

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090180811-01

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

RE: UBS Financial Services Inc., Respondent
Broker-Dealer
CRD No. 8174

Pursuant to FINRA Rule 9216 of FINRA's 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 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 in 1936, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On January 2, 2011, an AWC became final wherein the firm was censured and fined \$30,000 for violations of NASD Rules 2110 and 2320, relating to five best execution violations during the period of October 1, 2007 through December 31, 2007.

On January 20, 2010, an AWC became final wherein the firm was censured and fined \$11,500 for violations of NASD Rules 2110 and 2320, relating to 60 best execution violations during the period of April 1, 2006 through June 30, 2006.

On April 6, 2009, an AWC became final wherein the firm was censured and fined \$8,000 for violations of NASD Rule 6230(a), which is now FINRA Rule 6730(a), and NASD Rule 2110 relating to the reporting of block transactions to the Trade Reporting and Compliance Engine ("TRACE") in TRACE-eligible securities for the review periods April 1, 2007 to June 30, 2007, and April 1, 2008 to June 30, 2008.

On September 20, 2011, an AWC became final wherein the firm was censured and fined \$60,000 for violations of FINRA Rules 6730(a) and 2010 relating to the failure to report block S1 transactions to TRACE within 15 minutes of the time of execution for five review periods between January 1, 2009 through December 31, 2010.

SUMMARY

This matter is the result of one Municipal Fair Pricing review, three Corporate Best Execution reviews and two TRACE reporting reviews.

In Matter No. 20090183082, the Fixed Income Investigations Team of the Department of Market Regulation reviewed the firm's compliance with Municipal Securities Rulemaking Board ("MSRB") rules regarding fair pricing in municipal bond transactions during the period October 1, 2008 through December 31, 2008.

In Matter No. 20090180811, the Fixed Income Investigations Team reviewed the firm's compliance with best execution requirements related to corporate bond transactions for the period of July 1, 2008 through September 30, 2008.

In Matter No. 20100211937, the Fixed Income Investigations Team reviewed the firm's compliance with best execution requirements related to corporate bond transactions for the period of April 1, 2009 through June 30, 2009.

In Matter No. 20110298927, the Fixed Income Investigations Team reviewed the firm's compliance with best execution requirements related to corporate bond transactions for the period of July 1, 2011 through September 30, 2011.

In Matter No. 20120337427, the TRACE Agency/SP Team of the Department of Market Regulation reviewed the firm's reporting of block S1 transactions within 15 minutes of the time of execution to the Trade Reporting and Compliance Engine ("TRACE") during the period February 6, 2012 through June 30, 2012.

In Matter No. 20120338482, the TRACE Corporate Bonds Team of the Department of Market Regulation reviewed the firm's reporting of block S1 transactions within 15 minutes of the time of execution to TRACE during the period February 6, 2012 through June 30, 2012.

FACTS AND VIOLATIVE CONDUCT

20090183082

1. During the review period in five pairs of transactions, the firm purchased municipal securities for its own account from a customer and/or sold municipal securities for its own account to a customer at an aggregate price (including any mark-down or mark-up) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or

traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the broker, dealer, or municipal securities dealer is entitled to a profit, and the total dollar amount of the transaction. The transactions are identified in Exhibit A, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-17 and G-30(a).

20090180811

2. During the review period in seven transactions for or with a customer, the firm 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, as reflected in Exhibit B which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110 and 2320.

20100211937

3. During the review period in 33 transactions for or with a customer, the firm 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, as reflected in Exhibit C which is attached. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2010 and NASD Rule 2320.

20110298927

4. During the review period in 11 transactions for or with a customer, the Firm 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, as reflected in Exhibit D which is attached. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2010 and NASD Rule 2320.

