



UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of:

UBS AG, UBS Financial Services
Inc., and UBS Securities LLC,

Respondents.

CFTC Docket No. 25-05

**ORDER INSTITUTING PROCEEDINGS PURSUANT TO
SECTION 6(c) AND (d) OF THE COMMODITY EXCHANGE ACT,
MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS**

I. INTRODUCTION

The Commodity Futures Trading Commission (“Commission”) has reason to believe that at certain times starting from at least 2015 until 2024 (“Relevant Period”), UBS AG, UBS Financial Services, Inc., and UBS Securities LLC (collectively, “UBS” or “Respondents”) violated, as set forth below, Section 4s(h)(1)(B) of the Commodity Exchange Act (“Act”), 7 U.S.C. § 6s(h)(1)(B), and Commission Regulations 23.602(a) and 166.3, 17 C.F.R. §§ 23.602(a), 166.3 (2024). Therefore, the Commission deems it appropriate and in the public interest that public administrative proceedings be, and hereby are, instituted to determine whether Respondents engaged in the violations set forth herein and to determine whether any order should be issued imposing remedial sanctions.

In anticipation of the institution of an administrative proceeding, Respondents have submitted an Offer of Settlement (“Offer”), which the Commission has determined to accept. Without admitting or denying any of the findings or conclusions herein, Respondents consent to the entry of this Order Instituting Proceedings Pursuant to Section 6(c) and (d) of the Commodity Exchange Act, Making Findings, and Imposing Remedial Sanctions (“Order”), and acknowledge service of this Order.¹

¹ Respondents consent to the use of the findings of fact and conclusions of law in this Order in this proceeding and in any other proceeding brought by the Commission or to which the Commission is a party or claimant and agree that they shall be taken as true and correct and be given preclusive effect therein, without further proof. Respondents do not consent, however, to the use of this Order, or the findings or conclusions herein, as the sole basis for any other proceeding brought by the Commission or to which the Commission is a party or claimant, other than: a proceeding in bankruptcy or receivership; or a proceeding to enforce the terms of this Order. Respondents do not consent to the use of the Offer or this Order, or the findings or conclusions in this Order, by any other party in any other proceeding.

II. FINDINGS

The Commission finds the following:

A. SUMMARY

During the Relevant Period, UBS did not implement a fully effective surveillance program for trading activity in certain CFTC-regulated products, including electronic Foreign Exchange (“FX”) and Precious Metals (“PM”), Rates, and Credit products (collectively, “FRC”). This was caused, in significant part, by deficiencies in UBS’s configuration and operation of a third-party trade surveillance tool. UBS did not timely detect and correct the deficiencies in the configuration and operation of the third-party surveillance tool and, as a result, FRC surveillance gaps persisted for several years and affected certain CFTC-regulated products. UBS has since taken significant measures to remediate.

During the Relevant Period, gaps in surveillance monitoring of exchange-traded derivatives also existed at UBS for certain types of clients on specific ICE trading venues. These gaps existed because, for certain clients, trade data did not flow from the ICE trading venues into UBS’s third-party surveillance tools. UBS identified these gaps and self-disclosed them to the Commission in February 2025.

Based on the gaps in UBS’s trade surveillance described above, UBS failed to diligently supervise matters related to its business as a Commission registrant in violation of Section 4s(h)(1)(B) of the Act, 7 U.S.C. § 6s(h)(1)(B), and Regulations 166.3 and 23.602(a), 17 C.F.R. §§ 166.3, 23.602(a) (2024), as set forth below.

In accepting Respondents’ Offer, the Commission acknowledges Respondents’ representations concerning its remediation in connection with this matter.

B. RESPONDENTS

UBS AG is a financial services company headquartered in Zurich and Basel, Switzerland. UBS AG is registered with the Commission as a swap dealer.

