

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013037118101**

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

RE: UBS Financial Services, Inc. (BD No. 8174)
Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, UBS Financial Services, Inc., ("UBS" 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 UBS alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. UBS 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, with its predecessor, Paine Webber & Company, has been a FINRA member since 1936. UBS is a full service brokerage firm headquartered in Weehawken, New Jersey. The Firm has approximately 540 branches and employs approximately 12,000 registered representatives.

RELEVANT DISCIPLINARY HISTORY

1. In July 2007, UBS consented to a FINRA AWC (E102004073301) that found, *inter alia*, that from January 2002 through December 2004, the Firm failed to timely file certain amendments to Forms U4 and Forms U5 to disclose reportable customer complaints, regulatory actions, and criminal charges, and that during the same period, UBS' supervisory system and procedures were not reasonably designed to achieve compliance with the relevant NASD By-Laws. Based on these findings, UBS agreed to the following sanctions: (i) a censure; (ii) a fine of \$370,000; and (iii) certain undertakings, including an agreement to conduct an internal audit to evaluate the effectiveness of its systems and procedures for achieving compliance with its Form U4 and Form U5 reporting obligations.

2. In November 1998, the New York Stock Exchange (Decision No. HPD 98-112) censured and fined UBS \$125,000 for violating NYSE Rules by filing late and/or erroneous forms, including Forms U4 and Forms U5.

OVERVIEW

From in or about May 2010 through in or about May 2013, (the "Relevant Period"), UBS failed to amend, or timely amend, the Uniform Applications for Securities Industry Registration or Transfer ("Forms U4") for approximately 103 registered representatives to report unsatisfied tax liens and civil judgments in violation of FINRA By-Laws Article V, Section 2(c) and FINRA Rule 2010. Additionally, during the Relevant Period, UBS failed to establish and maintain a supervisory system and written supervisory procedures reasonably designed to ensure that it disclosed reportable unsatisfied liens and judgments of registered representatives on Forms U4, in instances where a garnishment notice would be sent to the Firm's Payroll Department, in contravention of NASD Rule 3010(a) and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

A. UBS Failed to Amend and Timely Amend Forms U4 to Report Unsatisfied Liens and Judgments

Article V, Section 2(c) of FINRA's By-Laws requires all FINRA applications for registration, namely registered representatives' Forms U4, to be kept current at all times by supplementary amendments, which must be filed with FINRA "not later than 30 days after learning of the facts or circumstances giving rise to the amendment."

At all times during the Relevant Period, Question 14M on the Form U4 required the disclosure of unsatisfied liens and judgments.

During the Relevant Period, UBS received wage garnishment orders from courts and tax authorities (including the IRS) resulting from tax levies, civil judgments, and similar actions for approximately 200 registered representatives. The Firm, however, never conducted any further inquiry to determine if the underlying event triggering each garnishment order involved an event such as an unsatisfied tax lien or judgment that should have been reported on the affected individual's Form U4.

In fact, approximately 103 of the garnishment orders received by UBS during the Relevant Period related to unsatisfied liens or judgments that should have been reported on the respective representative's Form U4. Nevertheless, with respect to 76 of the 103 garnishment orders, the Firm failed to file an amendment to the registered representative's Form U4 disclosing the lien or judgment. In the remaining 27 instances, the Firm filed an amendment to the individual's Form U4, but the amendment was untimely, often filed several months after the underlying event.

By reason of the foregoing, UBS violated Article V, Section 2(c) of FINRA's By-Laws and FINRA Rule 2010.

B. UBS Failed to Establish A Supervisory System to Review Wage Garnishment Orders and Compliance Certifications for Reportable Events

NASD Conduct Rule 3010(a) requires FINRA members to establish, maintain and enforce a system of supervision, including written supervisory procedures, to supervise the activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws, regulations and rules.

During the Relevant Period, UBS failed to implement a supervisory system and written supervisory procedures to review employee wage garnishment orders for reportable events. The Firm's Payroll Department processed numerous wage garnishment orders for registered representatives that clearly indicated that there was an unsatisfied lien or judgment associated with the garnishment action. Nevertheless, UBS did not have any supervisory procedures in place to ensure that the Payroll Department notified compliance or supervisory personnel to determine if the garnishment involved a reportable event. As a result, UBS failed to disclose, or timely disclose, unsatisfied judgments and liens of which it had notice by reason of the garnishment actions, as further described above.

Additionally, during the Relevant Period, approximately 22 of the UBS registered representatives whose wages were garnished based on reportable liens or judgments completed annual on-line compliance certifications disclosing to the Firm that they were the "subject of financial difficulties such as liens." The Firm, however, never documented any further review of those responses, nor did it have adequate systems and procedures in place to perform such a review. Had the Firm inquired further, it would have discovered that those 22 registered representatives were, in fact, the subject of a reportable lien or judgment.

By reason of the foregoing, UBS violated NASD Conduct Rule 3010 and FINRA Rule 2010.

C. Respondent also consents to the imposition of the following sanctions:

- A censure; and,
- A fine in the amount of \$500,000

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent 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 an inability to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on the date set by the 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 it;
- 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 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.

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 Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
2. this AWC will be made available through FINRA's public disclosure program in response 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 Respondent'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. Respondent 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 UBS, 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 UBS 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 UBS to submit it.

UBS Financial Services, Inc.

2/23/15

Date (mm/dd/yyyy)

By: 
Joy Weber
Executive Director

Accepted by FINRA:

3/10/15

Date

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

A handwritten signature in dark ink, appearing to read "Mike Newman", written over a horizontal line.

Michael J. Newman
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