

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
DEPARTMENT OF MARKET REGULATION
20050000626-01

TO: Department of Market Regulation
NASD

RE: UBS Financial Services, Inc., Respondent
Broker/Dealer
CRD Number 8174

Pursuant to Rule 9216 of NASD Code of Procedure, UBS Financial Services, Inc. ("PWJC" 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 PWJC alleging violations based on the same factual findings.

PWJC 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") Review Subcommittee or Office of Disciplinary Affairs, 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 PWJC; and
3. If accepted:
 - a. this AWC will become part of PWJC's permanent disciplinary record and *may be considered in any future actions brought by 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 PWJC'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

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

PWJC 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 relevant history are as follows:

PWJC has been a member of NASD since October 1936, and the firm's registration remains in effect. PWJC has the following relevant disciplinary history:

- On October 15, 2004, an AWC became final in which PWJC was censured, fined \$30,000, and agreed to pay \$2,388.58 in restitution for violations of NASD Rules 2110 and 2320 and SEC Rule 10b-10.

I.

WAIVER OF PROCEDURAL RIGHTS

PWJC 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 PWJC;
- 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, PWJC 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.

PWJC 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

In connection with 20050000626, formerly identified as MRD200444985, the staff of the Department of Market Regulation of NASD (the "staff") conducted a review of PWJC's compliance with NASD Conduct Rule 2320 during the period October 1, 2003 through December 31, 2003.

- A. PWJC hereby accepts and consents, without admitting or denying the 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. In 27 transactions for or with a customer, PWJC failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions.
 2. The conduct described in paragraph one constitutes separate and distinct violations of NASD Conduct Rules 2110 and 2320.
- B. PWJC also consents to the imposition, at a maximum, of the following sanctions:

A censure, a fine of \$10,000, and restitution by Respondent in the total amount of \$938.99, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this Letter of Acceptance, Waiver and Consent is accepted by the National Adjudicatory Council. A registered principal of the firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution, to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, no later than 120 days after acceptance of this Letter of Acceptance, Waiver and Consent. If for any reason, Respondent cannot locate any customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate

escheat, unclaimed-property or abandoned-property fund for the state in which the customer last resided.

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

III.

OTHER MATTERS

- A. PWJC understands that it may attach a Corrective Action Statement to this AWC, which is a statement by the Respondent of demonstrable corrective steps taken to *prevent future misconduct*. *Respondent 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. PWJC agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and payable, and have attached the election of payment form showing the method by which it proposes to pay any fine imposed.
- C. PWJC specifically and voluntarily waives any right to claim that PWJC is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

UBS Financial Services, Inc. certifies that a duly authorized officer has read and understood 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 PWJC to submit it.

Date: 9/7/06

UBS Financial Services, Inc.

By: [Signature]
Name: Elene Marguery
Title: Deputy General Counsel,
Executive Director

Reviewed by:

[Signature]
Counsel for Respondent

Accepted by NASD:

11/3/06
Date

[Signature]
Thomas R. Gira
Executive Vice President & Deputy
Market Regulation

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

Attachments:
Standard Election of Payment Form

AWC Incident No.	Wells Incident No.	Trade Date	MPID	B/S/X	Volume	SECID	Price	Contra	Report Time	Execution Time	Modifier	Inside Bid or Ask at Execution	Correct Price*	Number of Shares Applicable	Restitution Amount
1	1	10/2/2003	PWJC	S	200	HGM	25.23		14:44:09	14:44:06		25.2	25.2	200	6.00
2	2	10/6/2003	PWJC	B	1000	GEC	25.56		14:19:33	14:19:30		25.6	25.6	1,000	40.00
3	19	10/10/2003	PWJC	S	300	ABNSF	25.03		10:09:45	10:09:43		25	25	300	9.00
4	20	10/10/2003	PWJC	S	600	UBS\$D	24.68		10:55:54	10:55:52		24.65	24.65	600	18.00
5	21	10/14/2003	PWJC	B	285	EP\$A	29.6		11:54:53	11:54:50		29.65	29.65	285	14.25
6	22	10/16/2003	PWJC	S	398	F\$A	24.84		11:07:34	11:07:31		24.81	24.81	398	11.94
7	23	10/24/2003	PWJC	B	100	FCJ	24.78		10:04:43	10:04:40		24.85	24.85	100	7.00
8	24	10/24/2003	PWJC	B	100	FCJ	24.78		10:05:20	10:05:16		24.85	24.85	100	7.00
9	25	10/24/2003	PWJC	B	200	FCJ	24.78		10:04:03	10:04:01		24.85	24.85	200	14.00
10	26	10/24/2003	PWJC	B	400	FCJ	24.78		10:02:10	10:02:08		24.85	24.85	400	28.00
11	27	10/24/2003	PWJC	B	400	FCJ	24.78		10:03:13	10:03:10		24.85	24.85	400	28.00
12	28	10/24/2003	PWJC	B	500	FCJ	24.78		10:01:37	10:01:33		24.85	24.85	500	35.00
13	29	10/24/2003	PWJC	B	2000	FCJ	24.78		9:52:48	9:52:44		24.86	24.86	2,000	160.00
14	30	11/6/2003	PWJC	B	800	UBS\$D	24.61		9:51:17	9:51:14		24.75	24.75	800	112.00
15	31	11/11/2003	PWJC	B	400	FCJ	25.04		14:48:27	14:48:24		25.1	25.1	400	24.00
16	32	11/13/2003	PWJC	B	1000	F\$S	49.11		11:58:26	11:58:23		49.15	49.15	1,000	40.00
17	33	11/18/2003	PWJC	B	500	F\$S	47.57		11:42:22	11:42:19		47.6	47.6	500	15.00
18	35	11/24/2003	PWJC	S	1000	UBS\$D	24.79		10:06:32	10:06:29		24.75	24.75	1,000	40.00
19	36	11/24/2003	PWJC	B	400	UBS\$	27.25		14:02:15	14:02:13		27.3	27.3	400	20.00
20	37	11/26/2003	PWJC	B	400	UBS\$D	24.71		10:00:02	9:59:56		24.8	24.8	400	36.00
21	38	11/28/2003	PWJC	S	1000	UBS\$D	24.78		12:40:14	12:40:12		24.75	24.75	1,000	30.00
22	39	12/2/2003	PWJC	S	1000	UBS\$D	24.76		9:48:08	9:48:06		24.73	24.73	1,000	30.00
23	40	12/2/2003	PWJC	B	750	DPH\$A	25.38		11:44:49	11:44:44		25.42	25.42	750	30.00
24	41	12/2/2003	PWJC	S	2000	UBS\$D	24.76		12:16:17	12:16:14		24.72	24.72	2,000	80.00
25	42	12/5/2003	PWJC	B	300	UBS\$D	24.7		13:13:16	13:13:14		24.75	24.75	300	15.00
26	43	12/22/2003	PWJC	B	300	F\$S	56.56		13:25:45	13:25:41		56.6	56.6	300	12.00
27	44	12/30/2003	PWJC	B	640	UBS\$D	24.6		15:44:50	15:43:47		24.72	24.72	640	76.80
														Total Restitution =	938.99

*Unless otherwise noted, the price represents the best bid or ask for the reasonable duration of time around the time of execution.