

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20042000144

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TO: Market Regulation Department
NASD

RE: UBS Securities LLC
CRD No. 7654

TARGETED
CASE
06

Pursuant to Rule 9216 of NASD Code of Procedure, UBS Securities LLC ("UBSW") 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 UBSW alleging violations based on the same factual findings.

UBSW 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 Department of Market Regulation and National Adjudicatory Council ("NAC") 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 UBSW; and
3. If accepted:
 - a. this AWC will become part of UBSW's disciplinary record and may be considered in any future actions brought by NASD or any other regulator against Respondent;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about UBSW's disciplinary record;
 - d. UBSW 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 impression that the AWC is without factual basis. Nothing in this provision affects UBSW'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 its experience in the securities industry and 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 November 17, 1978.

On March 23, 2006, an AWC was accepted that imposed a censure and a fine of \$5,000 for violating Marketplace Rule 6955(a).

On February 15, 2006, an AWC was accepted that imposed a censure and a fine of \$20,000 for submitting inaccurate OATS reports in violation of Marketplace Rule 6954.

On September 20, 2004, an AWC was accepted that imposed a censure and a fine of \$10,000 for OATS reporting violations of Marketplace Rule 6955(a).

On July 3, 2003, an AWC was accepted that imposed a censure and a fine of \$2,500 for violations of Marketplace Rule 6955(a).

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 Respondent;
- 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 Market Regulation Department's Order Audit Trail System (OATS) Compliance Team ("the staff") conducted four regulatory reviews of UBSW's compliance with various OATS reporting requirements in 2003 and 2004 that are merged here:

20042000144, the first review, covered two periods: a regulatory referral during April 1 through June 30, 2003 ("first referral period") and a regulatory review from January 1 through March 31, 2004 ("first review period").

20050000114, the second review, consisted of a regulatory review during July 1 through September 30, 2004 ("second review period").

20050006047, the third review, covered two periods: a regulatory review during January 1 through March 31, 2004 ("third review period") and a regulatory referral during October 1 through December 31, 2004 ("third referral period").

20050004113, the fourth review, consisted of a regulatory review during October 1 through December 31, 2004 ("fourth review period").

- 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:

20042000144

1. During the first referral period, from April 1 through June 30, 2003, UBSW submitted to OATS approximately 41,238 orders that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports contained inaccurate Program Trading Codes.
2. During the first review period, from January 1 through March 31, 2004, UBSW submitted to OATS 146,669 reports that contained inaccurate, incomplete or improperly formatted data. Specifically, the reports contained inaccurate time stamps. These reports represented over 1% of reports submitted to OATS by UBSW.

3. During the first review period, UBSW submitted to OATS 92,257 Execution Reports with inaccurate, incomplete or improperly formatted data. Specifically, the reports failed to match trade reports in the Nasdaq Market Center, formerly known as the Automated Confirmation Transaction Service ("ACT"). These inaccurate and/or incomplete reports represented 17% of the total number of execution reports submitted to OATS.

20050000114

4. During the second review period, from July 1 through September 30, 2004, UBSW submitted to OATS 117,185 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports failed to match to SuperMontage reports.

20050006047

5. During the third review period, from January 1 through March 31, 2004, UBSW submitted to OATS 11,963 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports failed to match trade reports in the Nasdaq Market Center, formerly known as ACT.
6. During the third review period, UBSW erroneously submitted to OATS 45,616 Execution Reports for orders it routed away for handling and/or execution.
7. During the third review period, UBSW submitted to OATS 51,866 reports with respect to equity securities traded on the Nasdaq Stock Market that were not in the electronic form prescribed by NASD and were repairable. The subject reports were rejected by the OATS system and notice of such rejection was made available to the firm on the OATS website. The firm did not correct or replace any of the subject reports.
8. During the third referral period, from October 1 through December 31, 2004, UBSW submitted to OATS 13,587 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the reports were stop loss orders reported as market orders.

20050004113

9. During the fourth review period, from October 1 through December 31, 2004, UBSW submitted to OATS 2,163,968 reports that contained inaccurate, incomplete, or improperly formatted

data. Specifically, the reports contained inaccurate time stamps. These inaccurate and/or incomplete reports represented 21% of the reports submitted by the firm during the review period.

10. The conduct described in paragraphs one through nine constitutes separate and distinct violations of NASD Marketplace Rule 6955(a).

- B. UBSW also consents to the imposition, at a maximum, of the following sanctions:

Censure and a fine of \$65,000. Within 90 days of acceptance of this AWC by ODA or the NAC, a registered principal of the Respondent shall submit to the staff and to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVE., ROCKVILLE, MD 20850** a signed, dated letter containing reference to this matter and a written report of the efforts it has undertaken to improve OATS reporting and supervision.

The sanctions imposed herein shall be effective on a date set by NASD staff.

III.

OTHER MATTERS

- A. UBSW understands that it may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. UBSW understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.
- B. UBSW agrees to pay any monetary sanctions imposed on the firm upon notice that this AWC has been accepted and that such payments are due and payable and has attached an Election of Payment form showing the method by which the firm proposes to pay the fine imposed.

UBSW certifies that it has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it, and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce UBSW to submit it.

UBS Securities LLC

11/20/06
Date

By: Jedick Romane
Title: Executive Director

Accepted by NASD:

1/19/07
Date

Thomas R. Gira
Thomas R. Gira
Senior Vice President
Market Regulation Department

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

Attachments:

Standard Election of Payment Form