

UNITED STATES OF AMERICA  
BEFORE THE  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON, D.C.

In the Matter of:

UBS GROUP AG  
Zurich, Switzerland

CREDIT SUISSE AG  
Zurich, Switzerland

CREDIT SUISSE HOLDINGS (USA), INC.  
New York, New York

CREDIT SUISSE AG, NEW YORK  
BRANCH  
New York, New York

Docket Nos. 23-014-B-FB  
23-014-B-HC  
23-014-B-FBR  
23-014-CMP-FB  
23-014-CMP-HC  
23-014-CMP-FBR

Order to Cease and Desist and Order  
of Assessment of a Civil Money  
Penalty Issued Upon Consent  
Pursuant to the Federal Deposit  
Insurance Act, as Amended

WHEREAS, Credit Suisse AG, Zurich, Switzerland (the “Bank”), is a foreign bank as defined in section 1(b)(7) of the International Banking Act (12 U.S.C. § 3101(7)), that controls a large complex financial organization that consists of a number of separate business lines and legal entities in many countries around the world;

WHEREAS, Credit Suisse Holdings (USA), Inc., New York, New York (“CS USA”), is an intermediate holding company that is a wholly owned subsidiary of the Bank;

WHEREAS, the Bank conducts operations in the United States through CS USA, which owns and controls various non-bank subsidiaries, and through its New York State licensed

branch New York, New York (the “Branch”), (collectively with CS USA, the “U.S. Operations”);

WHEREAS, the Board of Governors of the Federal Reserve System (the “Board of Governors”) is the appropriate federal supervisor in the United States of the Bank, CS USA, and the Branch (collectively “Credit Suisse”);

WHEREAS, section 252.155(a)(2) of Regulation YY of the Board of Governors (12 C.F.R. § 252.155(a)(2)) requires a U.S. risk management program designed to identify and manage risks across the organization’s U.S. Operations;

WHEREAS, sections 252.156 and 252.157 of Regulation YY of the Board of Governors (12 C.F.R. §§ 252.156-252.157) requires a U.S. liquidity risk management program, conducting liquidity stress testing, and maintaining appropriate liquidity buffers across the organization’s U.S. Operations;

WHEREAS, examinations conducted by the Federal Reserve Bank of New York (the “Reserve Bank”) (together with the Board of Governors, the “Federal Reserve”) of the U.S. Operations prior to June 2023 identified longstanding deficiencies in the U.S. Operations’ risk management, including, but not limited to, counterparty credit risk management, liquidity risk management, model risk management, third party risk management, and information technology management, as well as significant data management and data quality issues;

WHEREAS, until at least 2021, Credit Suisse operated a prime services business (“Prime Services”) within the investment bank division that served hedge fund and institutional investor clients with staff and operations located in the United States through the U.S. operations, as well as in the United Kingdom, Europe, and Asia;

WHEREAS, the Prime Services Risk department within Prime Services was a business-line risk function, primarily responsible for the day-to-day risk management of Prime Services clients, including setting margin rates and obtaining margin from clients;

WHEREAS, Credit Risk Management served as an independent risk function at Credit Suisse, responsible for evaluating credit risk posed to Credit Suisse by counterparties, assigning internal credit ratings, setting internal risk-related counterparty trading limits, and resolving limit breaches, with staff and operations within the United States and the United Kingdom;

WHEREAS, from approximately 2012 to 2021, Credit Suisse had a client relationship with Archegos Capital Management LP (“Archegos”), a New York-based family office, and also had a relationship with Archegos’ predecessor, Tiger Asia Management LLC, dating back to 2003. Credit Suisse’s New York-based Prime Services and Credit Risk Management staff were responsible for the Archegos relationship;

WHEREAS, Archegos employed a long-short equity strategy, with a focus on technology and media companies, and primarily used derivative contracts via total return swaps (“TRS”) with counterparties, including Credit Suisse. From at least mid-2020 through early 2021, Archegos repeatedly added long TRS positions in a limited list of single-name U.S. and Chinese stocks;

