

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011030806901**

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

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

UBS Securities LLC, Respondent
Broker-Dealer
CRD No. 7654

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents UBS Financial Services Inc. ("UBS Financial") and UBS Securities LLC ("UBS Securities," together with UBS Financial, "UBS" or the "Firm") submit 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

UBS Financial is a full-service brokerage firm based in Weehawken, New Jersey. UBS has approximately 12,385 registered individuals in 553 branches. It has been a FINRA member since 1936.

UBS Securities provides investment banking, research, and securities trading primarily to corporate and institutional clients. UBS Securities is based in New York, New York, and has approximately 1,831 registered individuals in 13 branches. It has been a FINRA member since 1978.

OVERVIEW

UBS had two separate failures in its electronic communication review and archiving systems. First, between 2008 and 2011, UBS Financial and UBS Securities failed to properly retain and review attachments to certain written electronic communications sent to or received by Firm employees. Second, between 2004 and 2013, UBS Securities employees and applications sent electronic communications using shared electronic mailboxes. Throughout that period, UBS Securities failed to maintain a record identifying the employee or application that sent the communications, which caused it to fail to review many of the communications.

In addition, UBS failed to establish, maintain, and enforce a supervisory system and/or written supervisory procedures that were reasonably designed to achieve compliance with applicable rules regarding the review and storage of electronic communications.

As a result of the foregoing, UBS violated Section 17(a) of the Securities Exchange Act (the "Exchange Act"), Rule 17a-4 thereunder; NASD Rules 3110, 3010, and 2110; and FINRA Rule 2010.¹

FACTS AND VIOLATIVE CONDUCT

A. UBS Failed to Retain and Review Certain Bloomberg Message Attachments.

In addition to using UBS's email systems, UBS employees used Bloomberg L.P. ("Bloomberg") electronic mail and instant messages (collectively, "Bloomberg Messages") to communicate internally and externally.

Each day, Bloomberg provided UBS with copies of all of its Bloomberg Messages and their attachments so that the Firm could ingest them into its email review system and retain them. Bloomberg posted to a file-transfer protocol ("FTP") site one file containing all of the Bloomberg Messages and another file containing all of their attachments. UBS then downloaded those two files into its own system for retention and supervision.

In or around early 2008, without informing UBS, Bloomberg changed the way it posted electronic files to the FTP site. Instead of posting a single file containing all attachments for all Bloomberg Messages, Bloomberg began posting multiple files on days when there were a large number of attachments.

Because UBS was not notified of the change, on days when Bloomberg posted multiple attachment files, UBS's system downloaded only one of the files from the FTP site for retention and supervision and did not download any additional files containing attachments. Because UBS did not download the additional files, it was not able to review the attachments contained in those files. UBS's system did not detect any error because it was programmed to download one attachment file.

¹ FINRA Rule 2010 replaced NASD Rule 2110 on December 15, 2008. Therefore, conduct that occurred prior to December 15, 2008, was a violation of NASD Rule 2110, and conduct that occurred on or after December 15, 2008, was a violation of FINRA Rule 2010.

From May 2009 to October 2011, UBS employees sent and received approximately 13 million Bloomberg Messages with attachments; about 8 million such messages had attachments that were not ingested into UBS's archive and therefore not available for supervisory review. None of the attachments was deleted or lost. UBS discovered the problem in October 2011 and corrected it in November 2011.

B. UBS Securities Failed to Maintain Sender Information and Failed to Review Certain Communications Sent From Shared Mailboxes.

UBS Securities used "shared" electronic mailboxes that allowed multiple users to send email messages from a common mailbox. Millions of email messages were sent from these mailboxes each year. Many of these email messages indicated that they were sent by the shared mailbox ("Sent As" emails) rather than by a particular UBS Securities employee. As of January 2014, UBS Securities had 2,300 shared mailboxes. Although the majority of the messages sent from these shared mailboxes were solely within UBS Securities, approximately 26% of the messages were sent externally. About half of those external messages were sent via a shared mailbox by an automated application rather than a UBS Securities employee.

From at least 2004 through December 2013, UBS Securities sent tens of millions of email messages from its shared mailboxes but failed to maintain a record of the individual employees or application that sent the "Sent As" email messages. Because there was no record as to who sent the email messages, although the messages were archived, the messages were not included in UBS Securities's supervisory review of employee emails.

C. UBS Failed to Reasonably Supervise

UBS failed to establish, maintain, and enforce a supervisory system and/or written supervisory procedures that were reasonably designed to achieve the Firm's compliance with applicable rules regarding the review and storage of electronic communications. The Bloomberg message attachment problem went undetected by UBS between 2008 and 2011. During that period, UBS was not able to properly supervise Bloomberg Messages with attachments. The shared mailbox problem went undetected by UBS Securities between 2004 and 2013. During that period, UBS Securities was not able to properly supervise emails sent from a shared mailbox.

As a result of the foregoing, UBS violated Section 17(a) of the Exchange Act, Rule 17a-4 thereunder; NASD Rules 3110, 3010, and 2110; and FINRA Rule 2010.

B. Respondents also consent to the imposition of the following sanctions:

For UBS Financial:

- (1) a censure; and
- (2) a fine of \$200,000.

For UBS Securities:

- (1) a censure; and
- (2) a fine of \$300,000.

UBS Securities further agrees that, within 180 days of the issuance of a Notice of Acceptance of this AWC, an officer of UBS Securities shall certify in writing to James E. Day, Vice President and Chief Counsel, FINRA Department of Enforcement, that UBS Securities has fully remediated the "Sent As" email problem described herein. The Department of Enforcement may, upon a showing of good cause and in its sole discretion, extend the time for compliance with this provision.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Respondents have submitted an Election of Payment form showing the method by which Respondents propose to pay the fine imposed.

Respondents specifically and voluntarily waive any right to claim that they are 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

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against them;
- 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, Respondents specifically and voluntarily waive 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.

Respondents further specifically and voluntarily waive 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

Respondents understand 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 Respondents; and
- C. If accepted:
 - 1. this AWC will become part of Respondents' permanent disciplinary records and may be considered in any future actions brought by FINRA or any other regulator against Respondents;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Respondents 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. Respondents 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 Respondents': (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. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct.

Respondents understand that they 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 Respondents, certify 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; 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 Respondents to submit it.

8/11/15
Date

UBS Financial Services Inc.
Respondent

By: [Signature]
Name: Elene Marguardt
Title: Managing Director

8/6/15 VMN
Date

UBS Securities LLC
Respondent

By: [Signature]
Name: Karen B. Konigsberg
Title: Executive Director + Counsel

Reviewed by:

Ben A. Indek, Esq.
Morgan Lewis & Bockius LLC
101 Park Avenue
New York, NY 10178-0060
Counsel for Respondent

By: [Signature]
KAREN R. KOWALSKI
EXECUTIVE DIRECTOR +
COUNSEL

Respondents understand that they 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 Respondents, certify 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; 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 Respondents to submit it.

Date

UBS Financial Services Inc.
Respondent

By: _____
Name:
Title:

Date

UBS Securities LLC
Respondent

By: _____
Name:
Title:

Reviewed by:

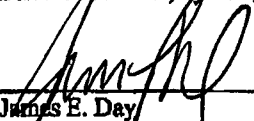


Ben A. Indek, Esq.
Morgan Lewis & Bockius LLC
101 Park Avenue
New York, NY 10178-0060
Counsel for Respondent

Accepted by FINRA:

9/2/15
Date

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



James E. Day
Vice President and Chief Counsel
FINRA Department of Enforcement
15200 Omega Drive, Suite 300
Rockville, MD 20850
(301) 258-8520