

ADMINISTRATIVE PROCEEDING
File No. 3-18270

SEC Charges UBS in Connection with Mutual Fund Sales to Retirement and Charitable Accounts

October 27, 2017 – The Securities and Exchange Commission today announced that UBS Financial Services Inc. (UBS), a registered broker-dealer and investment adviser located in New York, New York, agreed to settle charges that it failed to provide certain retail retirement and charitable brokerage accounts with sales charge waivers and/or lower fee share classes when selling certain mutual funds.

According to the SEC's order, from at least January 2010 through June 2015, UBS disadvantaged certain retirement account and charitable organization customers by failing to ascertain their eligibility for a less expensive mutual fund share class, and recommending and selling them more expensive mutual fund share classes, when less expensive share classes were available. UBS did so without disclosing that it would receive greater compensation from the customers' purchases of the more expensive share classes. UBS also did not disclose that the customers' purchases of the more expensive share classes would negatively impact the overall return on the customers' investments, in light of the different fee structures for the different fund share classes.

Approximately 15,250 customer accounts paid a total of \$18,529,533 in up-front sales charges, contingent deferred sales charges, and higher ongoing fees and expenses as a result of these failures. UBS has issued payments, including interest, to these customers, and has converted eligible customers to the mutual fund share class with the lowest expenses for which they are eligible, at no cost to the customers.

The SEC's order instituting a settled administrative and cease-and-desist proceeding finds that UBS violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933. Without admitting or denying the SEC's findings, UBS consented to a cease-and-desist order, a censure and a civil penalty of \$3,500,000. UBS also undertakes to make additional efforts to locate approximately 970 customers who either have not yet cashed or deposited their payments, or who have changed addresses.

The SEC's investigation was conducted by Gwen Licardo and John Farinacci of the Enforcement Division's Asset Management Unit, and supervised by Assistant Director Valerie A. Szczepanik. The Office of Compliance Inspections and Examinations' Risk Analysis Examination Team provided data analytics support.

See also: [Order](#)