UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 106026 / August 3, 2026

INVESTMENT ADVISERS ACT OF 1940
Release No. 6985 / August 3, 2026

ADMINISTRATIVE PROCEEDING
File No. 3-22665

In the Matter of **UBS Financial Services Inc.,** **Respondent**.	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 203(e) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 ("Exchange Act") and Section 203(e) of the Investment Advisers Act of 1940 ("Advisers Act") against UBS Financial Services Inc. ("Respondent" or "UBSFS").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement ("Offer") that the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceeding brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting the findings herein, except as to the admissions contained in the Consent to the Assessment of Civil Money Penalty in the matter of UBS Financial Services Inc., No. 2026-02 issued by the United States Department of the Treasury, Financial Crimes Enforcement Network ("FinCEN"), and except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 and Section 203(e) of the Investment Advisers Act of 1940, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds that:

Summary

1. UBSFS failed to timely file certain suspicious activity reports ("SARs") in violation of the broker-dealer books and records provisions of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder. UBSFS, as a registered broker-dealer, was required to file SARs on transactions conducted or attempted by, at, or through UBSFS involving at least $5,000 that UBSFS knew, suspected, or had reason to suspect were suspicious as defined in 31 C.F.R. § 1023.320 (the "SAR Rule") within 30 calendar days after the date of initial detection of facts that may have constituted a basis for filing a SAR.

2. From January 2019 through June 2023, UBSFS failed to adequately monitor its customers' foreign currency ("FX") wire transactions for possible suspicious transactions, as required by its own anti-money laundering ("AML") policies and procedures ("AML Policies") because of flaws first with its legacy AML transaction monitoring system and then with its new automated AML transaction monitoring system. UBSFS, consequently, failed to timely file certain SARs, as required by the SAR Rule.

3. In addition, during this same period, UBSFS failed to appropriately maintain customer risk profiles, including failing to timely identify and investigate red flags associated with certain customers' ties to high-risk jurisdictions, as required under its own AML Policies. As a result, UBSFS failed to timely file additional SARs.

4. Based on the foregoing, UBSFS violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

Respondent

5. UBSFS has been dually registered as a broker-dealer and an investment adviser with the Commission since 1971. UBSFS is a Delaware corporation with its principal place of business in Weehawken, New Jersey. It is a subsidiary, through intermediary companies, of UBS Group AG, a U.S. public reporting company headquartered in Switzerland. UBSFS provides financial services, including securities transactions, to its retail customers. UBSFS maintains offices in the United States, the Commonwealth of Puerto Rico, and Uruguay.

Background

6. The Bank Secrecy Act ("BSA"), and implementing regulations promulgated by FinCEN, require that broker-dealers file a SAR with FinCEN to report a transaction (or a pattern of transactions of which the transaction is a part) conducted or attempted by, at, or through the broker-dealer involving or aggregating funds or other assets of at least $5,000 that the broker-dealer knows, suspects, or has reason to suspect: (1) involves funds derived from illegal activity or

is intended or conducted to hide or disguise funds or assets derived from illegal activity as part of a plan to violate or evade any Federal law or regulation or to avoid any transaction reporting requirement; (2) is designed to evade any requirement of the BSA; (3) has no business or apparent lawful purpose or is not the sort in which the particular customer would normally be expected to engage and the broker-dealer knows of no reasonable explanation for the transaction after examining the available facts; or (4) involves use of the broker-dealer to facilitate criminal activity. 31 C.F.R. § 1023.320(a)(2).

7. The BSA and its implementing regulations require the filing of a SAR within 30 calendar days after the date of the broker-dealer's initial detection of facts that may constitute a basis for filing a SAR. If no suspect is identified on the date of such initial detection, a broker-dealer may delay filing a SAR for an additional 30 days to identify a suspect, but in no case shall reporting be delayed more than 60 calendar days after the date of such initial detection. *See* 31 C.F.R. § 1023.320(b)(3). Broker-dealers are generally permitted a period of time for an "appropriate review" before the 30-day clock begins to run, but are directed to begin that review "promptly" and complete it within a "reasonable period of time." *The SAR Activity Review – Trends, Tips & Issues, Issue 15 – In Focus: The Securities and Futures Industry*, FinCEN (May 2009). The 30-day deadline exists to preserve the value of the reported information for law enforcement and reduce the chance that the reported information will become stale.

