

FINRA

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

NO. 20130358219-01

JUN 11 AM 11:41

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" or "Respondent") 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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 Feb. 15, 2013, FINRA accepted an AWC in which the firm was censured and fined \$87,500 of which \$35,000 related, in pertinent part, to Order Audit Trail System ("OATS") reporting violations from October 1, 2009 through December 31, 2009.

On Jan. 15, 2013, FINRA accepted an AWC in which the firm was censured and fined \$90,000 of which \$10,000 related to OATS reporting violations from Aug. 24-25, 2009, \$20,000 related to violations of Rule 605 of Regulation NMS during July 2010, and \$32,500 concerned multiple supervisory findings including, among other things, a failure to document evidence of performing supervisory reviews concerning compliance with Rule 605 of Regulation NMS during August 2009. The AWC also included an undertaking to update certain of the firm's written supervisory procedures.

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 OATS reporting and trade reporting violations associated with mismarking of sales orders as long or short, and related supervisory findings, from January 2005 through at least the end of 2010.

On June 24, 2011, FINRA accepted an AWC in which the firm was censured and fined \$42,500 of which \$37,500 related to combined OATS reporting violations from two reviews concerning the third quarter 2008 and the period from Feb. 4, 2008 through July 31, 2010.

SUMMARY

In Trading and Financial Compliance Examination No. 20130358219, the staff of FINRA's Department of Market Regulation reviewed the trading activity of the firm for compliance with various regulatory requirements set forth in Exhibit 1, attached hereto, for trade date Sept. 18, 2013 (the "review period"), unless otherwise noted. The examination resulted in findings detailed below with respect to OATS reporting, Rule 605 of Regulation NMS and supervision.

FACTS AND VIOLATIVE CONDUCT

In connection with Examination No. 20130358219,

1. The firm transmitted OATS reports concerning 16 orders that contained inaccurate, incomplete, or improperly formatted data. Specifically, the firm: (a) denoted an incorrect Account Type Code for 14 orders (and denoted an incorrect Member Type Code for two of those orders), and (b) denoted an incorrect Special Handling Code for two orders. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
2. For the month of August 2013, the firm made available a report on the covered orders in national market system securities that it received for execution from any person. This report included incorrect information for multiple data categories concerning certain securities in at least five classification areas pertaining to market orders of 100-499 shares, marketable limit orders of 500-1,999 shares, near the quote limit orders of 2,000-4,999 shares, at the quote limit orders of 2,000-4,999 shares and inside the quote limit orders of 5,000-9,999 shares. Additionally, the firm misclassified two orders on Sept. 18, 2013 for purposes of reporting covered orders in national market system securities that it received for execution by misclassifying one order as both covered and not covered and misclassifying an Immediate or Cancel Pegged Order as not covered. The conduct described in this paragraph constitutes separate and distinct violations of Rule 605 of Regulation NMS.

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 area: (1) Rule 605 of Regulation NMS [(b)]. The conduct described above in this paragraph constitutes violations of NASD Rule 3010 and FINRA Rule 2010.

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

A censure, a fine of \$67,500 (consisting of \$25,000 for the OATS findings, \$27,500 for the Rule 605 findings and \$15,000 for the supervisory finding), and an undertaking to provide three reports, written and oral, to FINRA on dates that are no more than three months, six months and nine months after the date of the Notice of Acceptance of this AWC, concerning the firm's implementation and effectiveness of the firm's policies, systems and procedures (written and otherwise) and training (collectively, "the Controls") relating to the areas described in paragraphs I.A.2 and I.A.3 above to ensure that the firm is in compliance with Rule 605 of Regulation NMS.

The written reports shall be certified by an officer of the firm and shall address, at a minimum, the implementation and performance of the firm's Controls; the steps taken by supervisory personnel to ensure compliance in the abovementioned areas and the results of such supervisory reviews; training; and modifications or recommendations for improvements to the Controls and dates of the effectiveness of such modifications or planned implementation of such recommendations. Upon written request showing good cause, FINRA staff may extend any of the procedural dates set forth herein.

Respondent 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.

Respondent 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

Respondent 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, Respondent 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.

Respondent 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

Respondent 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 Respondent; 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 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. Respondent 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. Respondent 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. Respondent 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.

June 10, 2015
Date

Respondent
UBS Securities LLC

By: MS [Signature]

Name: Mark Impellizzeri

Title: Director and Regulatory Attorney

Reviewed by:

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

Accepted by FINRA:

July 8, 2015
Date

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

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