



# UBS Group AG

2020 Limited US Resolution Plan  
Public Section

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# 1. Introduction

UBS<sup>1</sup> draws on its over 150-year heritage to serve private, institutional and corporate clients worldwide, as well as retail clients in Switzerland. Its business strategy is centered on its preeminent global wealth management businesses and its leading universal bank in Switzerland, complemented by one of the world's largest asset managers and a specialized and successful Investment Bank. Capital strength continues to be a key pillar of the UBS strategy and since 2012, UBS has substantially reduced risk and balance sheet exposures while increasing total loss-absorbing capacity ("TLAC") under Swiss regulatory requirements. UBS is committed to maintaining a strong capital and TLAC position and ratios at all times in order to meet regulatory requirements and our target capital ratios, and to support the growth of our business.

Headquartered in Zurich, Switzerland, UBS has offices in more than 50 countries, including all major financial centers, and approximately 68,000 employees. UBS Group AG is the holding company of the UBS Group companies. Under Swiss company law, UBS Group AG is organized as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors. The current operational structure of the Group consists of four business divisions:

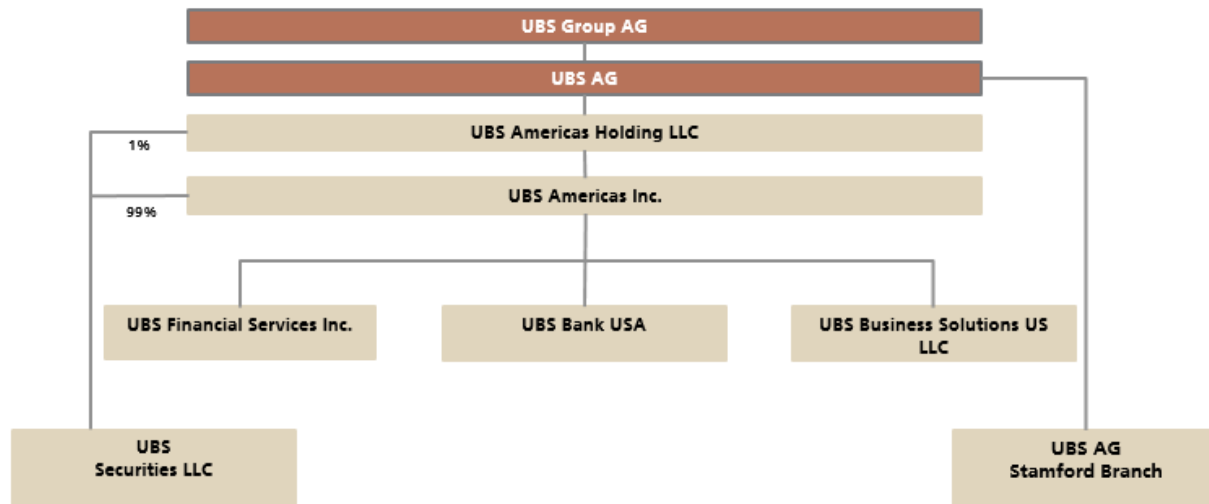
- Global Wealth Management;
- Personal & Corporate Banking;
- Asset Management;
- the Investment Bank; and
- Group Functions, formerly the Corporate Center, which supports the four business divisions.

Figure 1.1 below provides a simplified US legal entity structure as of 31 August 2020 and depicts the US subsidiaries and branches that are material to UBS's US resolution plan.

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<sup>1</sup> "UBS," "UBS Group" or "Group" refer, collectively, to UBS Group AG and its subsidiaries and affiliates.

Figure 1.1: Simplified US Legal Entity Structure



UBS submitted its most recent full US Resolution Plan in July 2018 (the “2018 Plan”) pursuant to the jointly issued regulations (the “Resolution Plan Rule”)<sup>2</sup> of the Board of Governors of the Federal Reserve System (the “Federal Reserve”) and the Federal Deposit Insurance Corporation (the “FDIC” and, together with the Federal Reserve, the “Agencies”) under Section 165(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). Section 165(d) of the Dodd-Frank Act requires certain financial companies, including UBS, with global assets in excess of USD 250 billion to periodically file resolution plans with respect to their US operations. The Resolution Plan Rule prescribes specific requirements for resolution plans and the guidance published by the Agencies in March 2017 (the “2018 Guidance”) sets forth a specific resolution scenario to be addressed in the 2018 resolution plans filed by covered foreign banking organizations, such as UBS.