8. Exchange Act Rule 17a-8, which was promulgated under Section 17(a) of the Exchange Act, requires broker-dealers registered with the Commission to comply with the reporting, recordkeeping, and record retention requirements of the BSA. The failure to timely file SARs as required by the SAR Rule is a violation of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder. *See SEC v. Alpine Sec. Corp.*, 308 F. Supp. 3d 775, 809-812 (S.D.N.Y. 2018), *aff'd* 982 F.3d 68 (2d Cir. 2020), *cert. denied, Alpine Sec. Corp. v. SEC*, 142 S. Ct. 461 (2021).

The 2018 AML Proceedings Against UBSFS

9. During the period 2004 through 2017, UBSFS did not monitor certain of its customers' FX wire transactions for possible suspicious activity and did so inadequately for those transactions that were monitored. For certain FX wire transactions, UBSFS used a legacy automated AML transaction monitoring system that was determined by UBSFS to be inadequate for suspicious activity monitoring of FX wire transactions. UBSFS monitored certain other FX wire transactions manually, which was time-consuming, labor intensive, and prone to error. This manual monitoring also involved the consolidation of various data feeds into a single, manually reviewed report, and UBSFS later discovered that some of the data feeds to that single report were incomplete or inaccurate. These issues across both monitoring methods—failure to monitor for some transactions and inadequate monitoring given incomplete transaction data for others—resulted in delayed and inadequate surveillance and monitoring of FX wire transactions.

10. In December 2018, the Commission issued a settled order finding that UBSFS violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder in connection with its deficient AML program (*see In re UBS Financial Services Inc.*, Rel. No. 34-84828 (Dec. 17, 2018)) (the "Prior Action"). FinCEN and the Financial Industry Regulatory Authority ("FINRA")

also instituted and settled separate parallel cases. *See FinCEN In the Matter of UBS Financial Services Inc. Weehawken, NJ, Assessment of Civil Money Penalty,* No. 2018-03 (December 17, 2018); *FINRA Letter of Acceptance, Waiver and Consent,* No. 2012034427001 (December 17, 2018). These actions found that UBSFS had failed to adequately monitor for, detect, and report suspicious activity for certain transactions or patterns of transactions occurring in non-resident alien customer accounts, and failed to have AML policies and procedures reasonably designed to monitor certain customer transaction activity including FX wire transactions for possible suspicious activity.

11. When settling the Prior Action, UBSFS represented that it had begun implementing a fully automated surveillance system for all customer transactions, including FX wire transactions (the "New Automated AML Transaction Monitoring System"), which it expected to complete by the end of the second quarter of 2019. UBSFS also represented that the transition to the New Automated AML Transaction Monitoring System would address all of the FX wire-related AML transaction monitoring deficiencies identified in the Prior Action.

12. Although targeted for mid-2019, UBSFS did not complete its transition to the New Automated AML Transaction Monitoring System until February 2021.

UBSFS Failed to Timely File SARs Following the Prior Action

Flaws and Deficiencies in UBSFS's Legacy FX Wire Transaction Monitoring Processes

13. During the transition period from manual to the New Automated AML Transaction Monitoring System, UBSFS continued its manual review of certain FX wire transactions.

14. But prior to completing its transition to the New Automated AML Transaction Monitoring System in February 2021, UBSFS failed to timely file SARs concerning certain FX wire transactions from at least January 2019 through January 2021. As UBSFS recognized in the Prior Action and as detailed below, the legacy AML monitoring system had problems that would not be resolved until the transition to the New Automated AML Transaction Monitoring System.

15. These failures arose from flaws and deficiencies in UBSFS's legacy FX wire transaction monitoring processes. For example, UBSFS customer brokerage accounts could only hold U.S.-denominated currency. Accordingly, FX wire transactions were booked outside of a UBSFS customer's brokerage account, and U.S. dollars were separately withdrawn from or deposited to the customer account in connection with a given FX transaction. Because of this "clean break" between the UBSFS customer account and the data for the FX wire transaction (which UBSFS transacted in a separate, non-customer account), UBSFS's legacy FX wire transaction monitoring system did not consider certain transaction information, and failed to generate alerts that would have necessitated further review and investigation of those transactions by UBSFS. These flaws and deficiencies in UBSFS's legacy FX wire transaction monitoring processes resulted in UBSFS's failure to adequately monitor customer FX transactions.