WHEREAS, the risk posed by Archegos’ increasingly concentrated TRS portfolio at Credit Suisse continued to increase from mid-2020 through early 2021, such that Archegos breached Credit Suisse’s internal risk limits throughout that entire period;

WHEREAS, neither the Prime Services business, Prime Services Risk, nor Credit Risk Management took any effective measures to reduce the known risks posed by Archegos' TRS portfolio from mid-2020 through early 2021;

WHEREAS, Credit Suisse, including but not limited to Credit Risk Management and Prime Services Risk, lacked adequate governance, experienced staff with sufficient stature, and sufficient data quality and model risk management to ensure that activities conducted with counterparties were properly risk managed. Credit Suisse repeatedly failed to address identified risks associated with Archegos' portfolio despite repeated escalation of red flags by staff to multiple levels of management. Credit Suisse's failures include but are not limited to:

- a. failure to have adequate reputational risk review processes;
- b. failure to have clear roles, responsibilities and accountability;
- c. failure to obtain adequate margin from Archegos;
- d. failure to resolve internal limit breaches on a timely basis; and
- e. failure to have effective data quality management for risk metrics.

WHEREAS, in or around late March 2021, Archegos defaulted on Credit Suisse's margin calls, causing Credit Suisse, which lacked adequate margin, to liquidate its positions in the underlying names and suffer approximately \$5.5 billion in losses;

WHEREAS, on June 12, 2023, UBS Group AG ("UBS"), a foreign bank as defined in section 1(b)(7) of the International Banking Act (12 U.S.C. § 3101(7)), acquired Credit Suisse Group AG, the parent organization of Credit Suisse, in a transaction approved by the Swiss Financial Market Supervisory Authority, as well as other relevant supervisory authorities, to protect depositors and the financial markets;

WHEREAS, UBS is the successor of Credit Suisse Group AG, and the Board of Governors is the appropriate federal supervisor in the United States of UBS;

WHEREAS, it is the common goal of UBS, Credit Suisse, the Reserve Bank, and the Board of Governors that the U.S. Operations operate in a safe and sound manner and in compliance with all applicable federal and state laws, rules, and regulations. UBS has initiated remedial actions to address the above weaknesses at Credit Suisse;

WHEREAS, UBS, Credit Suisse, and the Board of Governors have agreed to this consent Cease and Desist Order and Order of Assessment of a Civil Money Penalty (the “Order”) pursuant to section 8(b) and (i)(2) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1818(b) and (i)(2)(B)) for the unsafe or unsound practices described above; and

WHEREAS, the boards of directors of UBS, Credit Suisse AG, and CS USA at duly constituted meetings, adopted resolutions authorizing and directing the undersigned to enter into this Order on behalf of UBS and Credit Suisse, and consenting to compliance with each and every provision of this Order by UBS and Credit Suisse, and waiving all rights that UBS and Credit Suisse may have pursuant to section 8 of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1818), including but not limited to: (i) the issuance of a notice of charges on any and all matters set forth in this Order; (ii) a hearing for the purpose of taking evidence on any matters set forth in this Order; (iii) judicial review of this Order; and (iv) challenging or contesting, in any matter, the basis, issuance, validity, terms, effectiveness or enforceability of this Order or any provision hereof.

NOW THEREFORE, it is hereby ordered that, before the filing of any notices, or taking of any testimony, or adjudication of or finding on any issues of fact or law herein, and solely for

the purpose of settling this matter without a formal proceeding being filed and without the necessity for protracted or extended hearings or testimony, pursuant to section 8(b)(1) and (4) of the FDI Act (12 U.S.C. § 1818(b)(1) and (b)(4)), UBS and Credit Suisse shall cease and desist and take affirmative action as follows:

### **Board Oversight and Governance**

1. The board of directors of UBS shall take appropriate steps to ensure that each branch and subsidiary of Credit Suisse in the U.S. operates in a safe and sound manner, complies with applicable U.S. and state laws and regulations, and addresses any supervisory action taken by its applicable federal and state supervisors.

