

OPENING STATEMENT OF MARK BRANSON
BEFORE THE PERMANENT SUBCOMMITTEE ON INVESTIGATION

UNITED STATES SENATE

MARCH 4, 2009

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Chairman Levin, Senator Coburn (and Members of the Subcommittee). My name is Mark Branson. I am the Chief Financial Officer of the global wealth management and Swiss businesses of UBS based in Zurich, and I am responsible for the financial and risk control of this division.

When I testified before this Subcommittee last summer, I described our efforts to investigate and correct problems with the bank's provision of cross-border financial services to U.S. residents. At the hearing, we committed: to cooperate with the U.S. government's investigations; to exit the cross border business for U.S. residents; and to take corrective measures to ensure that such problems cannot reoccur. I am pleased to say that we are making good on each of those commitments.

Firstly, we recently entered agreements with the U.S. Justice Department and the Securities & Exchange Commission that resolve their investigations of our cross-border business. Through these agreements, UBS has delivered on its promise to cooperate with the various investigations of the bank, accept responsibility for its unlawful conduct and remedy that misconduct.

As part of these settlements, we agreed to disgorge profits from the U.S. cross- border business. We also agreed to pay back taxes, interest and substantial civil penalties. In addition, following an emergency order from the Swiss financial regulator, we disclosed on an expedited

basis the name and account information of certain U.S. clients who appear to have engaged in “tax fraud or the like” within the meaning of the Double Taxation Treaty between the U.S. and Switzerland. Those clients misused the confidentiality protection of Swiss law.

Second, following my testimony before the Subcommittee last summer, we began the process of exiting the U.S. cross border business. Since then, we have closed more than 14,000 individual relationships. Going forward, U.S. residents will only be permitted to maintain accounts that are fully disclosed to the IRS, with UBS affiliates that are SEC registered.

Our exit plan is also designed to encourage our cross-border U.S. clients to make voluntary disclosures to the IRS, where appropriate. Our communications to affected clients clearly encourage them to disclose their accounts to the IRS, if they have not already done so. We also guarantee our exiting U.S. clients that we will provide them with the documentation necessary to file amended U.S. tax returns.

As part of the recent settlements, the U.S. government has authorized our exit plan. We will now complete the exit in accordance with those agreements. Progress will be reviewed by an independent auditor who will periodically report to the U.S. government.

Third, UBS will implement an enhanced control framework around our compliance with the Qualified Intermediary or QI Agreement. This new framework will include the appointment of a senior executive to supervise QI compliance across UBS.

Through all these actions, UBS is making good on the commitments that I gave to the Subcommittee last summer.

Mr. Chairman, we deeply regret our breaches of U.S. law. I can honestly say that what took place in one small part of our business is not representative of the firm's culture or the values of the 78,000 UBS employees around the world. Those employees, including over 25,000 employees here in the U.S. and roughly the same number in Switzerland, have suffered as they have seen the reputation of their firm harmed. That is very painful to me, as is the fact that the bank's behaviour has brought international criticism to the country of Switzerland.

Before I conclude, I would like to address the recent civil action filed by the IRS. That action asks a U.S. court to compel UBS to disclose the names and account information of thousands of U.S. clients who maintained cross-border accounts with UBS in Switzerland and did not provide the bank with a Form W-9. Because Swiss law prohibits UBS from producing responsive information located in Switzerland, UBS has sought to work cooperatively with the IRS to identify information responsive to the summons that is located in the U.S. We undertook substantial efforts over many months to collect and produce such U.S. based information. This was information that we could provide to the IRS without violating Swiss law, and this process is continuing. We took these steps in a good faith effort to cooperate with the summons. But we believe that UBS has now complied with the summons to the fullest extent possible without subjecting its employees to criminal prosecution in Switzerland.

Mr. Chairman, the John Doe Summons is fundamentally a dispute between the IRS and the Swiss government. UBS believes this dispute should be resolved through diplomatic discussions between the two governments, and we will continue to support actively such discussions. But we respectfully submit that the IRS is attempting to resolve this diplomatic dispute in a courtroom, which is neither productive nor proper.

The QI Agreement that UBS entered with the IRS in 2001 expressly recognized that UBS would open and maintain accounts covered by Swiss financial privacy laws for U.S. clients who chose not to provide a Form W-9, as long as those accounts held no U.S. securities. The Swiss accounts that are potentially subject to the Summons do not contain U.S. securities. UBS legitimately maintained those accounts consistent with the QI Agreement signed by the IRS. The summons therefore seeks client information that the IRS itself agreed would be kept confidential.

In addition, Switzerland and the U.S. are signatories to treaties that specify the circumstances under which client names and account information located in Switzerland can be shared with U.S. authorities. We believe that the John Doe Summons is inconsistent with those long standing treaties.

When I was last before the Subcommittee, I promised that UBS would cooperate with the IRS, and I believe we have. We made a good faith effort to produce responsive information available in this country that could be disclosed without violation of Swiss law. The bank has now done all that it can do to cooperate with the John Doe Summons. But UBS cannot disclose information to the IRS that would put its employees at serious risk of criminal prosecution under Swiss law.

Mr. Chairman these are challenging times for the firm. But everyone at the bank is now dedicated to one goal -- fixing UBS -- its finances and the problems we have created here in the U.S. Thank you for this opportunity to address the Subcommittee and I will be pleased to answer any questions that you may have.