Flaws and Deficiencies in the New Automated AML Transaction Monitoring System That Went Live in February 2021

16. Even after the implementation of the New Automated AML Transaction Monitoring System in February 2021, UBSFS discovered that certain customer FX wire transactions were still not being captured because of both ongoing and new data-related problems associated with the transition from the manual review process to the New Automated AML Transaction Monitoring System.

17. First, to be monitored for suspicious activity, data on all customer FX transactions needed to be transmitted from UBSFS's data systems to the New Automated AML Transaction Monitoring System. If not transmitted, customers' FX transactions would not be monitored at all by the New Automated AML Transaction Monitoring System. However, after the New Automated AML Transaction Monitoring System went live in February 2021, certain UBSFS data systems fed customer FX transaction data to the New Automated AML Transaction Monitoring System based on a 4:00 p.m. data feed, rather than the complete end-of-day data file, resulting in an incomplete set of FX transactions being transmitted to the New Automated AML Transaction Monitoring System. In addition, after the New Automated AML Transaction Monitoring System went live in February 2021, a change in transaction-labeling nomenclature prevented UBSFS's data systems from recognizing certain transactions as FX wire transactions; as a result, those FX transactions were never transmitted to the New Automated AML Transaction Monitoring System for review. These flaws and deficiencies in the transmission of data to the New Automated AML Transaction Monitoring System resulted in UBSFS's failure to adequately monitor certain customer FX transactions until the flaws and deficiencies were resolved by year-end 2022, and the testing of those solutions was completed in June 2023.

18. Second, even for customer FX transactions that were transmitted from UBSFS's data systems to its New Automated AML Transaction Monitoring System, many were still missing certain information without which the New Automated AML Transaction Monitoring System could not properly analyze the transactions. This missing information was due to: (i) breakdowns in the matching logic UBSFS used to associate FX wire posting information with FX wire counterparty details (this matching logic was necessitated by the absence of unique wire reference numbers for many transactions, and ineffective matching periodically occurred because of differences in dates for wire initiation and posting, the rounding of exchange rates, and the system's use of incorrect exchange rates); (ii) the failure of systems to merge weekend data files with Monday data files; (iii) formatting issues with the currency code used for incoming FX wire transactions to UBSFS customer accounts; (iv) missing currency codes and wire reference numbers for customer FX transactions; and (v) incorrectly formatted wire reference numbers for certain outgoing wire postings. These flaws and deficiencies in the interaction between UBSFS's data system and its New Automated AML Transaction Monitoring System resulted in UBSFS's failure to adequately monitor certain customer FX transactions.

19. Third, the New Automated AML Transaction Monitoring System had no exception (or repair) queue, *i.e.*, an error reporting mechanism that would be triggered whenever it was unable to process an FX wire transaction through the New Automated AML Transaction Monitoring System. Without an exception (repair) queue, UBSFS did not review unresolved

transactions; that process would have facilitated further AML monitoring and review when transactions were unable to be transmitted to the New Automated AML Transaction Monitoring System. This final flaw and deficiency resulted in UBSFS's failure to adequately monitor certain customer FX transactions.

20. UBSFS was not able to verify that its remediation of data issues with its New Automated AML Transaction Monitoring System was complete until the end of June 2023. As a result, certain UBSFS customer FX wire transactions were not being monitored, and some were being inadequately monitored from February 2021, when UBSFS implemented its New Automated AML Transaction Monitoring System, until June 2023.

Failure to Timely File SARs on FX Wire Transactions

21. In August 2022, UBSFS engaged a consulting firm to remediate the flaws and deficiencies in its data for customer FX wire transactions and conduct an FX wire "lookback" to determine if UBSFS was required to file additional SARs.

22. UBSFS's lookback review concluded that UBSFS failed to adequately monitor its customers' FX wire transactions for possible suspicious transactions because of flaws first with its legacy AML system and then with the FX wire data flowing into its New Automated AML Transaction Monitoring System. Specifically, from January 2019 through January 2021, when the FX wire transaction data was monitored by the legacy AML transaction monitoring system, UBSFS failed to adequately monitor approximately 52,000 FX wire transactions; these wire transactions had a US dollar notional value of approximately $7.6 billion. In addition, from February 2021 through June 2023, when the FX wire transaction data was monitored by the New Automated AML Transaction Monitoring System, UBSFS failed to monitor or failed to adequately monitor more than 8,000 of its customers' approximately 190,000 FX wire transactions, which was 4% of the FX wire transactions during this time period. These wire transactions had a US dollar notional value of more than $2.7 billion, which was 20% of the value of the FX wire transactions sent by customers during this time period.

