

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20050022470-01

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REGISTRATION & DISCLOSURE

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;
 - 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 of NASD since October 13, 1936. The firm has no relevant disciplinary history for the violations described below.

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

The Market Regulation Department's staff reviewed PWJC's Fixed Income trading from January 1, 2005, through March 31, 2005, ("review period") for potential best execution violations.

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 referral period, in five customer transactions described in Exhibit A, 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 prices to its customers were as favorable as possible under prevailing market conditions.
2. The conduct described above 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:

Censure, a fine of \$30,000 and restitution to the five customers in the trades described in Exhibit A, for a total of \$11,630 plus interest as calculated below.

PWJC shall pay restitution to the customers in the trades and in the amounts described in Exhibit A, 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 in each transaction until January 3, 2007. No later than 120 days after acceptance of this AWC by the NAC, a registered principal of the firm shall submit to the **Compliance Assistant, Legal Section, Market Regulation Department, 9509 Key West Avenue, Rockville, MD 20850:**

1. A schedule showing (a) the amount of restitution paid to each customer, (b) the amount of interest paid to each customer, (c) the date restitution and interest was paid, and (d) any amounts paid to escheat, unclaimed-property or abandoned-property funds; and
2. Satisfactory proof of payment as detailed in (1), and of reasonable and documented efforts undertaken to effect restitution prior to making payments to escheat, unclaimed-property or abandoned-property funds.

If for any reason, a Respondent cannot locate any customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, the 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 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 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.

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.

4/19/07
Date

By: [Signature]
Title: _____

Accepted by NASD:

9/6/07
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: