or certain purchases may have been induced by misrepresentations or omissions of material facts.

WHEREAS, the OCFI interviewed a sample of senior, low net worth investors with conservative investment profiles whose investments in local closed end funds represented a substantial level of their liquid net assets and found that Certain Brokers may have engaged in the recommendation and trading of potentially large amounts of one or more similar closed - end funds in relation to such clients' liquid net assets given their conservative investment objectives, risk tolerance and more modest financial profile. Such practice may have also been potentially unsuitable based on the particular customer's conservative financial objectives, risk tolerance, and needs, and/or certain purchases may have been induced by misrepresentations or omissions of material facts based on the manner in which the investments were recommended to the investors by the agents.

WHEREAS, the OCFI also found that, in some instances, Certain Brokers may have made transactions in their clients' accounts without obtaining prior authorization, or exercised discretionary power in effecting certain transactions for the clients' accounts without first obtaining written authority from the customers.

WHEREAS, the OCFI also examined UBS's supervisory and recordkeeping procedures during the period covered by the Examination and how these procedures were implemented by UBS in connection with certain activities undertaken during June 1st, 2010 to September 30, 2013. The OCFI extended the examination period and found that, in certain instances, UBS may have failed to maintain and enforce appropriate supervisory procedures in connection with certain client transactions during January 1st, 2006 to May 31st, 2010,¹ regarding the use of BUSA non - purpose loans by clients to purchase securities and/or in the trading of one or similar closed - end funds in relation to the clients' liquid net assets given their conservative investment objectives, risk tolerance and more modest financial profile. Thus, in certain instances, UBS was not able to prevent, detect and promptly correct

¹ To the extent that the OCFI expanded the examination period, the matters addressed from the earlier period are also resolved by this settlement.

(i) potentially unsuitable recommendations or (ii) potentially improper transactions in the client accounts at issue.

WHEREAS, the OCFI also found that UBS may have failed to maintain accurate books and records in connection with certain customers' information and the activities of the Certain Brokers.

WHEREAS, prior to the execution of this SETTLEMENT AGREEMENT, the OCFI has discussed its Examination with UBS. UBS and the OCFI are desirous of resolving this matter and all of the facts and circumstances surrounding the activities that were the subject of the Examination, including those that were the subject of the extended examination period.

WHEREAS, UBS and the OCFI have jointly agreed that it is best for all concerned to reach a complete and final SETTLEMENT AGREEMENT with respect to the Examination by means of the actions and measures provided for in this SETTLEMENT AGREEMENT, so as to avoid the costs and uncertainties of litigation for both parties.

WHEREAS, this SETTLEMENT AGREEMENT shall not be deemed an admission of liability, a finding of wrongdoing or an admission of any fact or allegation that may relate to or arise from the Examination or this SETTLEMENT AGREEMENT on the part of UBS, its subsidiaries, current or former directors, officers, managers, agents, attorneys, representatives, employees, servants, successors, affiliates, divisions, subdivisions, assigns and insurance carriers of the provisions of PRUSA or any regulation approved thereunder, nor under any other legal provision under the OCFI's jurisdiction.

NOW THEREFORE, to carry out this SETTLEMENT AGREEMENT, UBS and the OCFI agree to the following:

1. OCFI has jurisdiction over the matters agreed herein.
2. On this date, UBS and the OCFI consent to and hereby agree to settle all matters concerning the Examination as well as any regulatory matters related to the Examination by the OCFI and the activities of UBS, Certain Brokers, and the UBS Managing Staff related to the Examination.
3. In consideration for the settlement agreed to herein, the parties stipulate and agree as follows:

- a. Without admitting responsibility, nor that there was any wrongdoing, negligence, mismanagement, lack of proper supervision, nor losses in the accounts as a result of any management, actions, statements, representations or omissions of UBS, UBS's management and/or Certain Brokers, and within 45 days of the execution of this SETTLEMENT AGREEMENT, UBS, in coordination with the OCFI, will offer settlement payments to the customers identified in EXHIBIT A in exchange for the customers executing a mutually agreeable settlement and release agreement. Such offers will be made in the premises of the OCFI. The total amount of proposed restitution is \$1,681,556. Pursuant to subpart 3(e), UBS and the OCFI agree that EXHIBIT A of this SETTLEMENT AGREEMENT shall be kept in complete confidentiality.
- b. Pursuant to PRUSA, UBS will issue a check payable to the Secretary of the Treasury on the date of the execution of this SETTLEMENT AGREEMENT in the sum of three million five hundred thousand dollars (\$3,500,000.00) that will be contributed to the Securities Trading, Investor Education and Investigation Fund.
- c. Within six (6) months from the execution of this SETTLEMENT AGREEMENT, UBS will conduct a good faith, confidential review of customer accounts held as of July 31, 2013, where senior, low net worth investors with a conservative risk profile had a potentially significant level of their liquid net assets invested in certain UBS sole and co-managed closed end funds created under the Puerto Rico Investment Company Act, to determine whether additional action and restitution, if any, is required. The specific criteria that are to be used as a baseline for identifying clients that will be subject to the internal review are those specified in EXHIBIT B. The specific criteria set forth in Exhibit B does not represent a finding, opinion or judgment by the OCFI as to the suitability of those customers' accounts. Pursuant to subpart 3(e), UBS and the OCFI agree that

EXHIBIT B of this SETTLEMENT AGREEMENT shall be kept in complete confidentiality. Upon completion of its confidential review, UBS agrees to provide to the OCFI a courtesy copy of a summary description of any additional action taken by UBS in connection with the identified customer accounts, which shall remain confidential. UBS and the OCFI further agree that the confidential settlements set forth under paragraph 3(a) above are not binding in any manner with respect to the review to be conducted by UBS pursuant to this paragraph, including with respect to any criteria to be used in the review. For the avoidance of doubt, the provisions of this Paragraph 3(c) are not intended as a modification, and do not modify, the agreements contained in this SETTLEMENT AGREEMENT, including, without limitation, the provisions in Paragraphs 2 and 5 herein.

- d. Based on allegations made by certain customers, OCFI has requested and UBS has agreed that UBS will place certain brokers under enhanced supervision as described in this paragraph. Nothing herein shall be construed as a determination by OCFI or an admission by UBS that these allegations are accurate. Accordingly, from the day of the execution of this SETTLEMENT AGREEMENT and for a period of six (6) months, automatically extendable for six (6) additional months, unless otherwise approved by the OCFI, UBS will place the brokers identified in EXHIBIT C under enhanced supervision as such term is commonly defined by industry standards, expressly requiring that all transactions carried out by the brokers identified in EXHIBIT C, be reviewed daily by the supervisors identified in such EXHIBIT C. During such period of enhanced supervision, all new accounts opened by brokers identified in EXHIBIT C will require that the supervisors identified in EXHIBIT C personally meet and interview with applicants/clients to review and verify the client's personal and financial profile and investment objectives. Such review will be documented in writing by the

supervisors identified in EXHIBIT C, and acknowledged by the clients. A certification of compliance with enhanced supervision will be submitted to the OCFI monthly. UBS and the OCFI agree that EXHIBIT C of this SETTLEMENT AGREEMENT will be kept in complete confidentiality.

e. UBS and the OCFI agree that EXHIBITS A, B and C shall be kept in complete confidentiality. Any disclosure of the contents of EXHIBITS A, B and C to any third party is prohibited, including but not limited to the dissemination of any press release or other public communication, except (i) as may be necessary by the Parties (as defined below) to enforce its terms; (ii) as provided by law or regulation; (iii) by order of any court; and (iv) that UBS may share a copy of EXHIBITS A, B and C with its affiliates and parent companies. Notwithstanding the foregoing, the Parties agree that this Paragraph may not be construed to prohibit or restrict the OCFI or UBS from providing information about the terms of EXHIBITS A, B and C, or the underlying facts and circumstances, upon request of any regulatory or law enforcement authority in connection with any inquiry, examination or investigation.

4. In addition to the aforementioned, UBS will continue to regularly review and update the Firm's policies and procedures to ensure compliance with applicable regulatory rules. UBS represents that it is taking additional, substantial measures to make reasonably sure that none of its agents are recommending or permitting clients to use non-purpose loans to purchase securities and that its surveillance is reasonably designed to identify any broker or client that attempts to engage in such conduct. These measures include (i) the creation of a new, monthly surveillance report that is reasonably designed to identify circumstances where a client may be attempting to send non-purpose loan funds outside of UBS and then redeposit the same funds to purchase securities and (ii) the creation of a non-purpose lending compliance training module that will reinforce the permissible uses

of non-purpose loans. The training module will be mandatory for all brokers and their supervisors to complete.

