

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20110260953-01

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

RE: UBS Securities LLC, Respondent
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 has been a member of FINRA since August 17, 1978, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On March 15, 2010, a New York Stock Exchange LLC ("NYSE") Hearing Board rendered a decision accepting a Stipulation and Consent in which the firm was censured and fined \$350,000 for certain floor trading, trade reporting, recordkeeping and supervisory violations from January 1, 2005 through December 31, 2008 (including, in part, failures to maintain written supervisory procedures to ensure its algorithmic trading systems operated as designed to comply with certain NYSE trading requirements).

On Jan. 20, 2010, FINRA accepted an AWC in which the firm was censured and fined \$60,000 of which an unspecified portion related to findings that the firm violated NASD Rule 6130(d) by misreporting the buy, sell, sell short, or cross indicator on 220 occasions from an examination review period of July 8, 2008.

FACTS AND VIOLATIVE CONDUCT

In Trading and Market Making Surveillance Examination No. 20110260953, the staff of FINRA's Department of Market Regulation ("staff") reviewed the trading activity of the firm for compliance with various regulatory requirements set forth in Exhibit 1 for trade dates Oct. 5-6, 2011, unless otherwise noted.

In connection with Examination No. 20110260953,

1. The firm failed on five occasions to provide written notification disclosing to its customer its correct capacity in the transaction. The firm failed on two occasions to provide written notification to its customer of the details of its transaction with or for the customer specified in SEC Rule 10b-10. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
2. The firm failed to report the correct time of execution to the FINRA/Nasdaq Trade Reporting Facility in 24 last sale reports of transactions in designated securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7230A.
3. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and the Rules of FINRA. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to provide for one or more of the four above-cited minimum requirements for adequate written supervisory procedures, in the following subject areas: (1) Algorithmic Trading [(a), (b), (c) and (d)], (2) Backing Away [(b)] and (3) the Sub-Penny Rule [(b)]. The conduct described in this paragraph constitutes violations of NASD Rule 3010 and FINRA Rule 2010.

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

A censure, a fine of \$27,500 (consisting of \$7,500 for the Rule 10b-10 findings, \$10,000 for the FINRA Rule 7230A findings, and \$10,000 for the supervisory findings), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.3 above. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the Respondent shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph I.A.3; and, (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are 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(s) 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 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 Chief Legal Officer, 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.

September 3, 2014
Date

Respondent
UBS Securities LLC

By: Suzanne R. Elvin
Name: Suzanne R. Elvin
Title: Executive Director

Head of Regulatory Inquiries:
Relevans

Reviewed by:

Attorney Name
Counsel for Respondent
Firm Name
Address
City/State/Zip
Phone Number

Accepted by FINRA:

September 25, 2014
Date

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

James J. Nixon
James J. Nixon
Chief Litigation Counsel
Department of Market Regulation

Exhibit No. 1

2011 Market Regulation Examination Samples

UBS Securities LLC ("UBSW")

Exam No. 20110260953

Review Period*: Trade Date(s) October 5, 2011 - October 6, 2011

<u>Sample</u>	
<u>Size</u>	<u>Sample Description</u>
2178	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements
2178	Sales reviewed for compliance with SEC Rule 203(b) security location requirements
0	Sales reviewed for compliance with SEC Rule 204 fail-to-deliver requirements
480	Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624
20	Sell orders entered into the Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements
20	Sell orders entered into the Nasdaq BX Exchange execution system for compliance with Nasdaq BX Rule 4755(a)(1)(A) long/short reporting requirements
20	Sell orders entered into the DirectEdge EDGA Exchange execution system for compliance with EDGA Rule 11.15 long/short reporting requirements
20	Sell orders entered into the DirectEdge EDGX Exchange execution system for compliance with EDGX Rule 11.15 long/short reporting requirements
40	Sell orders entered into the NYSE Arca Exchange execution system for compliance with NYSE Arca Rule 7.16(c) long/short reporting requirements
20	Buy and Sell orders entered into the Nasdaq Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements
20	Buy and Sell orders entered into the Nasdaq BX Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements
0	Limit orders for NMS securities in which the member acts as an exchange market maker for compliance with the display requirements of SEC Rules 602 and 604, and Nasdaq Rule 3390
25	Orders for compliance with best execution requirements of NASD Rule 2320
0	Held orders from the Held Order Protection Review
0	Not Held orders from the Not Held Order Review
0	Order executed with a .PRP (Prior Reference Price) trade modifier
25	Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders
0	Orders for compliance with order protection requirements of NASD Rules 2110, IM-2110-2, 2111, and Nasdaq Rules 2110, IM-2110-2, and 2111

** unless otherwise noted*

Exhibit No. 1

**2011 Market Regulation Examination Samples
UBS Securities LLC ("UBSW")
Exam No. 20110260953**

Review Period*: Trade Date(s) October 5, 2011 - October 6, 2011

10	Open Limit orders to buy and/or open Stop orders to sell securities that traded ex-dividend for compliance with NASD Rule 3220 and Nasdaq Rule 4761
0	Order memoranda and Net Trading agreements for compliance with NASD Rule 2441 requirements
50	Orders in securities required to be submitted to OATS for compliance with FINRA Rules 7440 and 7450, and Nasdaq Rules 6954 and 6955 requirements
26	Customer confirmations prepared and maintained in connection with select samples for compliance with SEC Rule 10b-10
25	Orders for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements
0	Data sets published for the monthly order execution report for compliance with SEC Rule 605 requirement to publish accurate data (a 'data set' encompasses all required statistical data for single security and order type/size category as described in SEC Rule 605)
2nd Quarter 2012	Quarterly Routing Report for compliance with SEC Rule 606 requirements
17	CRD registration records for persons conducting and/or supervising Firm's trading and/or market making activities for compliance with NASD Rule Series 1020, 1030, 1040; Nasdaq Rule Series 1020, 1030, 1040; and BATS Rule 11.4
25	Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders
1	Disclosures to customers relating to trading in the Extended Hours session for compliance with FINRA Rule 2265 and Nasdaq Rule 4631
343	Customer records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110
3757	Firm execution reports prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110
1504	Trades reported to a TRF or OTCRF for compliance with FINRA Rules 6380A and 7230A or 6622 and 7330
All Provided	Member's "Regular & Rigorous" review procedures regarding order execution quality for compliance with NASD Rules 2320 and 3010

** unless otherwise noted*

Exhibit No. 1

2011 Market Regulation Examination Samples

UBS Securities LLC ("UBSW")

Exam No. 20110260953

Review Period*: Trade Date(s) October 5, 2011 - October 6, 2011

All Provided	Member's supervisory and operational policies and procedures and documentation evidencing execution of the policies and procedures for compliance with SEC Regulation NMS Rule 611
All Provided	Member's supervisory system, written supervisory procedures ("WSPs") and documentation evidencing execution of the WSPs for compliance with NASD Rule 3010, Nasdaq Rule 3010, or BATS Rule 5.1 requirements