

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018060139001**

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, 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 accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

UBS has been a FINRA member since October 13, 1936. The firm is a full-service brokerage firm and currently has over 11,000 registered representatives at its headquarters in Weehawken, New Jersey, and its 650 branch locations.

In October 2018, FINRA accepted an AWC in which the firm was censured and fined \$50,000 for Trade Reporting and Compliance Engine (TRACE) reporting violations. Between April 2016 and September 2016, the firm failed to timely report 189 transactions in TRACE-Eligible Agency Debt Securities and 50 transactions in TRACE-Eligible Securitized Products, in violation of FINRA Rules 6730(a) and 2010.

In April 2017, FINRA accepted an AWC in which the firm was censured and fined \$32,500 for TRACE reporting violations. Between January 2016 and March 2016, the firm failed to timely report 43 large block transactions in TRACE-Eligible Corporate Debt Securities in violation of FINRA Rules 6730(a) and 2010.¹

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

OVERVIEW

During the period from July 2018, through September 2021, the firm failed to timely report approximately 3,850 transactions in TRACE-Eligible Corporate Debt Securities, Agency Debt Securities, and Securitized Products to TRACE, in violation of FINRA Rules 6730(a) and 2010.

During the same period, the firm's supervisory system was not reasonably designed to achieve compliance with the firm's transaction reporting obligations for TRACE-Eligible Securities, in violation of FINRA Rules 3110(a) and 2010.

FACTS AND VIOLATIVE CONDUCT

UBS late reported transactions in TRACE-Eligible Securities.

FINRA Rule 6730(a) provides, in relevant part, that “[e]ach member that is a Party to a Transaction in a TRACE-Eligible Security must report the transaction. A member must report a transaction in a TRACE-Eligible Security as soon as practicable, but no later than within 15 minutes of the Time of Execution, except as otherwise specifically provided [in this rule]. Transactions not reported within the specified timeframe will be designated as ‘late.’”

A violation of FINRA Rule 6730(a) is also a violation of FINRA Rule 2010, which states that, “[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”

Late trade reporting to TRACE impedes real-time, public dissemination of transaction and pricing data. Untimely reporting of disseminated trades directly affects investors and other market participants by depriving them of information necessary to make trading and valuation decisions. Late reporting of large block transactions, which are transactions with an entered volume of \$5,000,000 face value or more for a single trade report, has the potential to cause greater impact to market pricing and activity than individual transactions of smaller volume.

During the relevant period, the firm failed to report timely to TRACE approximately 340 large block transactions in Corporate Debt Securities and 424 large block transactions in Agency Debt Securities. These untimely reports constituted an average of 4.72% of its large block Corporate Debt transactions and an average of 9.3% of its large block Agency Debt transactions.

During the relevant period, the firm also failed to report timely approximately 1,680 transactions (including the 424 large block transactions that were reported late) in Agency Debt Securities and approximately 1,830 transactions in Securitized Products. These untimely reports constituted an average of 3% of the firm's Agency Debt transactions and 2.25% of its Securitized Products transactions.

The majority of the late reports were caused by latencies associated with the manual handling of orders by traders and salespersons, including manual late entries or untimely amendments and corrections to transaction terms made by firm employees.

By failing to report timely transactions in TRACE-Eligible Securities, UBS violated FINRA Rules 6730(a) and 2010.

UBS failed to reasonably supervise its TRACE reporting.

FINRA Rule 3110(a) provides, in relevant part, that “[e]ach member shall establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.” A violation of Rule 3110 is also a violation of FINRA Rule 2010.

The firm failed to establish and maintain a supervisory system, including written procedures, reasonably designed to achieve compliance with FINRA Rule 6730(a). