

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20110295276-01**

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

The firm has the following relevant disciplinary history: 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. 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. On

Oct. 24, 2011, FINRA accepted an AWC in which the firm was censured and fined \$12 million for issues primarily relating to Regulation SHO. An unspecified portion of that fine related to trade reporting violations under NASD Rule 6130 and FINRA Rules 7230A and 7330 associated with mismarking of sales orders as long or short, and related supervisory findings, from January 2005 through at least the end of 2010.

FACTS AND VIOLATIVE CONDUCT

In Market Regulation Review No. 20110295276, the staff conducted a review of the firm's compliance with trade reporting requirements during the period of Oct. 1, 2009 through Jan. 3, 2013 (the "Review Period").

In connection with Review No. 20110295276,

1. The firm failed to provide the correct capacity in which the firm acted in 44,706 transactions reported to the FINRA/Nasdaq Trade Reporting Facility and the OTC Reporting Facility during a portion of the Review Period from fourth quarter 2009 and between April 21, 2011 and January 3, 2012. The above 44,706 incidents constituted the subset of misreports that the firm could identify out of an unspecified greater number of total miscapacity reports over the complete Review Period that the firm was unable to reconstruct due to systems changes and the age of the conduct. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 7230A(d)(7) and 7330(d)(7).
2. During the Review Period, the firm failed to reasonably supervise compliance with trade reporting requirements pertaining to capacity input accuracy. In particular, the firm failed to promptly follow-up on a service order the firm submitted to correct a systems issue that led to the above miscapacity issues, and failed to promptly detect that the service order had not been processed (which resulted in the reporting issue persisting for more than a year beyond the firm's initial attempt to remediate it). 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 \$60,000 (consisting of \$35,000 for the trade reporting findings and \$25,000 for the related supervisory findings), and an undertaking to evaluate and update the firm's supervisory system, including its written supervisory procedures, as necessary to rectify and address the supervisory failures described in paragraph I.A.2 above that resulted in the delayed resolution of the above trade reporting violations described in paragraph I.A.1. 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 addressed the supervisory violations described in paragraph I.A.2; and (3) the date the supervisory violations were addressed.

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.

8-27-14
Date

Respondent
UBS Securities LLC

By: Suzanne Eloni

Name: Suzanne Eloni

Title: Executive Director
Regulatory Inquiries & Relations

Reviewed by:

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

Accepted by FINRA:

September 24, 2014
Date

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

[Signature]
James J. Nixon
Chief Litigation Counsel
Department of Market Regulation