UBS Financial Services, Inc. is a financial services company with its main office in New Jersey. UBS Financial Services, Inc. is registered with the Commission as a Futures Commission Merchant (“FCM”).

UBS Securities LLC is a financial services company with its principal place of business in New York City. UBS Securities LLC is registered with the Commission as an FCM, Commodity Pool Operator, and Commodity Trading Advisor.

C. FACTS

1. UBS Failed to Diligently Supervise its FRC Surveillance Program

As a swap dealer and FCM, UBS has an affirmative duty to diligently supervise its business by, among other things, establishing and implementing reasonable controls to monitor trading activity. However, during the Relevant Period, UBS did not implement an effective FRC surveillance program. This was caused, in significant part, by deficiencies in the configuration and operation of an automated vendor monitoring tool that UBS began implementing at the end of 2017. The third-party surveillance tool was intended to provide coverage of certain FRC products across seven market conduct-related scenarios: Off Market, Wash Trading, Ramping, Front Running, Insider Dealing, Suspicious Volume, and Layering and Spoofing.

UBS identified several deficiencies in its configuration and operation of the third-party surveillance tool that affected the quality of UBS's FRC surveillance. For example, issues with the configuration of the surveillance tool's alert generation logic, data logic, and market data limited the surveillance tool's ability to effectively detect disruptive trading practices and resulted in a high volume of unproductive and false alerts. In addition, the surveillance tool's data storage limitations caused trade data to be removed from the surveillance tool after 180 days, resulting in the automatic closure and deletion of unreviewed alerts. Furthermore, in approximately March 2020, the settings in the surveillance tool for most electronic FX and all electronic PM portfolios were changed, resulting in the monitoring for certain scenarios being turned off for those portfolios.

UBS did not timely detect and correct the deficiencies in the configuration and operation of the third-party surveillance tool. As a result, gaps in FRC surveillance persisted for several years and affected certain CFTC-regulated products. The delays in correcting the issues appear to have been caused by, among other things, the prior organizational structure of UBS's Monitoring, Surveillance and Controls function (which concentrated responsibility for the surveillance tool's implementation, testing, and alert handling in a single team), as well as ineffective information-sharing and governance with respect to FRC surveillance. UBS has determined, based on its assessment to date of a sample dataset, that the trading activity surveilled by the third-party surveillance tool for certain CFTC-regulated products was only a small proportion of the Investment Bank's overall volume of trading activity.

2. UBS Failed to Diligently Supervise its Trade Surveillance on ICE Trading Venues

During the Relevant Period, UBS also failed to diligently supervise its surveillance of certain exchange-traded derivatives traded on three ICE trading venues. Surveillance gaps existed because, for certain categories of clients, trade data did not flow from three ICE trading venues into certain of UBS's surveillance tools. UBS self-identified these gaps in surveillance as part of recent reviews UBS conducted of its venues, trades, and orders. UBS self-disclosed the gaps to the Commission in February 2025. UBS also has assessed the impact of these gaps and determined that they are only a small proportion of the Investment Bank's overall volume of trading activity. During the 2018 to 2024 period, UBS estimated that the impacted trade volume by U.S. clients represented less than 1% of UBS's total flow on the impacted ICE venues.

3. UBS's Remediation

UBS has represented that it has undertaken the following remediation.

In May 2023, UBS initiated comprehensive remediation efforts to address the third-party surveillance tool issues described in Section II.C.1 and the related controls and governance deficiencies by launching the Market Conduct Remediation Program. UBS has substantially strengthened its governance forums overseeing market conduct surveillance, by both enhancing existing governance bodies and establishing new ones to ensure proper governance and transparency. Multiple governance forums now meet regularly across senior levels and working levels of the Investment Bank. UBS has structured the membership of these forums to ensure connectivity and communication between the various structures, as well as broad participation from key senior-level personnel.

In addition, UBS has developed and implemented a group-wide Market Abuse Risk Assessment ("MARA") framework and methodology to evaluate market abuse risks associated with its business activities and define the surveillance coverage required for all elevated-risk behaviors. UBS now assesses market conduct risk annually through the MARA to confirm market abuse behaviors are adequately covered by surveillance controls.

UBS also launched additional surveillance solutions to ensure appropriate coverage of the products that had been surveilled by the third-party surveillance tool. This included implementing compensating controls beginning in early 2023 that ran in parallel to, and then in place of, the third-party surveillance tool to ensure coverage of certain high-risk products and migrating surveillance to other surveillance tools. UBS also has made extensive improvements to the data governance and data controls on the automated systems used for trade surveillance and has enhanced training and procedures provided to surveillance personnel to ensure they carry out their duties effectively and efficiently. Furthermore, UBS has improved its quality assurance process to ensure that it periodically evaluates how alerts are being dispositioned and confirms alert handling aligns with its Market Conduct policies and procedures.

UBS is in the process of conducting lookbacks to assess historical data for certain trading activities that should have been surveilled in the third-party surveillance tool but were not, and to evaluate whether any suspicious activity reports are warranted. UBS has engaged a third-party consultant to assist with reviewing alerts in connection with one of these lookbacks. Finally, UBS has implemented additional measures to prevent recurrence of the gaps in its surveillance monitoring of trades on ICE trading venues. UBS also has formulated a plan to conduct a lookback to assess historical data for trading activities that should have been surveilled on these ICE trading venues, but were not, and has engaged a third-party consultant to assist with reviewing alerts in connection with this lookback as well.

III. LEGAL DISCUSSION

A. UBS AG's Failure to Diligently Supervise in Violation of Section 4s(h)(1)(B) of the Act and Regulation 23.602(a)

Section 4s(h)(1)(B) of the Act, 7 U.S.C. § 6s(h)(1)(B), requires "diligent supervision of the business of the registered swap dealer[.]" Regulation 23.602(a), 17 C.F.R. § 23.602(a)

(2024), requires that each swap dealer “shall establish and maintain a system to supervise, and shall diligently supervise, all activities relating to its business performed by its partners, members, officers, employees, and agents (or persons occupying a similar status or performing a similar function).”

Under Regulation 23.602(a), a violation is demonstrated by showing either that: (1) the registrant’s supervisory system was generally inadequate; or (2) the registrant failed to perform its supervisory duties diligently. *See In re JPMorgan Chase Bank N.A.*, CFTC No. 22-07, 2021 WL 6098347, at *6 (Dec. 17, 2021) (consent order). No underlying violation of the Act or Regulations is required to establish a swap dealer’s failure to supervise. *See In re Bank of America, N.A.*, CFTC No. 22-38, 2022 WL 4733591, at *8 (Sept. 27, 2022) (consent order). Evidence of violations that “‘should be detected by a diligent system of supervision, either because of the nature of the violations or because the violations have occurred repeatedly,’ is probative of a failure to supervise.” *See In re Bank of Nova Scotia*, CFTC No. 20-26, 2020 WL 4926053, at *10 (Aug. 19, 2020) (consent order) (quoting *In re Société Générale Int’l Ltd.*, CFTC No. 19-38, 2009 WL 4915485, at *7 (Sept. 30, 2019) (consent order)).

UBS AG failed to diligently supervise its swap dealer business activities in light of the trade surveillance gaps identified above. The inadequacy of UBS’s supervisory system is demonstrated by, among other things, the trading activity that was not surveilled; that the gaps concerned surveillance of multiple products; and that UBS did not timely detect and correct the gaps. By this conduct, UBS AG failed to supervise diligently in violation of Section 4s(h)(1)(B) of the Act and Regulation 23.602(a).