20120337427

5. During the review period, the firm failed to report to TRACE 208 block S1 transactions in TRACE-eligible Agency Debt securities within 15 minutes of the time of execution. These late transactions constituted 12 percent of all block S1 transactions in TRACE-eligible agency debt securities that the firm reported during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

20120338482

6. During the review period, the firm failed to report to TRACE 95 block S1 transactions in TRACE-eligible Corporate Debt securities within 15 minutes of the time of execution. These late transactions constituted 13percent of all block S1 transactions in TRACE-eligible corporate debt securities that the firm reported during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

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

A censure and a fine of \$260,000 (consisting of a \$20,000 fine for the MSRB Rules G-17 and G-30(a) violations; a \$210,000 fine for the NASD Rules 2110 and 2320, and FINRA Rule 2010 violations; and \$30,000 for FINRA Rules 6730(a) and 2010 violations).¹

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. It has submitted an Election of Payment form showing the method by which it proposes 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 sanction 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 ("NAC") 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

¹ The Firm has paid a total of \$131,534.81 in restitution to address the violations of MSRB Rules G-17 and G-30(a); and NASD Rules 2110 and 2320, and FINRA Rule 2010, which are articulated in Exhibits A,B, C and D.

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: (i) testimonial obligations; or (ii) 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 undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's 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.

October 10, 2013

Date

Respondent

UBS Financial Services Inc.

By: 

Name: JAMES M. PELLICAN ET AL

Title: Managing Director

Reviewed by:



Attorney Name Kerry Firegan Zirin

Counsel for Respondent

Firm Name UBS Financial Services Inc.

Address 401 E. Las Olas Blvd - Suite 1500

City/State/Zip Fort Lauderdale FL 33301

Phone Number 954 430 7817

Accepted by FINRA:

11-19-13

Date

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



David E. Rosenstein
Senior Vice President
Department of Market Regulation

UBS Financial Services, Inc (PWJC")
4Q08 Municipal Fair Pricing
20090183082

Exhibit A

#	Date	CUSIP	Issue	Quantity	Contra 1	Trade 1 Time	Trade 1 Price	Firm	Contra 2	Trade 2 Time	Trade 2 Price	Markup	Markdown	Spread	Calculated Restitution
1	10/22/2008	130534WF3	California Pollution	40	C (S)	11:40:17	84.992	PWJC	C (B)	11:40:55	95.962			12.91%	\$549.52
2	10/21/2008	13062PEC2	California GO	100	C (S)	13:42:08	81.799	PWJC	C (B)	13:59:49	93.500			14.30%	\$7,493.50
5	12/23/2008	34074GCW2	Florida Hurricane Catastrophe	25	B-D (S)	15:53:30	94.375	PWJC	C (B)	16:23:35	98.214	4.07%			\$451.00
6	11/24/2008	587657CZ8	Merced Cnty CA	50	C (S)	15:25:30	72.746	PWJC	C (B)	16:18:04	80.044			10.03%	\$173.45
7	10/20/2008	594614Y45	Michigan State Building Auth	500	B-D (S)	14:34:58	28.379	PWJC	C (B)	14:25:39	29.752	4.84%			\$1,560.00
* Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm.															
Total:															<u>\$10,227.47</u>