In December 2018, the Agencies sent a letter to UBS (the “2018 Feedback Letter”) setting out: (i) the Agencies’ acknowledgement of meaningful improvements from UBS’s US resolution plan filed in 2015; (ii) one shortcoming identified by the Agencies with respect to the 2018 Plan that should be addressed by 1 July 2020; (iii) identified areas for improved home and host regulatory cooperation; and (iv) ongoing enhancement initiatives (collectively, the “Enhancement Initiatives”) to improve the resolvability of UBS’s US operations under the US Bankruptcy Code that were also to be addressed by 1 July 2020.

<sup>2</sup> Resolution Plan Rule means 12 CFR Part 243, Regulation QQ, and 12 CFR Part 381.



On 26 July 2019, the Agencies sent a letter to UBS (the “2019 Extension Letter”) advising UBS that, subject to finalization of proposed changes to the Resolution Plan Rule, UBS’s next US resolution plan would be due on 1 July 2021 (the “2021 Plan”). The 2019 Extension Letter went on to state that nonetheless, with respect to the 2018 Feedback Letter, UBS must provide on or before 1 July 2020, a US resolution plan that may be limited to describing the changes that UBS had made to the 2018 Plan to address the shortcoming identified in the 2018 Feedback Letter (the “2020 Limited Plan”). The 2019 Extension Letter also stated that the 2020 Limited Plan should provide an update concerning the Enhancement Initiatives referenced in the 2018 Feedback Letter. Most recently, on 6 May 2020, the Agencies sent a letter to UBS (the “2020 Extension Letter”) advising UBS that, in light of the challenges posed by the effects of the COVID-19 pandemic, the Agencies were extending UBS’s deadline to submit the 2020 Limited Plan to 29 September 2020, as well as UBS’s deadline to submit its 2021 Plan from 1 July 2021 to 29 September 2021.

This Public Section and the accompanying Confidential Section submitted to the Agencies comprise UBS’s 2020 Limited Plan and, together, address the information required by the 2018 Feedback Letter and the 2019 Extension Letter. The 2020 Limited Plan supplements the 2018 Plan and, accordingly, the 2018 Plan, including its Public Section, is generally incorporated by reference in UBS’s 2020 Limited Plan. The Public Section for UBS’s 2018 Plan is available on the websites of the Federal Reserve (<https://www.federalreserve.gov/supervisionreg/resolution-plans-search.htm>) and the FDIC (<https://www.fdic.gov/regulations/reform/resplans/index.html>).

## 2. Summary of the 2018 Plan

As required by the 2018 Guidance, the 2018 Plan set forth UBS’s strategy for the orderly resolution of UBS Americas Holding LLC (“Americas Holding”)<sup>3</sup> assuming that (i) Americas Holding and its subsidiaries experience material financial distress,<sup>4</sup> (ii) UBS Group is unwilling or unable to provide financial support for the continuation of US operations and (iii) at least Americas Holding commences a proceeding under the US Bankruptcy Code. While the 2018 Plan addresses this hypothetical resolution scenario, the

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<sup>3</sup> Americas Holding is UBS’s US intermediate holding company or IHC, which is UBS’s top-level holding company in the US established under the requirements of the Federal Reserve’s Regulation YY.

<sup>4</sup> The Regulations define “material financial distress” to mean that (i) a company has incurred, or is likely to incur, losses that will deplete all or substantially all of its capital, and there is no reasonable prospect for the company to avoid such depletion; (ii) the company’s assets are, or are likely to be, less than its obligations to creditors and others; or (iii) the company is, or is likely to be, unable to pay its obligations in the normal course of business.



occurrence of such a scenario would be highly unlikely for several reasons set out in the 2018 Plan, including the following:

- Americas Holding and its material subsidiaries are well capitalized and maintain a strong liquidity position.
- In the event the US operations of UBS experience significant losses or other adverse events, UBS is likely to provide support to Americas Holding as it represents a significant part of UBS's overall business, and operating subsidiaries of Americas Holding form a core part of UBS's Global Wealth Management, Asset Management and Investment Bank business divisions.
- UBS maintains a strong capital position and is among the best capitalized of its peer institutions.
- UBS has developed Global Resolution Planning documentation that is aligned with FINMA's preferred single point of entry ("SPE") resolution strategy. Under the preferred SPE strategy, in the event UBS experienced significant financial distress, FINMA would, as part of its resolution measures, order the write-down or "bail-in" of additional Tier 1 capital instruments and debt of UBS Group AG to restore the capitalization of UBS Group AG and permit any subsidiary that had suffered losses to be recapitalized without the subsidiary entering insolvency or resolution.

As noted above, in the event that a resolution scenario affecting UBS materialized, UBS expects to execute its preferred SPE strategy, supported by FINMA, and execute a SPE bail-in at the UBS Group AG level, which would obviate the need for implementation of UBS's US Resolution Plan. Consistent with the 2018 Guidance, however, the 2018 Plan does not rely upon a successful global recapitalization of UBS and its operating subsidiaries. The 2018 Plan, as supplemented by the 2020 Limited Plan, reflects the regulatory requirement that recapitalization of US subsidiaries by UBS Group should not form part of UBS's US resolution plan and that such plan should contemplate the bankruptcy of at least Americas Holding.

Accordingly, the 2018 Plan assumes that only Americas Holding enters into an insolvency proceeding after having recapitalized and funded the US operating subsidiaries, through the use of capital and liquidity resources pre-positioned in the US. Americas Holding's operating subsidiaries would then be resolved outside of insolvency proceedings through the sale or wind-down of businesses.



## 2.1. US Material Entities

UBS designated two branches of UBS AG and six US subsidiaries as Material Entities<sup>5</sup> for purposes of the 2018 Plan. The Material Entities in the 2018 Plan were:

- Americas Holding;
- UBS Americas Inc.;
- UBS Securities LLC;
- UBS Financial Services Inc.;
- UBS Bank USA;
- UBS Business Solutions US LLC;
- UBS AG Stamford Branch; and
- UBS AG New York (787 7th Ave.) WMA Branch (the "New York 787 Branch").

Descriptions of the Material Entities are provided in the Public Section for the 2018 Plan. As discussed in the 2018 Plan, the New York 787 Branch held the UBS AG account at the Federal Reserve Bank of New York (the "Fed Account") while the Stamford Branch conducted all the activity that was booked through the Fed Account. To improve resolvability and operational continuity, the Fed Account was transferred to the Stamford Branch in December 2018. Therefore, the New York 787 Branch is no longer a Material Entity for the purpose of UBS's US resolution plan and any references in the 2018 Plan to the Fed Account should be assumed to reference activity that is now conducted by the Stamford Branch.

## 2.2. Overview of Hypothetical Resolution Scenario in the 2018 Plan

UBS's US resolution plan is premised on a hypothetical stress scenario where Americas Holding and its subsidiaries experience unanticipated losses. It is assumed that these losses manifest in a single initial shock to the US operations, and occur against the backdrop of severely adverse general market conditions. The first three weeks of this hypothetical stress scenario (the "recovery period") are characterized by efforts to manage liquidity in an increasingly uncertain environment consistent with regulatory guidance. During the third week of the hypothetical stress scenario, the US operations find they are unable to recover without parent support. When, as required by the Agencies under this hypothetical scenario, UBS AG does not provide the requested support, Americas Holding would

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<sup>5</sup> A "Material Entity" is defined in the Resolution Plan Rule as "a subsidiary or foreign office of the covered company that is significant to the activities of a critical operation or core business line."



downstream resources pre-positioned in the US to its subsidiaries and would subsequently file a case under Chapter 11 of the US Bankruptcy Code.