B. UBS Financial Services, Inc and UBS Securities LLC’s Failure to Diligently Supervise in Violation of Regulation 166.3

Regulation 166.3, 17 C.F.R. § 166.3 (2024), imposes on every Commission registrant (except associated persons who have no supervisory duties) an affirmative duty to “diligently supervise the handling by its partners, officers, employees and agents . . . of all commodity interest accounts carried, operated, advised or introduced by the registrant and all other activities of its partners, officers, employees and agents . . . relating to its business as a Commission registrant.” A violation of Regulation 166.3 is an independent violation for which no underlying violation is necessary. *See, e.g., In re Collins*, CFTC No. 94-13, 1997 WL 761927, at *10 (Dec. 10, 1997) (“It is well settled that a violation under Rule 166.3 is ‘an independent and primary violation for which no underlying violation is necessary.’” (citation omitted)); *In re GNP Commodities, Inc.*, CFTC No. 89-1, 1992 WL 201158, at *17 n.11 (Aug. 11, 1992) (“Rule 166.3 establishes failure to supervise as an independent and primary violation” (citation omitted)), *aff’d in relevant part and modified sub nom. Monieson v. CFTC*, 996 F.2d 852 (7th Cir. 1993).

For a registrant to fulfill its duties under Regulation 166.3, it must both design an adequate program of supervision and ensure that the program is diligently followed. *See GNP Commodities*, 1992 WL 201158, at *17-19 (providing that, even if an adequate supervisory system is in place, Regulation 166.3 can still be violated if the supervisory system is not diligently enforced). As a result, a violation of Regulation 166.3 “is demonstrated by showing either that: (1) the registrant’s supervisory system was generally inadequate; or (2) the

registrant failed to perform its supervisory duties diligently.” *In re FCStone, LLC*, CFTC No. 15-21, 2015 WL 2066891, at *3 (May 1, 2015) (consent order) (citing *In re Murlas Commodities, Inc.*, CFTC No. 85-29, 1995 WL 523563, at *9 (Sept. 1, 1995)).

UBS Financial Services, Inc. and UBS Securities LLC failed to diligently supervise their businesses as Commission registrants in light of the trade surveillance gaps identified above. The inadequacy of UBS’s supervisory system is demonstrated by, among other things, the trading activity that was not surveilled; that the gaps concerned surveillance of multiple products; and that UBS did not timely detect and correct the gaps. By this conduct, UBS Financial Services, Inc. and UBS Securities LLC failed to supervise diligently in light of Regulation 166.3.

IV. FINDINGS OF VIOLATIONS

Based on the foregoing, the Commission finds that, during the Relevant Period, UBS AG violated of Section 4s(h)(1)(B) of the Act and Regulation 23.602(a), 17 C.F.R. § 23.602(a) (2024), and UBS Financial Services, Inc and UBS Securities LLC violated Regulation 166.3, 17 C.F.R. § 166.3 (2024).

V. OFFER OF SETTLEMENT

Respondents have submitted the Offer in which they knowingly and voluntarily:

- A. Consent to the resolution of this matter in an administrative proceeding;
- B. Acknowledge service of this Order;
- C. Admit the jurisdiction of the Commission with respect to all matters set forth in this Order and for any action or proceeding brought or authorized by the Commission based on violation of or enforcement of this Order;
- D. Waive:
 - 1. The filing and service of a complaint and notice of hearing;
 - 2. A hearing;
 - 3. All post-hearing procedures;
 - 4. Any and all rights or defenses that they have or might have for the matter to be adjudicated in a federal district court in the first instance, including any associated right to a jury trial;
 - 5. Judicial review by any court;
 - 6. Any and all objections to the participation by any member of the Commission’s staff in the Commission’s consideration of the Offer;
 - 7. Any and all claims that they may possess under the Equal Access to Justice Act, 5 U.S.C. § 504, and 28 U.S.C. § 2412, and/or the rules promulgated by the

Commission in conformity therewith, Part 148 of the Regulations, 17 C.F.R. pt. 148 (2024), relating to, or arising from, this proceeding;