23. UBSFS began filing "lookback" SARs in October 2023. These "lookback" SARs were not timely filed in accordance with the SAR Rule. The SARs that UBSFS did not timely file concerned thousands of suspicious transactions totaling approximately $250 million in value.

Failure to Timely File SARs Due to Inadequate Customer Due Diligence

24. In addition to the late FX wire transaction SARs, UBSFS failed to appropriately maintain updated customer profiles for certain customers that properly reflected UBSFS's identification and assessment of certain risks, including risks associated with customers' ties to high-risk jurisdictions, as required by UBSFS's AML Policies. These failures ultimately led to UBSFS's failure to identify suspicious transactions inconsistent with the customer profile, which resulted in additional failures to timely file SARs in certain instances.

25. As part of the account opening process, UBSFS's AML Policies regarding onboarding and ongoing customer due diligence required UBSFS to establish an understanding of

its customers' source of wealth ("SOW") and source of funds ("SOF"), including identifying and assessing the specific risks associated with customers who derived wealth from and/or engaged in transactions involving jurisdictions posing heightened financial crime risks. For certain customers, UBSFS failed to identify information that indicated the customers potentially derived their SOW or SOF from a high-risk jurisdiction. Consequently, UBSFS failed to account for this information when assessing customer risk ratings, resulting in these customers not being identified for heightened review and due diligence, as required under its AML Policies. For certain customers, UBSFS also failed to maintain and update customer information when presented with factors that should have put them on notice that updates might have been required, as required by UBSFS's AML Policies. As a result, for certain customers, UBSFS failed to properly capture complete customer information at onboarding and/or maintain and update customer information throughout the customer relationship, as required by its AML Policies, which resulted in UBSFS failing to timely file SARs where activity was inconsistent with the customer's profile, in violation of Section 17(a) of the Exchange Act, and Rule 17a-8 thereunder.

26. In January 2022, during the time period leading up to Russia's invasion of Ukraine amid rising geopolitical tensions in the region, UBSFS conducted an internal review of its customers with a nexus to Russia ("Russia Review"). As a result of this review, UBSFS identified certain customer relationships involving a nexus to Russia that were not appropriately reflected in the existing customer information in accordance with UBSFS's AML Policies that if captured, would have assisted UBSFS in its assessment of transactions to reach conclusions on suspicious activity in a timely manner. In addition, as a result of the aforementioned review, UBSFS filed certain SARs, representing millions of dollars in suspicious transactions and dating back years, that were not timely filed in accordance with the SAR Rule and UBSFS's AML Policies.

27. In one instance, UBSFS onboarded a customer in April 2021 who deposited funds and securities with a combined value of more than $3 million into UBSFS brokerage accounts between April and June 2021 through same-name account transfers from another U.S. broker-dealer. A UBSFS financial advisor understood that this customer had previously worked in Russia, but failed to include this information as part of the customer's SOW information at onboarding, as required by UBSFS's AML Policies. Due to this omission, this factor was not considered in this customer's risk rating, which might otherwise have resulted in this customer being subject to enhanced due diligence under the AML Policies. Such enhanced due diligence would have led to a more fulsome understanding of the customer's historical nexus to a sanctioned oligarch, an affiliation for which this customer was ultimately indicted based on U.S. sanctions violations. As a result of these failures, between April 2021 and March 2022 UBSFS did not adequately maintain this customer's risk profile as required by its AML Policies, which resulted in UBSFS failing to timely file SARs in violation of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

28. Later, after the unsealing of an indictment charging this customer with violations of U.S. sanctions laws, UBSFS filed a SAR in March 2022 that reported the deposits into the customer's UBSFS brokerage accounts between April and June 2021. UBSFS's failure to comply with its AML Policies resulted in failures to timely file SARs when it knew or had reason to suspect the transactions involving the deposits were suspicious when they were made in April through June 2021.

