

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20150465792-01**

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

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

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, UBS Financial Services Inc. (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. 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 AND RELEVANT DISCIPLINARY HISTORY

The firm became a member of FINRA on October 13, 1936, and its registration remains in effect. On November 3, 2014, the Securities and Exchange Commission ("SEC") censured and fined the firm \$56,400 (the "SEC Order") for violating MSRB Rule G-15(f) in connection with five customer transactions below an issue's minimum denomination. Additionally, as part of an undertaking, the SEC required the Firm to review its Rule G-15(f) policies and procedures, and thereafter make such changes as necessary to effect compliance with Rule G-15(f) within six months of the SEC Order.

SUMMARY

In Matter Nos. 20150465792 and 20160509067, the staff Market Regulation's Municipal Securities Trade Reporting Section (the "staff") reviewed the firm's compliance with Municipal Securities Rulemaking Board ("MSRB") Rule G-15(f) during the period December 1, 2013 through June 30, 2016 (the "review period").

MSRB Rule G-15(f)(i) prohibits a broker, dealer, or municipal securities dealer from effecting a customer transaction in municipal securities issued after June 1, 2002 in an amount lower than the minimum denomination of the issue.

Issuers set minimum denominations for the purchase or sale of municipal securities and disclose those minimum denominations in Official Statements, which are documents prepared by or on behalf of the issuer of municipal securities in connection with a primary offering. Minimum denominations generally range from \$5,000 to \$100,000. An issuer may set a minimum denomination at \$100,000 or higher to qualify for one of several exemptions from Securities Exchange Act Rule 15c2-12, which is designed to ensure production of certain disclosure documents in the primary and secondary markets. In addition, an issuer may set high minimum denominations because of a concern that the offered securities may not be appropriate for retail investors who are likely to purchase securities in relatively small amounts.

There are two limited exceptions to executing transactions below the minimum denomination. First, under MSRB Rule G-15(f)(ii), a dealer may purchase municipal securities from a customer in an amount below the minimum denomination of the issue if the dealer determines that the customer's position in the issue is already below the minimum denomination and the customer's entire position in the issue would be liquidated by the transaction.

Second, under MSRB Rule G-15(f)(iii), a dealer may sell municipal securities to a customer in an amount below the minimum denomination of the issue if the dealer determines that the position being sold resulted from the liquidation of another customer's entire position in the issue which was below the minimum denomination of the issue. Additionally, a dealer selling under MSRB Rule G-15(f)(iii) must, at or before the completion of the transaction, notify the customer that the amount of the transaction is below the minimum denomination of the issue and that this may adversely affect the liquidity of the customer's position.

Under MSRB Rule G-15(f), brokers, dealers, and municipal securities dealers may not sell (or buy) municipal securities in amounts below the minimum denomination of an issue to a customer regardless of whether the customer holds or would hold a position in the issue which is equal to or exceeds the minimum denomination of the issue.

FACTS AND VIOLATIVE CONDUCT

As a result of the review, the staff determined that during the review period:

1. The firm effected 87 customer transactions in a municipal security in an amount lower than the minimum denomination of the issue which were not subject to an exception under the rule. 59 of these transactions occurred before the SEC Order, 9 occurred during the six month period in which the Firm was reviewing and amending its policies and procedures pursuant to the SEC Order undertaking; and

19 transactions occurred after any identified amendments to the firm's policies and procedures were supposed to have been implemented. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-15(f).

2. The firm failed to disclose all material facts concerning 59 municipal securities transactions at or prior to the time of trade. Specifically, the firm failed to inform its customers that the municipal securities transactions were in amounts below the minimum denomination of the issue. In Notice 2002-05, the MSRB stated that a dealer should consider a transaction below an issue's minimum denomination to be a material fact that generally requires disclosure to the customer. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-17 (for transactions executed before July 5, 2014) or MSRB Rule G-47 (for transactions executed after July 5, 2014).
3. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the MSRB rules, concerning municipal securities transactions effected on behalf of a customer below an issue's minimum denomination as stated on relevant offering statements. The firm's supervisory system remained deficient even after the SEC imposed an undertaking as part of its November 4, 2014 Order, in which the firm was required to review, and thereafter make such changes as necessary to its policies and procedures to ensure compliance with MSRB Rule G-15(f). As a result of the deficiencies in its supervisory system, the firm executed another 19 transactions below the minimum denominations of an issue.
4. Specifically, as required by MSRB Rule G-27, the firm's supervisory system did not include written supervisory procedures providing for: (1) the identification of the person responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory steps to be taken by the identified person(s); (3) a statement as to how often such person should take such steps; and (4) a statement as to how the completion of the steps included in the written supervisory procedures should be documented.
5. Additionally, during the review period, the firm failed to have a control in place to prevent the firm from transacting municipal securities with customers below an issue's minimum denomination.
6. The conduct described in paragraphs 3-5 constitutes a violation of MSRB Rule G-27.

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

- A censure;
- A fine of \$190,000;¹ and
- An undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.3. Within 30 business days of acceptance of this AWC by the NAC, a senior executive officer of the Respondent shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the senior executive officer to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in this paragraph; and (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. The firm has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm 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 NAC and then to the U.S. Securities and Exchange

¹ In resolving this matter, the Department of Market Regulation took into consideration that the firm has made offers of rescission.

Commission and a U.S. Court of Appeals.

Further, the firm 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.

The firm 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

The firm 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 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.

6/14/17
Date

Respondent
UBS Financial Services Inc.

By: [Signature]

Name: Irene Marguett

Title: Managing Director

Reviewed by:

[Signature]

Attorney Name MARK D. KNOLL
Counsel for Respondent
Firm Name BRESSLER AMICKY + PONS P.C.
Address 17 State Street
City/State/Zip NY NY 10004
Phone Number (212) 425 9300

Accepted by FINRA:

7/11/17
Date

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

[Signature]
Robert A. Marchman, Esq.
Executive Vice President
Department of Market Regulation