

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
20042000062-01

**TO: Department of Market Regulation
NASD**

**RE: UBS Securities LLC, Respondent
CRD No. 7654**

Pursuant to Rule 9216 of the NASD Code of Procedure, UBS Securities LLC ("UBSW" or the "firm"), submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against the firm alleging violations based on the same factual findings.

The firm understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Market Regulation Department and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
3. If accepted:
 - a. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by the NASD or any other regulator against the firm;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about the firm's disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and
 - d. the firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any allegation in this AWC or create the

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impression that the AWC is without factual basis. Nothing in this provision affects the firm's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

UBSW also understands that the firm's experience in the securities industry and the firm's disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

UBSW has been a member of NASD since August 17, 1978, and its registration remains in effect. On May 16, 2002 NASD accepted the firm's AWC pursuant to which USBW was censured and fined \$112,500 for violations of SEC Rules 11Ac1-1, 11Ac1-4, and NASD Rules 2110, 3320, 4613(b), 4613(e), 4613(e)1, 4632(a)(9), and 6620(a)(6). On June 14, 2001 NASD accepted the firm's AWC pursuant to which USBW was censured and fined \$7,500 for violations of SEC Rule 11Ac1-4.

I.

WAIVER OF PROCEDURAL RIGHTS

UBSW specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, UBSW specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance, or rejection of this AWC.

UBSW further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

II.**ACCEPTANCE AND CONSENT**

The staff of NASD's Department of Market Regulation (the "staff") conducted a review 20042000062 (formerly known as MRD200340019), of UBSW's compliance with SEC Rule 11Ac1-4 during the period October 1, 2002 through December 31, 2002.

- A. UBSW hereby accepts and consents, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by NASD:
1. On 42 occasions during the period of October 1, 2002 through December 31, 2002, UBSW failed to display immediately 42 customer limit orders in Nasdaq securities in its public quotation, when each such order was at a price that would have improved UBSW's bid or offer in each such security, or when the order was priced equal to UBSW's bid or offer and the national best bid or offer for each such security and the size of the order represented more than a *de minimis* change in relation to the size associated with UBSW's bid or offer in each security
 2. The conduct described in paragraph one constitutes separate and distinct violations of SEC Rule 11Ac1-4.
 3. The firm failed to report to OATS an Execution Report for 54 OATS reportable orders.
 4. The conduct described in paragraph three constitutes separate and distinct violations of NASD Marketplace Rule 6955(a) and a violation of NASD Conduct Rule 2110.
 5. UBSW failed to preserve for a period of not less than three years, the first two in an accessible place, the memorandum of eight brokerage orders.
 6. The conduct described in paragraph five constitutes separate and distinct violations of SEC Rule 17a-4 and NASD Conduct Rule 3110.

007/009

Accepted by NASD

3/22/06
Date

Thomas R. Gira
Thomas R. Gira
Executive Vice President and Deputy
Market Regulation Department

Signed on behalf of the Director of
ODA, by delegated authority