5. This SETTLEMENT AGREEMENT includes the totality of any and all matters associated with the findings related to the Examination conducted by the OCFI of UBS, its subsidiaries, current or former directors, officers, managers, agents, attorneys, representatives, employees, servants, successors, affiliates, divisions, subdivisions, assigns and insurance carriers pursuant to the provisions of the PRUSA and Regulation No. 6078.
6. The parties agree to execute any and all documents needed for the execution of this SETTLEMENT AGREEMENT.
7. Nothing herein stipulated shall be interpreted as an admission of fact or of liability or finding of wrongdoing by UBS, UBS management, UBS's brokers (including the Certain Brokers), its subsidiaries, current or former directors, officers, managers, agents, attorneys, representatives, employees, servants, successors, affiliates, divisions, subdivisions, assigns and insurance carriers.
8. This SETTLEMENT AGREEMENT does not preclude any potential client's private remedies, other than those included in EXHIBIT A of this SETTLEMENT AGREEMENT, against UBS, its subsidiaries, current or former directors, officers, managers, agents, attorneys, representatives, employees, servants, successors, affiliates, divisions, subdivisions, assigns and insurance carriers and/or others in connection to the activities described herein. Nothing in this SETTLEMENT AGREEMENT is intended to or shall be construed to have resolved any disputed fact or issue in any civil action, arbitration or other proceeding.
9. Except as explicitly provided in this SETTLEMENT AGREEMENT, nothing herein is intended to or shall be construed to have created, compromised, settled or adjudicated any claims, causes of action, or rights of any person whomsoever, other than as between the OCFI,

UBS, and the clients mentioned in this SETTLEMENT AGREEMENT, UBS's subsidiaries, current or former directors, officers, managers, agents, attorneys, representatives, employees, servants, successors, affiliates, divisions, subdivisions, assigns and insurance carriers in accordance with this SETTLEMENT AGREEMENT.

10. The Parties are entering into this SETTLEMENT AGREEMENT freely, knowingly and voluntarily, under the advice of counsel of their choice and with a full understanding of its terms. This SETTLEMENT AGREEMENT may not be changed or altered, except by a document signed jointly by UBS and the OCFI.
11. The Parties warrant that they are not subject to any statute or contractual obligation which may make unlawful the execution of this SETTLEMENT AGREEMENT.
12. UBS warrants that it has duly authorized the person appearing on its behalf in this SETTLEMENT AGREEMENT to execute the same.
13. This SETTLEMENT AGREEMENT reflects the total pacts and covenants between the parties hereto and any statement, promise or representation given by any of the parties hereto, which is not included herein, shall be null and void.
14. This SETTLEMENT AGREEMENT shall be interpreted for all purposes consistent with the laws of the Commonwealth of Puerto Rico. If any clause of this SETTLEMENT AGREEMENT should ever be determined to be unenforceable, it is agreed that this will not affect the enforceability of any other clause or the remainder of this SETTLEMENT AGREEMENT.
15. UBS hereby acknowledges that the failure to comply with all or any of the terms and conditions set forth in this SETTLEMENT AGREEMENT may result in the exercising of any right or prerogative possessed by the OCFI, as provided by Act No. 4 of October 11, 1985, as amended, known as

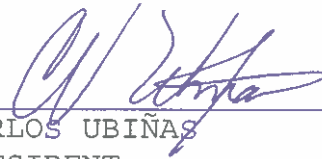
the "Commissioner of Financial Institutions Act" or any other applicable law.

16. The terms of this SETTLEMENT AGREEMENT will become effective immediately upon its execution.

This SETTLEMENT AGREEMENT is executed on October 9, 2014, by the following parties:



RAFAEL BLANCO LATORRE, ESQ.
COMMISSIONER OF FINANCIAL
INSTITUTIONS
COMMONWEALTH OF PUERTO RICO



CARLOS UBIÑAS
PRESIDENT
UBS FINANCIAL SERVICES
INCORPORATED OF PUERTO
RICO