

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017053003701**

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

RE: UBS Financial Services Inc., Respondent
Member Firm
CRD No. 8174

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent UBS Financial Services Inc. 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 in this AWC.

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

UBS with its predecessor, PaineWebber & Company, has been a FINRA member since 1936. UBS is a full service brokerage firm headquartered in Weehawken, New Jersey. The firm has approximately 640 FINRA branch offices and approximately 12,000 registered individuals.

RELEVANT DISCIPLINARY HISTORY

In *UBS Financial Services Inc.*, Matter No. 20140421908-01 (FINRA May 15, 2017), among other violations, from July 2013 through December 2016, UBS violated FINRA Rule 7450 by failing to report to FINRA's Order Audit Trail System (OATS) accurate order receipt times for orders received by financial advisers and accurate order receipt and execution times for 1,870 orders handled by its Taxable Fixed Income desk. In addition, UBS violated NASD Rule 3010 (for conduct before December 1, 2014) and FINRA Rules 3110 (for conduct on and after December 1, 2014) and 2010 by failing to establish a supervisory system that was reasonably designed to achieve compliance with federal securities laws and several FINRA rules, including rules pertaining to OATS

reporting. UBS consented to a sanction of a censure, a fine of \$110,000 (\$12,500 for the violations of Rule 7450, \$50,000 for the supervisory violations, and \$47,500 for the other violations), and an undertaking to revise its written procedures.

In *UBS Financial Services Inc.*, Matter No. 20150478646-01 (Nov. 22, 2017), during a review period of July 1 to September 30, 2015, UBS violated Rule 7450, among other violations, by submitting 38 Reportable Order Events to OATS that contained inaccurate, incomplete, or improperly formatted data. In addition, UBS violated FINRA Rules 3110 and 2010 in that its supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws and regulations and FINRA rules concerning OATS reporting. UBS agreed to a sanction of a censure and a fine of \$20,000 (\$10,000 for the violations of Rule 7450, \$5,000 for the supervisory violation, and \$5,000 for another violation).

OVERVIEW

From August 2016 to February 2018, UBS violated FINRA Rules 7450 and 2010 by submitting 15,863 reports to OATS that omitted data, contained inaccurate data, or contained improperly formatted data such that the orders submitted to OATS could not be matched with orders submitted to certain exchanges.

FACTS AND VIOLATIVE CONDUCT

OATS Reporting Violations

1. FINRA Rule 7450(a) requires each reporting member to transmit all applicable order information required to be recorded under Rule 7440 to OATS. FINRA Rule 7450(c)(6) requires that when a member transmits an order to a national securities exchange, it must record twelve items, including the Routed Order ID or other unique identifier required by the exchange receiving the order, as applicable. FINRA's guidance states the following:

Accordingly, any order transmitted to a national securities exchange must be reported to OATS with a Routed Order ID that represents the unique order identifier the member was required to submit with the order when it was routed to the exchange. For certain exchanges with which FINRA has a regulatory services agreement, OATS uses the Routed Order ID provided on the OATS Route or Combined Order/Route Report, along with other firm identifying information, to link the OATS order to the related order in the applicable exchange.¹

¹ FINRA Guidance on OATS Exchange Route Matching, available at <https://www.finra.org/filing-reporting/oats/finra-guidance-oats-exchange-route-matching>.

2. FINRA Rule 2010 provides, “[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.” A violation of a FINRA rule constitutes a violation of Rule 2010.
3. From August 2016 through February 2018, UBS submitted 15,863 reports to OATS that could not be matched to related orders routed to exchanges due to data that was omitted, inaccurate, incomplete, or improperly formatted. Technical issues arose from problems UBS had tried to fix in 2016. In January 2016, while responding to an inquiry from FINRA, UBS learned of a technical issue in its OATS reporting system provided by a third-party vendor. UBS corrected the problem in August 2016, but the correction created another technical issue that caused UBS’s OATS file to omit a column of data for the Route Order ID/Sent to Routed Order ID field. Instead of reporting data for each *order* routed, the firm’s OATS reporting system reported data for each *execution*, resulting in reports in OATS that could not be matched to related orders entered on the exchanges. In addition, UBS’s reports omitted other data or contained inaccurate or improperly formatted data. For example, a participant identification code that UBS submitted to OATS did not match the identification code sent to an exchange. By virtue of the foregoing, Respondent UBS violated FINRA Rules 7450(a) and 2010.
4. In January and February 2018, UBS took corrective action.

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

A censure and a fine of \$37,500.

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 sanctions imposed in this matter.

The sanctions imposed in this AWC 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 Respondent; and

C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
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 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 the Respondent 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 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 in this AWC and the prospect of avoiding the issuance of a Complaint, has been made to induce it to submit it.

8/10/20
Date

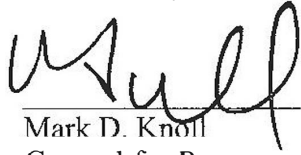
UBS Financial Services Inc.
Respondent

By: 

Print Name: Darya Geetter

Title: Managing Director, Head of US Regulatory Affairs

Reviewed by:



Mark D. Knoll
Counsel for Respondent
Bressler, Amery & Ross, P.C.
17 State Street, 34th Floor
New York, New York 10004

Accepted by FINRA:

August 13, 2020
Date

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



W. Kwame Anthony
Senior Counsel
FINRA
Department of Enforcement
Brookfield Place
200 Liberty Street
New York, New York 10281