

FINRA

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**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20080159015-01**

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: UBS Securities LLC
Broker-Dealer
CRD No. 7654

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

I.

ACCEPTANCE AND CONSENT

- A. The firm 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 FINRA, or to which FINRA 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 FINRA:

BACKGROUND

The firm became a member of FINRA on in 1978, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The firm has the following relevant disciplinary history:

- In January 2010, FINRA accepted the firm's AWC (20080140831) in which the firm agreed to a censure and fine of \$60,000 for, among other things, Order Audit Trail System ("OATS") reporting and supervisory violations on July 8, 2008.
- In June 2009, FINRA accepted the firm's AWC (20060050722) in which the firm agreed to a censure and a fine of \$225,000 for OATS violations, \$10,000 for books and records violations, and \$65,000 for supervision violations, from May 1, 2005 through December 31, 2007.

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- In November 2008, FINRA accepted the firm's AWC (20060041450) in which the firm agreed to a censure and a fine of \$10,000 for OATS violations from July 1 to September 31, 2005.
- In June 2008, FINRA accepted the firm's AWC (20041000004) in which the firm agreed to a censure and a total fine of \$116,000, which included a \$16,000 fine for OATS violations from October 1, 2005 through December 31, 2005.
- In March 2007, FINRA accepted the firm's AWC (20050002993) in which the firm agreed to a censure and a total fine of \$27,500, which included a \$10,000 fine for OATS violations in August 2004.
- In January 2007, FINRA accepted the firm's AWC (20042000144) in which the firm agreed to a censure and a fine of \$65,000 for OATS violations from April 1 to June 30, 2003, January 1 to March 31, 2004, and July 1 to December 31, 2004.
- In March 2006, FINRA accepted the firm's AWC (20042000062) in which the firm agreed to a censure and a total fine of \$22,000, which included a \$5,000 fine for OATS violations from October 1 to December 31, 2002.

SUMMARY

This matter is the result of two reviews conducted by the Department of Market Regulation of the firm's compliance with the rules applicable to OATS reporting. In Matter 20080159015, the OATS Compliance Team conducted a Reject Repair Sweep of transactions reported from July 1 to September 30, 2008. In matter 20080159015, the OATS Operations Team conducted an Order/Trade Variance review of transactions reported from February 4, 2008 to July 31, 2010.

FACTS AND VIOLATIVE CONDUCT

20080159015

1. From July 1 to September 30, 2008, the firm transmitted to OATS 165,144 Reportable Order Events ("ROEs") that were rejected by OATS for context or syntax errors and were repairable. The firm failed to repair 36,434 of these rejected ROEs during the review period, representing 22.06 percent of all rejected repairable ROEs. As a result of the firm's failure to repair these ROEs, the firm failed to transmit 36,434 ROEs to OATS during the review period. The firm also failed to repair 3,696 of the 36,434 ROEs within the required five business days. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a).

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2. From February 4, 2008 to July 31, 2010, the firm failed to transmit 763 ROEs to OATS on 356 business days. These 763 ROEs represented 100 percent of all ROEs (763) that the firm was required to transmit to OATS during the review period for the MPID UBST. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6955(a) (for conduct prior to December 15, 2008) and FINRA Rule 7450 (for conduct on or after December 15, 2008).
3. From February 4, 2008 to July 31, 2010, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of NASD, concerning OATS reporting for the MPID UBST. Specifically, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the person(s) responsible for supervision with respect to the applicable rules; (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. The conduct described in this paragraph constitutes a violation of NASD Rules 2110 and 3010 (for conduct prior to December 15, 2008) and FINRA Rule 2010 and NASD Rule 3010 (for conduct on or after December 15, 2008).

B. The firm also consents to the imposition of the following sanctions:

A censure and a fine of \$42,500 (\$37,500 for the OATS reporting violations and \$5,000 for the supervision violations).

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payments are due and payable. The firm has submitted an Election of Payment form showing the method by which it propose to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the firm;
- B. To be notified of the 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 National Adjudicatory Council and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm 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.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. 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 finding in this AWC or create the impression that the AWC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm 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 FINRA, nor does it reflect the views of FINRA or its staff.

The firm certifies that it has read and understand all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

5/20/2011
Date

Respondent
UBS Securities LLC

By: Judith Romaine
Name: Judith Romaine
Title: Executive Director

Reviewed by:

Judith Romaine
Counsel for Respondent

Accepted by FINRA:

6/24/11
Date

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

Thomas R. Gira
Thomas R. Gira
Executive Vice President
Department of Market Regulation