

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20050000995-01

TO: Market Regulation Department
NASD

RE: UBS Financial Services, Inc., CRD No. 8174

Pursuant to Rule 9216 of NASD Code of Procedure, UBS Financial Services, Inc. ("PWJC") 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") 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 PWJC; and
3. If accepted:
 - a. this AWC will become part of PWJC'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 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
 - 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 allegation 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 history are as follows:

PWJC has been a member firm since October 13, 1936.

On March 27, 2003, PWJC was fined \$5,000 for violating NASD Conduct Rule 2110 and Marketplace Rule 6120(b).

On March 28, 2003, PWJC was fined \$5,000 for violating NASD Conduct Rule 2110 and Marketplace Rule 6220(a).

On October 14, 2003, PWJC was fined \$5,000 for violating NASD Conduct Rules 2110 and 3010 for deficiencies in its supervisory system that did not provide for supervision reasonably designed to achieve compliance with NASD Marketplace Rule 6130(d)(6).

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 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, 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

This matter is a merger of two regulatory reviews of transactions that PWJC reported to the Automated Confirmation Transaction Service ("ACT") conducted by the Market Regulation Department's Trade Reporting Team during two separate review periods: the last quarter of 2003 ("first review period") and the third quarter of 2004 ("second review period").

A. PWJC 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. During the last quarter of 2003, PWJC failed to accept or decline in ACT 102 out of a total of 186 transactions in eligible securities within twenty minutes after execution, approximately 54 percent of all transactions that PWJC had an obligation to accept or decline in ACT as the Order Entry Firm during the review period.
2. The conduct described in paragraph one constitutes separate and distinct violations of NASD Conduct Rule 2110 and NASD Marketplace Rule 6130(b).
3. During the third quarter of 2004, PWJC failed to accept or decline in ACT 86 out of a total of 190 transactions in eligible securities within twenty minutes after execution, approximately 45 percent of all transactions that PWJC had an obligation to accept or decline in ACT as the Order Entry Firm during the period.
4. The conduct described in paragraph three constitutes separate and distinct violations of NASD Conduct Rule 2110 and NASD Marketplace Rule 6130(b).
5. During the review periods, PWJC's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities and regulations, and the Rules of NASD, concerning trade reporting. Specifically, PWJC's supervisory system did not include written supervisory procedures regarding trade reporting as required by NASD Marketplace Rule

6130(b) and did not include: (1) the identification of the person(s) responsible for supervision with respect to the applicable rule; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented.

6. The conduct described in paragraph five constitutes a violation of NASD Conduct Rules 2110 and 3010.

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

A censure and fines totaling \$42,500 (a fine of \$12,500 for the violations of NASD Conduct Rule 2110 and Marketplace Rule 6130(b) for the first review period; a fine of \$15,000 for the violations of NASD Conduct Rule 2110 and Marketplace Rule 6130(b) for the second review period; a fine of \$15,000 for the failure to maintain written supervisory procedures in violation of NASD Conduct Rules 2110 and 3010) and an undertaking to revise PWJC's written supervisory procedures with respect to the areas described in paragraph II.A.5. Within 30 business days of acceptance of this AWC by ODA or the NAC, a registered principal of the Respondent shall submit to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT 9509 KEY WEST AVE., ROCKVILLE, MD 20850**, a signed, dated letter providing the following information: (1) a reference to this matter; (2) a representation that the Respondent has revised its written supervisory procedures to address the deficiencies described in paragraph II.A.1; and (3) the date the revised procedures were implemented.

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 that is a statement of demonstrable corrective steps taken to prevent future misconduct. PWJC 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. PWJC agrees to pay the monetary sanctions imposed 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 it proposes to pay any fine imposed

PWJC 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 PWJC to submit it.

UBS Financial Services, Inc.

9/22/05
Date

By: Karen M. Muncy

Title: Senior Deputy General Counsel

Accepted by NASD:

11/14/05
Date

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

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

Attachment:

Standard Election of Payment Form