8. Any and all claims that they may possess under the Small Business Regulatory Enforcement Fairness Act of 1996, Pub. L. No. 104-121, tit. II, §§ 201–253, 110 Stat. 847, 857–74 (codified as amended at 28 U.S.C. § 2412 and in scattered sections of 5 U.S.C. and 15 U.S.C.), relating to, or arising from, this proceeding; and
 9. Any claims of Double Jeopardy based on the institution of this proceeding or the entry in this proceeding of any order imposing a civil monetary penalty or any other relief, including this Order;
- E. Agree for purposes of the waiver of any and all rights under the Equal Access to Justice Act specified in Paragraph D.7 above, that Respondents are not the prevailing party in this action;
- F. Stipulate that the record basis on which this Order is entered shall consist solely of the findings contained in this Order to which Respondents have consented in the Offer;
- G. Consent, solely on the basis of the Offer, to the Commission’s entry of this Order that:
1. Makes findings by the Commission that UBS AG violated Section 4s(h)(1)(B) of the Act, 7 U.S.C. § 6s(h)(1)(B), and Regulation 23.602(a), 17 C.F.R. § 23.602(a) (2024); and UBS Financial Services, Inc. and UBS Securities LLC violated Regulation 166.3, 17 C.F.R. § 166.3 (2024);
 2. Orders UBS AG to cease and desist from violating Section 4s(h)(1)(B) of the Act, 7 U.S.C. § 6s(h)(1)(B), and Regulation 23.602(a), 17 C.F.R. § 23.602(a) (2024); and UBS Financial Services, Inc. and UBS Securities LLC to cease and desist from violating Regulation 166.3, 17 C.F.R. § 166.3 (2024);
 3. Orders Respondents to pay, jointly and severally, a civil monetary penalty in the amount of five million dollars (\$5,000,000), plus any post-judgment interest; and
 4. Orders Respondents and their successors and assigns to comply with the conditions and undertakings consented to in the Offer and as set forth in Part VI of this Order; and
- H. Represent that they have already engaged in remedial measures relating to UBS’s trade surveillance program, including, but not limited to the measures detailed in Section II.

Upon consideration, the Commission has determined to accept the Offer.

VI. ORDER

Accordingly, IT IS HEREBY ORDERED THAT:

- A. UBS AG shall cease and desist from violating Section 4s(h)(1)(B) of the Act, 7 U.S.C. § 6s(h)(1)(B), and Regulation 23.602(a), 17 C.F.R. § 23.602(a) (2024); and UBS Financial Services, Inc. and UBS Securities LLC shall cease and desist from violating Regulation 166.3, 17 C.F.R. § 166.3 (2024).
- B. Respondents shall pay, jointly and severally, a civil monetary penalty in the amount of five million dollars (\$5,000,000) (“CMP Obligation”) within fourteen (14) days of the date of the entry of this Order. If the CMP Obligation is not paid in full within fourteen (14) days of the date of entry of this Order, then post-judgment interest shall accrue on the unpaid portion of the CMP Obligation beginning on the date of entry of this Order and shall be determined by using the Treasury Bill rate prevailing on the date of entry of this Order pursuant to 28 U.S.C. § 1961.

Respondents shall pay the CMP Obligation and any post-judgment interest by electronic funds transfer, U.S. postal money order, certified check, bank cashier’s check, or bank money order. If payment is to be made other than by electronic funds transfer, then the payment shall be made payable to the Commodity Futures Trading Commission and sent to the address below:

MMAC/ESC/AMK326
Commodity Futures Trading Commission
6500 S. MacArthur Blvd.
HQ Room 266
Oklahoma City, OK 73169
9-amz-ar-cftc@faa.gov

If payment is to be made by electronic funds transfer, Respondents shall contact the Federal Aviation Administration at the above email address to receive payment instructions and shall fully comply with those instructions. Respondents shall accompany payment of the CMP Obligation with a cover letter that identifies the paying Respondent and the name and docket number of this proceeding. The paying Respondent shall simultaneously transmit copies of the cover letter and the form of payment to the Chief Financial Officer, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, NW, Washington, D.C. 20581.

