

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130382589-01**

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 ("Respondent" 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 the Firm 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 became a member of FINRA in 1978, and its registration remains in effect. The Firm does not have a relevant disciplinary history.

SUMMARY AND OVERVIEW

In Matter Nos. 20130382589 and 20140431457, the Department of Market Regulation's ("Market Regulation") Options Regulation Staff (the "Staff") conducted a review of the Firm's compliance with the rules related to the reporting of over-the-counter ("OTC") options positions to the Large Options Position Reporting ("LOPR") system for the period of January 19, 2010 through December 7, 2015 (the "review period").

LOPR data is used extensively by self-regulatory organizations ("SROs") to identify holders of large options positions who may be attempting to manipulate the market or otherwise violate securities rules and regulations. The accuracy of LOPR data is essential for the analysis of potential violations related to, among other things, insider trading, position limits, exercise limits, front-running, capping and pegging, mini-manipulation, and marking-the-close.

As a result of its reviews and self-reports by the Firm, Market Regulation determined that during the review period, the Firm failed to report and/or inaccurately reported OTC options positions to the LOPR in approximately 7.59 million instances.¹ In addition, the Firm failed to establish and maintain adequate supervisory procedures, including written supervisory procedures, by failing to implement an adequate system of follow-up and review reasonably designed to ensure compliance with the proper reporting of positions to the LOPR.

FACTS AND VIOLATIVE CONDUCT

Matter No. 20130382589

1. From January 19, 2010 through August 13, 2014, the Firm self-reported that it failed to report OTC index options positions to the LOPR in approximately 933,173 instances. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
2. From January 19, 2010 through February 3, 2014, the Firm self-reported that it inaccurately reported effective trade dates in OTC options to the LOPR in 74,416 instances. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
3. From September 6, 2013 through September 10, 2013, the Firm self-reported that it failed to report positions of OTC options to the LOPR in 7,406 instances due to a systems error. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
4. From January 7, 2013 through November 20, 2013, the Firm self-reported that it failed to report OTC ETF options positions to the LOPR in 1,430 instances. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
5. From January 19, 2010 through August 2014, in 3,436 instances, the Firm self-reported that it inaccurately reported the Tax ID number in OTC options positions to the LOPR. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).

Matter No. 20140431457

6. From May 2010 through December 8, 2015, in approximately 6,077,014 instances, the Firm incorrectly reported the multiplier used to calculate the underlying equity

¹ An "instance" is a single failure to report, or inaccurately report, a reportable option position. The number of instances is determined by multiplying a given reportable position by the number of trade dates the position was not reported or was reported incorrectly. When accounts acting in-concert hold in the aggregate a reportable position, each account's position, whether individually above the 200 contract threshold or not, must be reported to the OCC for LOPR purposes.

delivered by a contract in OTC options. In these instances, the Firm mistakenly employed a multiplier of 1 share per contract instead of the correct multiplier of 100 shares per contract. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).

7. From January 19, 2010 through September 28, 2015, in approximately 461,793 instances, the Firm inaccurately reported OTC options positions to the LOPR with an incorrect entry in the Tax ID field. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).
8. From April 28, 2010 through March 24, 2015, in approximately 29,407 instances, the Firm reported positions on the wrong side of the market in OTC options to the LOPR. The conduct described in this paragraph constitutes a violation of FINRA Rule 2360(b)(5).

Supervision in Matter Nos. 20130382589 and 20140431457

9. During the review period, the Firm failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with the applicable securities laws and regulations and FINRA Rules related to the reporting of positions to the LOPR. In addition, the Firm's supervisory system did not include sufficient written supervisory procedures to ensure the proper reporting of positions to the LOPR, specifically a statement of the supervisory step(s) to be taken and reviews employed to ensure the accuracy of reports made in OTC options to the LOPR. The inadequate procedures resulted in many of the issues not being detected over the course of the review period.² The conduct described in this paragraph constitutes a violation of NASD Rule 3010 (for conduct prior to December 1, 2014) and FINRA Rules 2010 and 3110 (for conduct on or after December 1, 2014).

Other Considerations

10. In determining to resolve this matter in the manner set forth herein, and in determining the appropriate monetary sanction, Market Regulation considered: (i) that the Firm undertook a significant review of its LOPR submission processes and, through this review, self-reported some of the LOPR violations associated with this action; and (ii) that the Firm promptly remediated the LOPR violations once detected by, among other things, creating a new regulatory risk management group responsible for LOPR and other reporting, and by hiring additional experienced staff to conduct supervisory reviews of LOPR processes.³

²In lieu of an undertaking, Market Regulation considered that as a result of the violations at issue in this matter, the Firm made significant enhancements to its LOPR processes and oversight and implemented enhanced reviews and supervisory procedures for LOPR compliance.

³ See Regulatory Notice 08-70 (November 2008).

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

- 1. A censure, and**
- 2. A fine of \$2,450,000.**

Respondent agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) is 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 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 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 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 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.** 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 Respondent, 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 Respondent to submit it.

November 30, 2016
Date

Respondent UBS Securities LLC

By: Suzanne R. Elovic

Name: Suzanne R. Elovic

Title: Americas Head of Regulatory Inquiries and Relations

Reviewed by:

Stephanie R. Nicolas
Stephanie R. Nicolas
Wilmer Cutler Pickering Hale and Dorr LLP
1875 Pennsylvania Avenue NW
Washington, DC 20006 USA

Counsel for Respondent

Accepted by FINRA:

12/2/16
Date

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

Robert A. Marchman
Robert A. Marchman
Executive Vice President, Legal Section
Department of Market Regulation