2. Within 120 days of the effective date of this Order, the UBS board of directors, the CS USA board of directors, the CS USA Risk Committee (the “Risk Committee”), and the Governance, Oversight and Sustainability Committee of the CS USA board of directors (the “GOS Committee”) shall jointly submit a plan to strengthen their respective oversight of the U.S. Operations, its senior management, and the remediation of outstanding regulatory issues related to deficient risk management and governance practices. The plan shall provide for a sustainable governance and risk management framework that includes the following two items:

(a) actions that the UBS board of directors, the CS USA board of directors, and the Risk Committee will take to improve oversight and supervision of senior management to ensure that senior management strengthens risk management and governance practices for the U.S. Operations, including setting business strategy and activities, complying with applicable laws and regulations, and approving of policies and procedures; and to ensure that senior management implements and maintains a commensurate data management program; and

(b) identification of the information and reports that will be regularly reviewed by the UBS board of directors, the CS USA board of directors, the Risk Committee, and the GOS Committee in their respective oversight of the U.S. Operations, including routine reporting on the remediation of regulatory issues and progress on this action.

### **Remediation Office**

3. Within 120 days of the effective date of this Order, the UBS board of directors, the CS USA board of directors, and the GOS Committee shall jointly submit a plan to establish a Remediation Office that will operate under the oversight of the UBS board of directors, the CS USA board of directors, and the GOS Committee. The Remediation Office, which is to be staffed by a designated team of dedicated, qualified, and experienced individuals, will be responsible for the following three items:

- (a) ensuring comprehensive coverage of the root causes of supervisory deficiencies identified by the Federal Reserve to date, including those described in this Order;
- (b) assisting business and control functions in developing solutions to address the root causes of supervisory deficiencies identified by the Federal Reserve to date, including those identified in this Order, and to assess remediation plans for comprehensiveness, traceability, and accountability; and
- (c) tracking, managing, and ensuring the development, implementation, and demonstrated sustainability of all remediation-related actions, including those in this Order.

### **Counterparty Credit Risk Management**

4. Within 120 days of the effective date of this Order, CS USA and the Branch shall conduct and document an assessment of the U.S. Operations' credit and counterparty risk

management program (the “Counterparty Credit Risk Management Assessment”) to determine the enhancements to meet the risk management requirements set forth in Regulation YY.

(a) The Counterparty Credit Risk Management Assessment shall identify where Credit Suisse’s counterparty credit risk management policies, procedures, practices, processes, and internal controls are not compliant with Regulation YY, and where staff lacks expertise or training, or roles and responsibilities are not sufficiently defined and supported with an appropriate escalation framework in order to exercise appropriate risk management and maintain an effective control environment (“Identified Gaps”). Upon completion, CS USA and the Branch shall provide to the Reserve Bank a written report that summarizes the Counterparty Credit Risk Management Assessment and that sets forth the Identified Gaps.

(b) Within 90 days of receipt of an acceptable Counterparty Credit Risk Management Assessment by the Reserve Bank, CS USA and the Branch shall submit a plan (the “Counterparty Credit Risk Management Remediation Plan”) to address any Identified Gaps, their causes, and the following areas to the extent not included as within the Identified Gaps, acceptable to the Reserve Bank. The Counterparty Credit Risk Management Remediation Plan shall include the following seven items:

i. measures to ensure that the U.S. Operations’ counterparty credit risk program has the requisite stature, authority, and resources to address the Identified Gaps and to ensure that Credit Suisse, on an ongoing basis, maintains a risk management framework for its U.S. Operations that meets the risk management requirements of Regulation YY with respect to counterparty credit risk management;