29. A second instance concerned a UBSFS customer who opened multiple UBSFS brokerage accounts in July 2008 while living in the United States, and working at a U.S.-based university. In 2014, this customer relocated to Russia and began working for a university in Russia indirectly affiliated with a Russian national who subsequently became subject to U.S. sanctions. Beginning in 2014, this customer routinely received wire transfers from same-name accounts he held at the Russian branch of a U.S. financial institution to his accounts at UBSFS, totaling approximately $2.3 million while the account continued to indicate a SOW from a U.S. university. These wire transfers into the customer's UBSFS accounts from a high-risk jurisdiction were inconsistent with the customer's stated account profile and expected pattern of account activity. Some of these deposits from this customer's Russia-based account generated transaction alerts, which were determined not to be unusual based on the identification of this customer's employment with the Russian university. The inconsistencies between the transfers from Russia, the customer's profile, and expected pattern of account activity were not reconciled. The customer had also provided UBSFS with his Russian telephone number in May 2019. Despite these apparent connections to Russia, UBSFS failed to update the customer's account profile to reflect his apparent change in domicile and SOW, as required by UBSFS's AML Policies, which would have identified the customer as posing a higher risk and subjected this customer to enhanced due diligence pursuant to UBSFS's AML Policies. As a result of these failures, UBSFS did not confirm that this customer had relocated to Russia and update his customer profile accordingly, as required by UBSFS's AML Policies, which resulted in UBSFS failing to timely file SARs. UBSFS eventually filed a SAR in July 2022, following the Russia Review, despite knowing or having reason to suspect that certain of the customer's transfers of funds were suspicious sooner, and reported numerous transactions spanning nearly eight years, from August 2014 to February 2022.

30. A third and final instance concerned the account of a defunct financial institution customer. UBSFS's AML Policies required it to verify the identity of each customer at account-opening and customer onboarding, and in the case of entity customers, obtain information concerning *inter alia* the customer's date of incorporation, government-issued corporate registration, and whether the customer was an operating or non-operating entity. In the event of a failed customer verification, UBSFS's AML Policies also prohibited distributions and securities trading.

31. UBSFS had an arrangement with a third-party registered investment adviser, which introduced its advisory clients to UBSFS to establish custodial brokerage accounts. One of this adviser's clients, apparently a regional U.S. bank, sought to establish a custodial brokerage account with UBSFS. At the time of onboarding in June 2020, pursuant to its AML Policies, UBSFS conducted due diligence on this client and determined that it was no longer in operation. UBSFS, however, failed to appropriately escalate this information to inform an assessment of whether the customer's profile was accurate, including properly understanding the nature and purpose of the customer relationship, as required by its AML Policies.

32. Despite the failed customer verification, UBSFS did not prevent the third-party registered investment adviser from engaging in significant securities trading allocated to the financial institution's UBSFS custodial account, as required by its AML Policies. Between July

2021 and March 2022, the investment adviser engaged in 47 securities trades allocated to the financial institution's UBSFS custodial account with a combined value exceeding $1.4 million. UBSFS did not identify these trades as violating its policies and procedures until an account review in April 2022. Only then did UBSFS promptly take steps to actually prevent further trading in the account. UBSFS finally filed a SAR on the account in June 2022 because it determined that the account had been established under false pretenses. UBSFS's failure to follow its AML Policies resulted in a failure to timely file SARs when the account was funded in July 2020, and, therefore, its June 2022 SAR was late in violation of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder. After transferring the assets in the account to the financial institution's historical bank regulator, UBSFS closed the customer's account.

Violations

33. As a result of the conduct described above, Respondent UBSFS willfully violated Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.[1]

Respondent's Remedial Efforts

34. In determining to accept Respondent's Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded the Commission staff.

Undertakings

35. Respondent has undertaken to review the adequacy of, and remediate if needed, UBSFS's (a) monitoring system, policies, procedures, and internal controls relating to its monitoring of transactions involving foreign currency wires for suspicious activity, and (b) policies, procedures, and internal controls relating to ongoing customer due diligence.

36. In determining whether to accept the Respondent's Offer, the Commission has considered these undertakings.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act and Section 203(e) of the Advisers Act, it is hereby ORDERED that:

A. Respondent UBSFS cease and desist from committing or causing any violations and any future violations of Section 17(a) of the Exchange Act and Rule 17a-8 thereunder.

---

[1] "Willfully" for purposes of imposing relief under Section 15(b) of the Exchange Act and Section 203(e) of the Advisers Act "means no more than that the person charged with the duty knows what he is doing." *Wonsover* v. *SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes* v. *SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965).

B. Respondent UBSFS is censured.

C. Respondent UBSFS shall, within 30 days of the entry of this Order, pay a civil money penalty in the amount of $20 million to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying UBSFS as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Ansu N. Banerjee, Assistant Director, Division of Enforcement, Securities and Exchange Commission, Los Angeles Regional Office, 444 S. Flower Street, 9th Floor, Los Angeles, CA 90071.

D. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary