

United Bank (UBL)

UBL enters into a new AML compliance agreement with FED

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UBL enters into a new agreement with US FED

- United Bank (UBL) has published a notice on PSX stating that it has entered into a new written agreement with Federal Reserve Bank of New York (US Fed), effective Jul 2, 2018 upon termination of the earlier written agreement entered into on Oct 28, 2013, relating to UBL's New York branch's international remittance services.
- The new agreement requires UBL to take steps to strengthen its Bank Secrecy and Anti Money Laundering (AML) Compliance, Customer Due Diligence and Suspicious Activity Monitoring and Reporting programs. The FED has not imposed any civil penalty yet on UBL. This agreement is an update of the last agreement signed in Oct 2013.
- As per the agreement, UBL has to submit reports on Corporate Governance & Management Oversight, Bank Secrecy & Anti-money Laundering Compliance review, Customer due diligence and other compliance reports within the next 30-60 days of the said order.
- The previous agreement referred to compliance of a particular remittance product, which has now been discontinued as per our understanding. Further, the scope of the new agreement relates to additional regulatory compliance of the US Fed.
- The management has stated in the notice that they are undertaking all steps to further strengthen the bank's compliance framework to fully comply with the agreement. Further, UBL has also started to lower its scope of operations in New York that will serve to lower the bank's regulatory risks, we believe.
- We believe that the above development is Neutral for UBL and await further clarity on the above. UBL stock price has fallen by 19% in 2018 CYTD as compared to KSE-100 index, which is down 2%. The stock has underperformed on concerns of non-compliance issues relating to UBL's NY branch and expected up tick in provisions on international operations.

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