



NCUA Media Release

NCUA Files Suit Against UBS Securities

Firm Sold \$1.1 Billion in Faulty Securities to Failed US Central, WesCorp; Recoveries to Benefit All Federally Insured Credit Unions

ALEXANDRIA, Va. (Sept. 6, 2012) – The National Credit Union Administration (NCUA) has filed suit in Federal District Court in Kansas against UBS Securities, alleging the investment giant violated federal and state securities laws through misrepresentations in the sale of mortgage-backed securities to U.S. Central Federal Credit Union (US Central) and Western Corporate Federal Credit Union (WesCorp).

The price paid for the securities by US Central and WesCorp exceeded \$1.1 billion. Both corporate credit unions subsequently failed.

“The strength of our entire financial system relies on trust and accountability,” said NCUA Board Chairman Debbie Matz. “As our complaint makes clear, UBS Securities violated this trust, which contributed to the collapse of two corporate credit unions and the resulting crisis in the credit union industry. NCUA has worked to restore stability to the credit union system. Now we intend to hold UBS Securities, as well as other responsible parties, accountable.”

NCUA’s complaint alleges UBS Securities made numerous misrepresentations and omissions of material facts in the offering documents of the securities sold to the failed corporate credit unions. The complaint also alleges systemic disregard of the underwriting guidelines stated in the offering documents. These misrepresentations caused US Central and WesCorp to believe the risk of loss was minimal, when in fact the risk was substantial.

NCUA has previously filed five similar actions against [J.P. Morgan Securities, LLC](#), [RBS Securities](#), [Goldman Sachs](#), and [Wachovia](#). NCUA has settled claims worth more than \$170 million with [Citigroup](#), [Deutsche Bank Securities](#), and [HSBC](#), making it the first federal regulatory agency for depository institutions to recover losses on behalf of failed financial institutions that resulted from investments in faulty securities.

As liquidating agent for US Central and WesCorp, NCUA has a statutory duty to seek recoveries from responsible parties in order to minimize the cost of any failure to its insurance funds and the credit union industry.

Recoveries from these six additional legal actions would further reduce the total losses resulting from the failure of the five corporate credit unions. Losses from those failures must be paid from the Temporary Corporate Credit Union Stabilization Fund. Expenditures from this fund must be repaid through assessments against all federally insured credit unions. Thus, any recoveries would help to reduce the amount of future assessments on credit unions.

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Corporate credit unions are wholesale credit unions that provide various services to retail credit unions, which in turn serve consumers, or “natural persons.” Natural person credit unions rely on corporate credit unions to provide them such services as check clearing, electronic payments, and investments.

The complaint is posted to NCUA’s website at:
<http://www.ncua.gov/News/Press/NW20120906UBSComplaint.pdf>.

NCUA is the independent federal agency created by the U.S. Congress to regulate, charter, and supervise federal credit unions. With the backing of the full faith and credit of the U.S. Government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of more than 93 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

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