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**The Challenges for the Financial Industry
of Cross-Border Business in a Changing
Regulatory Environment**
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Section 1

Cross-Border Business – what is it?



Cross-Border Business – Definition and Examples

Definition	• Cross-border business is the provision of wealth management and / or banking services by a licensed entity in one country to clients / prospects domiciled in another country, primarily through Client Advisors and Financial Intermediaries		
Examples	• Travelling to another country to meet prospects/clients to e.g. provide services or solicit financial investment products and services • Calling the client in his country from the booking center • Organizing and participating in marketing events in another country		
Two sets of rules and regulations	• Activities are subject to the legal and regulatory framework in the BC • Activities also subject to the legal and regulatory framework in the client country		
Service models	• Booking Center • Prospect / client and Client Advisor meet in BC	• Remote communication • Prospect / client in his / her domicile country while Client Advisor is in Booking Centre • Contacting via remote means (e.g. phone, mail)	• Travel • Prospect / client and Client Advisor meet in client's / prospect's domicile country, i.e. Client Advisor travels



Cross-Border Business – Client Motivation

Why do clients bank in cross-border booking centers?
<ul style="list-style-type: none">• Political, financial and legal stability• Geographical diversification• Client privacy and confidentiality• Seasoned, well trained and service-oriented client advisors and product specialists• Ability to offer and deliver broader and deeper product shelf• State of the art infrastructure• Pre-eminent reputation



Section 2

Risks Associated with Cross-Border Business



Risks Associated with Cross-Border Business

- Introduction
- Supervisory Legislation
 - Provision of Financial Services
 - Supply of Financial Products
- Tax and Criminal Law
- Anti-money laundering legislation
- Civil law, conflict of laws, procedural law
- Other commercial law



Legal and Regulatory Factors

The offshore business from a booking centre is affected by that booking centre's and the Client Domicile Market laws and regulations



Section 3

Expectations of the Swiss Supervisory Authority FINMA

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Clearly Articulated FINMA Expectations

- No direct, explicit provisions requiring compliance with foreign law by FINMASA (as opposed to ISA)
- Breaches of foreign law may violate certain general Swiss supervisory rules ("proper conduct")
- Clear FINMA expectations expressed in Position Paper dated October 2010
 - Thorough assessment of legal framework and risks associated
 - Suitable measures to mitigate/eliminate risks
 - Define service model for each target market
 - Outsourcing client management to external asset managers is not an effective means of mitigation
 - Country specific know how must be built of bought
 - Finma escalation expected for reputations risks
 - Reflected in Finma enforcement policy

UBS

Section 4

UBS' Approach to compliance with Cross-Border Rules

UBS

Cross-Border Business – Goal of Program

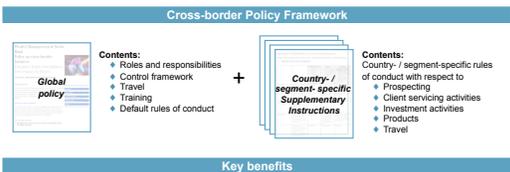
- Fundamental change of legal and regulatory environment for cross-border financial services, forcing the entire industry to adapt business models accordingly
 - Public debates about responsibility of regulators to protect investors' interests
 - Acceptance of financial privacy under scrutiny
 - Changing client needs and expectations
- In order to address changes of regulatory environment and rebuild UBS's reputation of solid integrity, UBS has launched a comprehensive Cross-Border Business Review Program
- Overriding aim of program is to ensure strict compliance with all applicable laws and regulations in all jurisdictions and businesses in which UBS operates

Overview Workstreams

Policies	Define and implement the cross-border policy framework and issue required policies
Control Framework	Develop and implement a comprehensive control framework
Education & Training	Develop and implement an effective training and certification framework for employees
Tools & Processes	Define and deliver the necessary cross-border specific tools and processes
IPS & Banking Products	Define the compliant product shell per country and delivery method
Segment Coordination	Ensure that segment specific issues are addressed, e.g. for Financial Intermediaries

Policy Concept – Overview

The global policy provides the generic framework which is supplemented by country- / segment-specific instructions

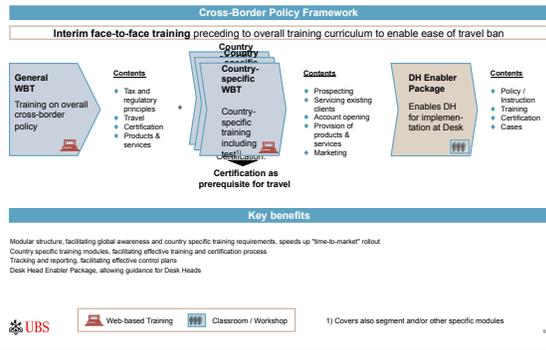


Key benefits

- Modular structure, allowing tailor-made instructions, enhances flexibility and facilitates periodic policy revisions as well as "time-to-market"
- Country-specific instructions (regulatory and tax matters), ensuring compliance with applicable rules and regulations on an integral basis
- Clarity in formulations, facilitating effective training and certification process
- Clear instructions and statements, facilitating effective control plans
- Explicit reference to investment products and service, providing guidance for cross-border product shell

Training Concept – Overview

Based on the global policy and Supplementary Instructions



Section 5

Q & A

Contact Information