- ii. clearly defined roles and responsibilities of committees and individuals, including measures to gauge the effectiveness of committees, to ensure an appropriate internal control environment for the U.S. Operations;
- iii. specific actions to enhance the accuracy, improve timeliness, and ensure the appropriateness of risk measures designed to capture, measure, monitor, and report counterparty credit risk, including metrics or models related to potential exposure and scenario stress testing;
- iv. measures to enhance the robustness of the U.S. Operations' limit frameworks, with related governance processes, including but not limited to processes regarding limit breaches, time periods to resolve limit breaches, consequences for failure to timely resolve limit breaches, and limit approvals and/or exceptions, escalations, and reporting;
- v. measures to improve credit-related client onboarding processes and ongoing client monitoring, including an enhanced assessment of clients' reputations, histories, risk profile, and exposures, as measured through stress-testing of clients' long and short portfolios;
- vi. timelines and milestones for implementing the Counterparty Credit Risk Management Remediation Plan and measures to determine how the U.S. Operations will maintain implemented improvements on an ongoing basis; and
- vii. measures for managing counterparty credit risk until the Counterparty Credit Risk Management Remediation Plan is implemented in full.

### **Liquidity Risk Management**

5. Within 120 days of this Order, CS USA and the Branch shall jointly submit a plan to strengthen the U.S. Operations' liquidity risk management. The plan shall have measures to

ensure that the liquidity risk management program for the U.S. Operations includes the following four items:

(a) a consolidated liquidity stress testing framework for the U.S. Operations that includes robust methods for comprehensively projecting both business-as-usual and stressed cash flows arising from assets, liabilities, and off-balance sheet items and ensures the adequacy of liquidity positions under stress in a range of conditions, including the use of intercompany transactions to support liquidity under stress conditions;

(b) liquidity buffer metrics and limits based on the consolidated stress testing framework and consistent with the size and complexity of business activity and with risk appetite;

(c) a comprehensive, well-documented, and tested contingency funding plan (“CFP”) that defines roles, responsibilities, potential management actions, and accountability for those actions and communications; and

(d) a set of early warning indicators in the CFP tailored to the capital structure, risk profile, complexity, activities, and size of the U.S. Operations.

### **Non-Financial Risk Management**

6. Within 120 days of this Order, CS USA and the Branch shall jointly submit a plan approved by the CS USA board of directors and the Risk Committee to enhance the U.S. Operations’ risk management program. The plan shall include the following three items:

(a) measures to ensure that the risk management program for the U.S. Operations includes:

- i. clearly defined roles and responsibilities for risk management personnel in the business lines and risk function, including identification of required staffing and associated levels of expertise;
- ii. written policies, procedures, and risk management standards designed to identify, assess, manage, and monitor risk exposures—including but not limited to risk exposures associated with new activities, products, investments, legal compliance, and liquidity—and facilitate compliance with applicable laws and regulations;
- iii. appropriate written risk tolerance guideline limits, and controls to ensure adherence thereto;
- iv. risk management procedures and controls to enable business continuity and resiliency of critical business services in the event of severe but plausible operational, information technology, or cyber security disruptions;
- v. improved reports, systems, and data that identify, measure, and aggregate on-and off-balance sheet risk and exposure data of the U.S. Operations;
- vi. implementation of an effective third-party risk management operating model that provides for business continuity testing for critical services providers and ongoing risk assessment processes that include due diligence and monitoring commensurate with the risk associated with each third-party vendor;
- vii. implementation of an effective U.S. Operations' model risk management program across all model types that is sustainable and consistently implemented by the relevant functions, and which includes processes for setting the appropriate tolerance for model risk, measuring the effectiveness of the program, tracking and responding to validation

findings, addressing deficiencies in a timely manner, and establishing a framework for model changes;

viii. demonstrable progress implementing the U.S. Operations' strategy for effecting data improvements, data maintenance, and a sustainable Data Management Framework ("DMF") that includes: (1) tracking the timely implementation of the complete and comprehensive DMF, and all related controls, across the U.S. Operations, (2) monitoring to ensure that senior management identify and respond to changing data requirements, and (3) ensuring that senior management address data governance, data quality, and data strategy concerns in a timely and holistic manner;

ix. compensation incentives that are consistent with risk management objectives and standards;

(b) milestones, timetables, success measures, and adequate funding for personnel and other resources, to ensure the development and implementation of the remedial actions required by this paragraph; and

(c) measures to ensure that Internal Audit's monitoring and reviews provide assurance that all remedial actions required by this Order are sufficiently addressed, and that Internal Audit's risk assessment and testing coverage are sufficiently tailored to the relevant risks in U.S. Operations.