- C. Respondents and their successors and assigns shall comply with the following conditions and undertakings set forth in the Offer:
 - 1. Remediation Plan: Within sixty (60) days of the date of this Order, Respondents shall submit to the Market Participants Division (with a copy to the Division of Enforcement) a written plan that describes the specific actions that UBS has taken and will take to strengthen its surveillance program to address the surveillance issues identified in Section II.C of this Order (the “Remediation Plan”). The Remediation Plan shall be signed by a representative of UBS’s senior management, after consultation with UBS’s chief compliance officer(s).

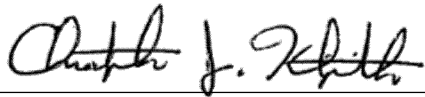
2. Reporting Obligations: Respondents agree to prepare a written report, to be submitted to the Market Participants Division (with a copy to the Division of Enforcement) within one calendar year (365 days) following the submission of the Remediation Plan, detailing UBS's completed remediation work described in the Remediation Plan as submitted ("the Remediation Report"). If the Remediation Plan is not complete one year after submission of the Remediation Plan, UBS shall select and retain a consultant to advise on the completion of the Remediation Plan and to provide quarterly reports to the Market Participants Division (with copies to the Division of Enforcement) on progress until the Remediation Plan is complete.
3. Review of Trading Activities: UBS has already commenced reviews of its historical trading activities—or "lookbacks"—to identify instances where data deficiencies prevented the performance of effective trade surveillance. UBS agrees to continue using a third-party consultant to assist in reviewing alerts in conjunction with its ongoing lookbacks of sample timeframes during the Relevant Period and to report on the results of these reviews in the Remediation Report.
4. Certification of Completion: Upon UBS's completion of the Remediation Plan and submission of the Remediation Report, UBS shall submit to the Market Participants Division (with a copy to the Division of Enforcement) a certification, signed by a representative of UBS's senior management, verifying that UBS has complied with and completed the undertakings set forth above.
5. Public Statements: Respondents agree that neither they nor any of their successors and assigns, agents, or employees under their authority or control shall take any action or make any public statement denying, directly or indirectly, any findings or conclusions in this Order or creating, or tending to create, the impression that this Order is without a factual basis; provided, however, that nothing in this provision shall affect Respondents': (i) testimonial obligations; or (ii) right to take legal positions in other proceedings to which the Commission is not a party. Respondents and their successors and assigns shall comply with this agreement, and shall undertake all steps necessary to ensure that all of their agents and/or employees under their authority or control understand and comply with this agreement.
6. Partial Satisfaction: Respondents understand and agree that any acceptance by the Commission of any partial payment of Respondent's CMP Obligation shall not be deemed a waiver of their obligation to make further payments pursuant to this Order, or a waiver of the Commission's right to seek to compel payment of any remaining balance.
7. Change of Address/Phone: Until such time as Respondents satisfy in full their CMP Obligation as set forth in this Order, Respondents shall provide written notice to the Commission by certified mail of any change to their telephone numbers and mailing addresses within ten calendar days of the change.

8. Notices to Creditors: Until such time as Respondents satisfy in full their CMP Obligation, upon the commencement by or against Respondents of insolvency, receivership or bankruptcy proceedings or any other proceedings for the settlement of Respondents' debts, all notices to creditors required to be furnished to the Commission under Title 11 of the United States Code or other applicable law with respect to such insolvency, receivership bankruptcy or other proceedings, shall be sent to the address below:

Secretary of the Commission
Office of the General Counsel
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street N.W.
Washington, DC 20581

The provisions of this Order shall be effective as of this date.

By the Commission.



Christopher J. Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission

Dated: September 4, 2025