As more fully set forth in the Public Section to the 2018 Plan, the 2018 Plan contemplates that, in a hypothetical resolution scenario, UBS's Material Entities comprising its Wealth Management US business – UBS Financial Services Inc. and UBS Bank USA – would remain solvent and in compliance with regulatory capital requirements and that their assets would be sold as a going concern. UBS Securities LLC, UBS's US broker-dealer for its Investment Bank business, would similarly remain solvent and adequately capitalized while undergoing an orderly transfer or wind-down of customer accounts in a manner designed to minimize disruptions and facilitate client access to their assets. The 2018 Plan does not envision the failure or resolution of UBS's US branches, including the Stamford Branch, and assumes that the US branches would remain operating subject to enhanced supervisory requirements. Finally, the 2018 Plan projects that UBS Business Solutions US LLC and UBS Americas Inc. would remain solvent and outside of bankruptcy proceedings. UBS Business Solutions US LLC, UBS's shared services entity for US operations, would continue to be paid for services provided to support the US operations for as long as such services are required.

At the conclusion of the hypothetical resolution period, the 2018 Plan envisions that all or substantially all of the assets of UBS Financial Services Inc. and UBS Bank USA would have been sold to a third party and the operations of UBS Securities LLC will have been wound down. The resulting US operations will have been materially reduced in size and the residual activities of UBS in the US, either through the US branches of UBS AG or the continuing smaller subsidiaries of Americas Holding, will either continue to be wound down, sold or transferred or will continue for the benefit of UBS Group activities, as directed by UBS AG.

### 3. Agencies' Identified Shortcoming

The shortcoming identified by the Agencies in the 2018 Feedback Letter is as follows:

*"GOVERNANCE MECHANISMS*

*The Agencies identified a shortcoming regarding UBS's escalation triggers. As noted in*



*the FBO Guidance,<sup>6</sup> escalation triggers are designed to increase communication and coordination at the appropriate time between the appropriate US and foreign governing bodies to confirm whether the foreign parent is able and willing to provide financial resources to support U.S. operations. Triggers should be based on the firm's methodology for forecasting the liquidity and capital needed to facilitate the US resolution strategy, thereby helping ensure timely communication and coordination between the boards of UBS Americas Holding LLC and the foreign parent to facilitate, if needed, any preparatory resolution-related actions. In addition to informing the timing of resource requests, well-developed RLEN and RCEN capabilities can assist the firm and its foreign parent in calibrating the resources needed by the US operations during resolution.*

*UBS lacks resolution triggers based on its methodology for forecasting liquidity and capital needed to facilitate its US resolution strategy. UBS's final downstream trigger as presented in the 2018 Plan provides that a breach of the trigger would occur when the request for foreign parent support is either refused or insufficiently fulfilled by the foreign parent within 24 hours. The firm's exclusive reliance on management discretion for when to initiate such a request for parent support poses the risk that available resources may prove insufficient and that time may run too short for the board and senior management to complete the prerequisite actions for entering resolution.*

*The firm's 2020 Limited Plan should include substantive development of its trigger framework, including resolution triggers linked to the firm's methodology for forecasting the liquidity and capital needed to facilitate its US resolution strategy (e.g., approaching RCEN/RLEN estimates, with corresponding actions to confirm the foreign parent's financial capability and willingness to provide sufficient support)."*

The following information describes the changes made by Americas Holding to the 2018 Plan in order to address the shortcoming set out in the 2018 Feedback Letter.

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<sup>6</sup> As used in the 2018 Feedback Letter, FBO Guidance refers to the 2018 Guidance.

## 4. Addressing the Shortcoming - Changes to the 2018 Plan

In order to address the shortcoming identified by the Agencies in the 2018 Feedback Letter, UBS reviewed its US resolution escalation framework set out in the 2018 Plan. It should be noted that UBS has not modified its US resolution strategy as set out in the 2018 Plan, which is a regional SPE resolution strategy that continues to be focused on a bankruptcy proceeding of Americas Holding while all other US Material Entities remain outside of insolvency proceedings.

UBS has made substantive changes to its US resolution escalation framework, as set out in the 2018 Plan, by establishing quantitative Resolution Triggers for management action that are directly related to the firm's Resolution Liquidity Execution Need ("RLEN") and Resolution Capital Execution Need ("RCEN") forecasting. Taking this approach enhances the US resolution escalation framework by including triggers that are based on UBS's methodology for forecasting the liquidity and capital needed to facilitate its US resolution strategy and removes the firm's exclusive reliance on management discretion. In particular, the decision regarding when to initiate a request for parent support is informed by the firm's Capital Contingency Plan ("CCP") and Contingency Funding Plan ("CFP") for US operations and is based upon quantitative triggers embedded in these policies.