#### **Assessment of Civil Money Penalty**

7. The Board of Governors hereby jointly assesses Credit Suisse and UBS, as the successor of Credit Suisse Group AG, a civil money penalty in the amount of \$268,494,109.20, which shall be paid upon the execution of this Order by Fedwire transfer of immediately available funds to the Federal Reserve Bank of Richmond ABA No.051000033, beneficiary,

Board of Governors of the Federal Reserve System. This penalty is a penalty paid to a government agency for a violation of law for purposes of 26 U.S.C. § 162(f) and 26 C.F.R. § 1.162-21. The Federal Reserve Bank of Richmond, on behalf of the Board of Governors, shall distribute this sum to the U.S. Department of the Treasury, pursuant to section 8(i) of the FDI Act (12 U.S.C. § 1818(i)).

### **Approval, Implementation, and Progress Reports**

8. (a) The boards of directors of UBS and CS USA, the GOS Committee, the Risk Committee, and the Branch shall, where applicable, submit plans that are acceptable to the Reserve Bank within the applicable time periods set forth in paragraphs 2, 3, 4, 5, 6, and 7 of this Order. Each plan shall contain a timeline for full implementation of the plan with specific deadlines for completion of each component of the plan. Each plan shall also include and clearly identify any requirements under the applicable paragraphs that the firm has previously submitted to and was approved or not objected to by the Reserve Bank. Each plan shall take into consideration the integration of UBS and Credit Suisse and strategic plans of UBS.

(b) Within 10 days of approval by the Reserve Bank, the boards of directors of UBS and CS USA, the GOS Committee, the Risk Committee, and the Branch shall, where applicable, adopt the approved plans. Upon adoption, the board of directors of UBS and the Bank, CS USA, the Risk Committee, and the Branch shall promptly implement the approved plans and thereafter fully comply with them.

(c) During the term of this Order, the approved plans shall not be amended or rescinded without the prior written approval of the Reserve Bank.

9. Within 45 days after the end of the first full calendar quarter following the date of this Order and each quarter thereafter, the boards of directors of UBS and CS USA, the Risk

Committee, and the Branch shall submit to the Reserve Bank consolidated written progress reports detailing the form and manner of all actions taken to comply with the provisions of this Order, a timetable and schedule to implement specific remedial actions to be taken, and the results thereof. The Reserve Bank may, in writing, discontinue the requirement for the progress reports, request modification of form or content, or modify the reporting schedule.

### **Accountability for Employees Involved in Misconduct**

10. UBS and Credit Suisse shall not in the future directly or indirectly retain any individual as an officer, employee, agent, consultant, or contractor of Credit Suisse or of any affiliate of Credit Suisse who, based on the investigative record compiled by Credit Suisse, has done all of the following: (i) participated in the misconduct underlying this Order, (ii) been subject to formal disciplinary action as a result of Credit Suisse's internal disciplinary review or performance review in connection with the conduct described above, and (iii) either separate from Credit Suisse or had his or her employment legally terminated in connection with the conduct above.

