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PRESS RELEASE

UNITED STATES SUES UBS TO RECOVER CIVIL PENALTIES FOR FRAUD IN THE SALE OF RESIDENTIAL MORTGAGE-BACKED SECURITIES

BROOKLYN, NY – Earlier today, in federal court in Brooklyn, the United States filed a civil complaint against UBS AG and several of its United States affiliates (together, UBS), alleging that UBS defrauded investors throughout the United States and the world in connection with its sale of residential mortgage-backed securities (RMBS) in 2006-2007.

Richard P. Donoghue, United States Attorney for the Eastern District of New York, Byung J. Pak, United States Attorney for the Northern District of Georgia, and Jesse Panuccio, Principal Deputy Associate Attorney General of the Justice Department, announced the filing.

“Investors who bought RMBS from UBS suffered catastrophic losses, which not only caused direct harm to those investors, but also contributed to the financial crisis of 2008,” stated United States Attorney Donoghue. “The filing of this complaint makes clear that we will continue to hold financial institutions fully accountable for their conduct and will aggressively pursue financial fraud.” Mr. Donoghue expressed his grateful appreciation to the Federal Housing Finance Agency-Office of Inspector General, for its assistance in the government’s investigation.

“The complaint alleges that instead of ensuring that their representations to investors were accurate and transparent, UBS affirmatively misled investors and withheld crucial information from them about the loans in its deals,” stated United States Attorney Pak. “UBS allegedly placed a higher priority on selling bonds and making profits than accurately representing the quality of the underlying loans to investors. These practices resulted in massive losses to investors, harmed homeowners, and ultimately jeopardized the banking system.”

“The fraudulent actions by UBS as alleged in the complaint contributed to the 2008 financial crisis, which resulted in lasting economic harm to the nation and unnecessary suffering for Americans,” stated Principal Deputy Associate Attorney General Panuccio. “This suit aims to hold UBS accountable and sends a strong message that the Department of Justice will not tolerate fraud committed by corporations.”

The complaint alleges that UBS’s actions violated the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), based on mail fraud, wire fraud, bank fraud and other misconduct. FIRREA authorizes the Attorney General to seek civil penalties up to the amount of the gain derived from the violation, or the losses suffered by persons other than the violator resulting from the violation.

As detailed in the complaint, from 2006 through 2007, UBS misled investors about the quality of billions of dollars in subprime and Alt-A mortgage loans backing 40 RMBS deals. Specifically, in publicly filed offering documents, UBS knowingly misrepresented key characteristics of the loans, thereby concealing the fact that the loans were much riskier and much more likely to default than UBS represented. In the end, the 40 RMBS sustained substantial losses.

The government’s case is being handled by the United States Attorney’s Offices for the Eastern District of New York and the Northern District of Georgia. Assistant United States Attorneys Bonni J. Perlin, Michael J. Castiglione, Richard K. Hayes, Armen Adzhemyan and Austin M. Hall are in charge of the prosecution.

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