Both Amber and Red Resolution Triggers have been established to ensure preemptive action would be taken in a deteriorating liquidity or capital situation of Americas Holding and its subsidiaries. In the event that an Amber Resolution Trigger event occurs, Americas Holding will request financial support from its parent, UBS AG, to recapitalize and provide necessary liquidity to Americas Holding. Consistent with the resolution scenario set forth in the 2018 Guidance, UBS assumes for purposes of its US resolution plan that UBS AG would be unwilling or unable to fulfill Americas Holding's request for financial support and that further deterioration of Americas Holding's financial condition occurs during a runway period preceding resolution leading to the occurrence of a Red Resolution Trigger event. UBS projects, for purposes of its US resolution plan, that losses incurred by Americas Holding and its subsidiaries during a runway period preceding resolution as well as the consequent liquidity outflows would result in an RLEN Resolution Trigger event and that the capital position of Americas Holding and its subsidiaries would remain above all applicable internal targets and regulatory requirements prior to and during resolution



such that an RCEN Trigger event would not occur. Following the occurrence of a Red Resolution Trigger event, Americas Holding will make a final request for financial support from UBS AG to recapitalize and provide necessary liquidity to Americas Holding, which, if not promptly fulfilled, would result in Americas Holding downstreaming all of its available liquid assets, less a reserve for operating and bankruptcy-related expenses, to its material subsidiaries as well as taking certain actions to recapitalize its material subsidiaries, including by exchanging debt owed to Americas Holding by such material subsidiaries for equity.

Shortly after Americas Holding transfers its available financial resources (less a reserve for operating and bankruptcy-related expenses) to its material subsidiaries, UBS's US resolution plan continues to provide that Americas Holding will commence a voluntary Chapter 11 bankruptcy case to restructure its indebtedness while its material operating subsidiaries will implement their respective resolution strategies set forth in the 2018 Plan and summarized above.

The establishment of the Resolution Triggers is primarily designed to address the Agency-identified shortcoming by ensuring that management action on behalf of Americas Holding to request financial support from UBS AG will occur based on Americas Holding's RLEN and RCEN forecasting. In addition, applying the RLEN and RCEN Resolution Triggers to the scenario set forth in the 2018 Plan results in an initial request for financial support being made to UBS AG approximately a week earlier during the runway period as compared to the 2018 Plan, which helps ensure that UBS AG will have enough time to take corresponding actions to confirm its financial capability and willingness to provide sufficient support to Americas Holding. This result addresses the Agencies' concern, stated in the 2018 Feedback Letter, that UBS AG may not be provided sufficient time to consider its ability to provide financial resources to Americas Holding or that the management of Americas Holding may lack sufficient time to take the actions required to implement the US resolution strategy.

## 5. Enhancement Initiatives Update

UBS continues to enhance resolvability through the implementation of programs and projects to refine the firm's capabilities with respect to recovery and resolution planning. As discussed throughout the 2018 Plan, while the firm has made substantial progress towards operationalizing its ability to execute actions contemplated in the firm's recovery and resolution plans, we continue to evolve and improve our



capabilities. UBS proactively identified incremental areas of work to improve the resolvability and reporting capabilities of the US operations.

The 2019 Extension Letter requested that the 2020 Limited Plan provide an update for certain ongoing Enhancement Initiatives to be completed prior to 1 July 2020 (extended to 29 September 2020 by the 2020 Extension Letter), which are discussed below. It should be noted, however, that while these projects may enhance UBS's overall resolvability, the execution of the US resolution strategy in the 2018 Plan was not, and is not, dependent on the Enhancement Initiatives being completed.

The 2018 Feedback Letter set out three areas where UBS should complete its Enhancement Initiatives. These areas relate to UBS's RLEN & RCEN framework, its legal entity rationalization ("LER") framework, and its program to amend critical vendor agreements to include resolution-friendly provisions.