Exhibit B

* Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying

UBS Financial Services, Inc. ("PWJC")
Matter No. 20100211937

Exhibit C

#	Item #	Date	CUSIP ID	Issue	Quantity	Contra	Trade Time	Trade Price	Firm	Restitution
1	1	05/21/2009	060505BD5	BAC.GBY	50.0	C (S)	14:41:16	86.978	PWJC	\$611.00
2	4	04/23/2009	013817AH4	AA.HN	50.0	C (B)	11:29:17	97.056	PWJC	\$1,480.50
3	7	05/01/2009	013817AL5	AA.HP	8.0	C (B)	12:29:56	89.408	PWJC	\$472.86
4	8	05/20/2009	013817AP6	AA.HT	20.0	C (B)	16:12:36	86.500	PWJC	\$980.00
5	9	4/8/2009	013817AR2	AA.HV	22.0	C (B)	9:35:57	94.528	PWJC	\$600.16
6	10	06/10/2009	45974VA81	AIG.GPA	25.0	C (B)	11:56:53	83.050	PWJC	\$1,541.88
7	11	05/14/2009	45974VB72	AIG.PBM	20.0	C (B)	16:27:19	80.930	PWJC	\$1,281.76
8	12	05/14/2009	459745FG5	AIG.SA	10.0	C (B)	16:02:13	76.886	PWJC	\$446.60
9	13	04/14/2009	02635PSF1	AIG.WG	65.0	C (S)	12:01:00	46.000	PWJC	\$1,848.08
10	14	04/06/2009	03938LAC8	ARCF.GD	25.0	C (B)	15:34:21	89.979	PWJC	\$1,297.88
11	15	04/06/2009	03938LAC8	ARCF.GD	20.0	C (B)	15:52:40	89.979	PWJC	\$1,038.30
12	16	04/07/2009	03938LAC8	ARCF.GD	20.0	C (B)	9:37:14	88.968	PWJC	\$839.70
13	17	05/14/2009	025816AX7	AXP.LJ	20.0	C (B)	12:12:47	98.715	PWJC	\$842.60
14	18	05/26/2009	060505BS2	BAC.GMI	20.0	C (B)	11:42:10	97.448	PWJC	\$560.44
15	19	05/29/2009	060505BS2	BAC.GMI	25.0	C (B)	11:20:10	96.700	PWJC	\$351.69
16	20	06/11/2009	060505CL6	BAC.GRE	30.0	C (B)	13:49:47	98.535	PWJC	\$1,099.13
17	21	05/27/2009	59018YRZ6	BAC.HHF	6.0	C (B)	11:26:41	103.664	PWJC	\$520.41
18	22	05/29/2009	054937AE7	BBT.GL	12.0	C (B)	14:54:00	99.920	PWJC	\$250.16
19	24	05/01/2009	172967DY4	C.HFA	10.0	C (S)	15:27:00	55.433	PWJC	\$826.70
20	25	05/28/2009	172967ES6	C.HFN	13.0	C (B)	15:06:31	95.420	PWJC	\$528.68
21	27	05/20/2009	191219AP9	CCE.GB	20.0	C (S)	13:31:45	115.420	PWJC	\$1,127.88
22	31	06/22/2009	126408GL1	CSX.MH	15.0	C (B)	14:09:02	108.696	PWJC	\$636.59
23	32	06/01/2009	126408GM9	CSX.PO	50.0	C (B)	14:27:15	106.107	PWJC	\$3,073.50
24	33	06/24/2009	390064AH6	GAP.GE	25.0	C (B)	13:38:00	100.230	PWJC	\$1,572.00
25	34	5/15/2009	38141GCU6	GS.QA	50.0	C (S)	13:59:28	84.504	PWJC	\$460.81
26	38	05/06/2009	46625HGN4	JPM.HGH	25.0	C (B)	11:38:17	103.291	PWJC	\$506.61
27	39	05/19/2009	655664AK6	JWN.GD	25.0	C (B)	11:48:55	101.425	PWJC	\$1,131.25
28	40	05/11/2009	844741AY4	LUV.GU	15.0	C (B)	10:39:04	99.500	PWJC	\$401.48
29	41	06/18/2009	565849AF3	MRA.HA	20.0	C (B)	9:50:57	105.621	PWJC	\$708.29
30	47	05/18/2009	165069AS4	VZ.GY	10.0	C (S)	13:39:49	90.000	PWJC	\$212.00
31	48	05/28/2009	362320AZ6	VZ.IO	10.0	C (S)	12:53:14	95.520	PWJC	\$123.15
32	49	06/03/2009	931142CH4	WMT.IA	50.0	C (B)	11:42:51	110.642	PWJC	\$2,141.26
33	50	04/15/2009	984121BW2	XRX.XP	30.0	C (B)	12:50:52	89.408	PWJC	\$2,342.40
* Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm.										<u>31,855.75</u>