

UBS fined for overcharging rich clients for 10 yrs



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(MarketWatch) UBS Group AG overcharged and misled wealthy clients for a decade without detection, Hong Kong's securities regulator said Monday, as it fined the bank 400 million Hong Kong Dollars (US \$51 million) and demanded HK\$200 million in customer compensation.

The Hong Kong Securities and Futures Commission said client advisers and assistants at the Swiss bank regularly added extra fees and padded out spreads on bond and structured-note trades, taking "profits from its clients without agreement with or disclosure to them." Around 5,000 clients overpaid on about 28,700 transactions, it said.

UBS shares traded 1.4% lower Monday, in line with falls for the wider banking sector.

A UBS spokesman said the behavior of the individuals, who all lost their jobs, "is unacceptable and in strong contrast to the behavioral principles of our firm."

The overcharges came in the form of extra fees that went beyond contractual caps on charges, and in the bank scooping up the gain when client trades went through at better prices. In some cases, UBS staff falsified quarterly statements to financial intermediaries to conceal the excess charges, the SFC said.

The regulator said the bank failed to act in clients' best interest in the trades for around seven years, then took two more years to report the misconduct after finding it. In its favor, though, it said UBS went on to take disciplinary action against more than 20 staff engaged in the malpractice, and appointed independent reviewers to assess the problems.

"The SFC considers that these malpractices involved a combination of serious systemic failures for a prolonged period of time including inadequate policies, procedures and systems controls, lack of staff training and supervision, and failures of the first and second lines of defense functions at UBS," it said.

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UBS is one of the world's largest wealth managers, investing around 2.5 trillion Swiss Francs (US 2.5 trillion) for clients. Asia is the bank's fastest-growing market, where it battles with rivals to win money from the region's billionaires and entrepreneurs. UBS had said in October it faced fines in Hong Kong and Singapore from overcharging clients and that it intended to reimburse customers.

Monday's action is the latest in a series of skirmishes for UBS with the Hong Kong regulator. In March, it was suspended by the SFC from serving as a sponsor on initial public offerings for a year, and fined HK\$375 million. The bank failed to conduct adequate due diligence on three companies' IPOs, the SFC said.

On Monday, the regulator said UBS had failed to report, or delayed reporting, misconduct in at least four other cases. It said UBS identified the client overcharging in June 2014, while investigating an operational loss in Singapore and order entry. It only reported the practice in June 2016, the SFC said.