

FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140421908-02

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 ("UBST" 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. UBST 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

UBST became a FINRA member on August 17, 1978, and the firm's registration remains in effect. UBST is a subsidiary of UBS AG, a Swiss corporation. UBST employs approximately 1,800 registered representatives within 13 branches.

DISCIPLINARY HISTORY

UBST does not have any relevant disciplinary history.

SUMMARY

In connection with STAR No. 20140408023, FINRA's Market Regulation Department (the "Staff") reviewed whether UBST kept accurate books and records, and whether it accurately reported order details to the Order Audit Trail System ("OATS"), FINRA/Nasdaq Trade Reporting Facility ("FNTRF") and the OTC Reporting Facility ("OTCRF") during the period of January 1, 2013 through July 16, 2013 (the "review period"). Based on the review, Staff found that the firm violated the rules set forth below.

FACTS AND VIOLATIVE CONDUCT

The policy underlying recordkeeping and reporting provisions is to ensure that regulators have access to certain basic information about securities transactions to allow them to adequately police the securities markets. Access to accurate records and timely and accurate reports therefore serve as an essential component of the surveillance and examination of broker-dealers by self-regulatory bodies.

Matter No. 20140408023 involves a review of the process by which UBST's Taxable Fixed Income desk ("TFI desk") manually handled non-convertible preferred customer orders¹ during the review period. The customer orders in question were generally executed by telephone or electronic communication between financial advisors ("FAs") of an affiliated firm and the TFI desk prior to the time the FAs entered the customer orders into an order management system. As a result, the order receipts time at the TFI desk and the order execution times were recorded incorrectly and reported incorrectly with respect to UBST's books and records, OATS reporting, and Trade Reporting. As a further result of the incorrect audit trail, Staff was unable to complete a trading ahead investigation to determine whether UBST had violated FINRA rules. Specifically:

1. UBST failed to accurately record the time of order receipt at the TFI desk and the time of execution for approximately 286 manually handled non-convertible preferred customer orders. The conduct described in this paragraph constitutes violations of FINRA Rule 4511 and Securities and Exchange Commission ("SEC") Rule 17a-3.
2. UBST failed to accurately report the time of order receipt at the TFI desk and the time of execution for approximately 286 manually handled non-convertible preferred orders to OATS. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
3. UBST failed to report the accurate time of execution to either the FNTRF or the OTCRF for approximately 286 manually handled non-convertible preferred trades; and failed to report approximately 286 manually handled non-convertible preferred transactions to the TRF within 30 seconds of execution. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 6380A, 6622, 7230A and 7330 and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.
4. UBST's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws and regulations, and/or FINRA rules related to recordkeeping, OATS reporting and Trade

¹ Manually handled non-convertible preferred order refers to those orders that are either transmitted by affiliated financial advisers directly to the TFI desk by telephone, email or IM or transmitted by financial advisers by telephone, email or through a TFI Sales Liaison who acted to assist in the process of executing orders. During the review period, the TFI desk handled about 7% of non-convertible preferred securities through the manual process and 93% through an automated process, which is not at issue here

reporting. The above-described conduct constitutes violations of NASD Rule 3010 and FINRA Rule 2010.

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

Censure and fine of \$50,000 (consisting of a \$17,500 fine for the SEA Rules 17a-3 and FINRA Rule 4511 violations; a \$7,500 fine for the FINRA Rule 7450 violations; a \$10,000 fine for the FINRA Rules 6380A, 6622, 7230A, 7330 and 2010 violations; and a \$15,000 fine for the NASD Rule 3010 and FINRA Rule 2010 violations).

UBST 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.

UBST 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

UBST 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, UBST 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.

UBST 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

UBST 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 UBST, 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.

April 19, 2017
Date

Respondent

UBS Securities LLC

By: D. Christopher Walker

Name: D. Christopher Walker

Title: Executive Director + Regulatory Attorney

Reviewed by:

D. Christopher Walker, Esq.

Accepted by FINRA:

May 15, 2017
Date

Signed on behalf of the

Director of ODA, by delegated authority

Lara M. Posner

Lara M. Posner

Chief Counsel

Department of Market Regulation