Since submission of the 2018 Plan, UBS has invested substantially in the development of appropriate systems and tools to complete the build out of its RLEN and RCEN frameworks by making necessary enhancements to increase the automation, transparency and reliability of forecasting capabilities, including by increasing forecasting and reporting frequencies. Funding and recapitalization in resolution is a topic of great importance to the successful implementation of both UBS's preferred SPE (or Group) resolution strategy and its US resolution strategy. Therefore, UBS continues to refine its approach and capabilities with respect to RLEN and RCEN forecasting through continued testing and lessons learned that may show that further enhancement or improvement to the firm's resolution planning capabilities is required.

With respect to its LER framework, UBS created and implemented detailed LER criteria, which are actively reviewed through a US-based governance process including the creation of an LER Management Forum consisting of senior executives and representatives from the Recovery and Resolution Planning Americas team to ensure that any impact on the resolvability of UBS is considered when reviewing the various new business and LER initiatives across the US.

Lastly, UBS has completed its program to ensure that critical vendor agreements identified in the 2018 Plan and subsequently have either been amended to include resolution-friendly (*i.e.*, so called Too Big to Fail ("TBTF")) provisions – designed to ensure continued access to critical third party services in the event of a resolution proceeding of one or more UBS entities – or have been terminated or replaced. In addition, as part of UBS's vendor engagement process, UBS requires all renewed or newly engaged critical vendors to include TBTF terms in the renewed or newly executed vendor agreements.



In addition to these Enhancement Initiatives identified by the Agencies in the 2018 Feedback Letter, UBS has undertaken numerous projects to improve its resolvability, including several that were ongoing and identified to the Agencies at the time of submission of the 2018 Plan, which have since been completed for purposes of US resolution planning.

## 6. Conclusion

This concludes the Public Section to the 2020 Limited Plan, which, together with the Confidential Section to the 2020 Limited Plan, sets out how UBS has addressed the shortcoming identified by the Agencies in the 2018 Feedback Letter and provides information with respect to UBS's progress on various Enhancement Initiatives. UBS remains committed to resolution planning and has taken measurable steps to continue to improve its resolvability through, among others things, the development of an enhanced US resolution escalation framework supported by robust Funding in Resolution ("FIR") models that together ensure Americas Holding's Board of Directors and senior executives are able to manage UBS's US operations through a rapid and orderly resolution should it become necessary.

## 7. Cautionary Statements

Requirements of the non-US financial regulators relating to resolution planning differ from those under the US requirements. In particular, UBS's US resolution plan is focused on planning for the resolution of UBS's US operations, whereas global as well as local planning documentation being provided in other jurisdictions, including Switzerland, also contain plans for the recovery of UBS in the event of financial distress. The required assumptions, definitions, and approaches taken in UBS's US resolution plan may differ from those used or taken in the plans filed with non-US regulators.

The strategy and steps laid out in UBS's US resolution plan are intended to assist the relevant US authorities in the wind-down of UBS's US operations in the event of a financial crisis. UBS's US resolution plan is based on a series of hypothetical scenarios and assumptions about future events and circumstances. Accordingly, many of the statements and assessments in UBS's US resolution plan constitute "forward-looking statements" within the meaning of the safe harbor provisions of the U.S.



Private Securities Litigation Reform Act of 1995. These statements include statements, other than historical information or statements of current conditions, that relate to UBS's future plans, objectives and resolution strategies (including UBS's expectations and projections regarding the implementation of those strategies), among other things, and to the objectives and effectiveness of UBS's risk management, capital and liquidity policies. UBS's US resolution plan is not binding on a bankruptcy court, UBS's regulators or any other resolution authority, and in the event of the resolution of UBS, the strategies implemented by UBS, its regulators or any other resolution authority could differ, possibly materially, from the strategies UBS has described. In addition, UBS's expectations and projections regarding the implementation of its resolution strategies are based on scenarios and assumptions that are hypothetical and may not reflect events to which UBS is or may become subject. As a result, the outcomes of UBS's resolution strategies could differ, possibly materially, from those UBS has described.

UBS has also included information about projects it has undertaken, or is considering, in connection with resolution planning. Some of these projects are in progress or under development. The statements with respect to these projects and their impact and effectiveness are forward-looking statements, based on UBS's current expectations regarding its ability to complete those projects and any actions that third parties must take, or refrain from taking, to permit UBS to complete those projects. As a result, the timing of those projects may change, possibly materially, from what is currently expected.