11. UBS and Credit Suisse shall continue to cooperate fully with and provide substantial assistance to the Board of Governors, including, but not limited to, the provision of information, testimony, documents, records, and other tangible evidence and perform analyses as directed by the Board of Governors in connection with the investigations of whether separate enforcement actions should be taken against individuals who are or were institution-affiliated parties of Credit Suisse and who were involved in the misconduct underlying this Order. For purposes of clarity and not limitation, substantial assistance as used in this Order means UBS and Credit Suisse will use its best efforts, as determined by the Board of Governors, to make available for interviews or testimony, as requested by the Board of Governors, present or former

officers, directors, employees, agents, and consultants of UBS and Credit Suisse. This obligation includes, but is not limited to, sworn testimony pursuant to administrative subpoena as well as interviews with regulatory authorities. Cooperation under this paragraph shall also include identification of witnesses who, to the knowledge of UBS and Credit Suisse, may have material information regarding the matters under investigation.

### **Primary Contact**

12. Within 10 days of this Order, UBS, CS USA, the GOS Committee, and the Risk Committee shall designate an officer to be responsible for coordinating and submitting to the Reserve Bank the written plans and programs required under the terms of this Order.

### **Communications**

13. All communications regarding this Order shall be sent to:

- (a) Daniel Sullivan  
Vice President  
Federal Reserve Bank of New York  
33 Liberty Street  
New York, NY 10045
- (b) Jason A. Gonzalez  
Assistant General Counsel  
Board of Governors of the Federal Reserve System  
Washington, DC 20551
- (c) Sergio Ermotti  
Chief Executive Officer  
UBS Group AG  
Bahnhofstrasse 45  
8001 Zurich, Switzerland
- (d) Colm Kelleher  
Chair, Board of Directors  
UBS Group AG  
Bahnhofstrasse 45  
8001 Zurich, Switzerland
- (e) Tom Wipf  
Chief Executive Officer

Credit Suisse Holdings (USA), Inc.  
11 Madison Avenue  
New York, NY 10010

- (f) John McDonald  
Branch Manager and Managing Director  
Credit Suisse AG New York Branch  
11 Madison Avenue  
New York, NY 10010
- (g) Kirt Gardner  
Chair, Board of Directors  
Credit Suisse Holdings (USA), Inc.  
11 Madison Avenue  
New York, NY 10010

### **Miscellaneous**

14. Notwithstanding any provision of this Order to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to UBS, the Bank, CS USA, and the Branch to comply with any provision of this Order. UBS, the Bank, CS USA, and the Branch must submit a written request to the Reserve Bank for any extension of time.

15. The provisions of this Order shall be binding on UBS, the Bank, CS USA, and the Branch and each of their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) and (4) of the FDI Act, as amended (12 U.S.C. §§ 1813(u) and 1818(b)(3) and 1818(b)(4)), in their capacities as such, and their successors and assigns.

16. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Board of Governors.

17. The provisions of this Order shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting UBS, the Bank, CS USA, the Branch, any of their subsidiaries, or any of their current or former institution-affiliated parties and their successors and assigns.



18. This Order does not supersede the Written Agreement entered into between Credit Suisse Group AG, the Bank, CS USA, the Branch, and the Reserve Bank dated December 22, 2020.

By Order of the Board of Governors of the Federal Reserve System effective as of the 21st day of July, 2023

UBS GROUP AG

By:       /s      

Name: Ulrich Körner  
Title: Member of Group Executive Board

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

By:       /s      

Ann E. Misback  
Secretary of the Board

By:       /s      

Name: David Kelly  
Title: Head of Transactions and Disclosure Counsel

CREDIT SUISSE AG

By:       /s      

Name: Ulrich Körner  
Title: CEO Credit Suisse AG

By:       /s      

Name: Jake Scrivens  
Title: Member of the Executive Board

CREDIT SUISSE HOLDINGS (USA), INC.

By:        /s \_\_\_\_\_

Name: Patrick Shilling  
Title: General Counsel Americas

By:        /s \_\_\_\_\_

Name: Thomas Wipf  
Title: Chief Executive Officer

CREDIT SUISSE AG, NEW YORK BRANCH

By:        /s \_\_\_\_\_

Name: John J. McDonald, Jr.  
Title: Branch Manager & Authorized Signatory

By:        /s \_\_\_\_\_

Name: Patrick A. Remmert, Jr.  
Title: Managing Director & Authorized Signatory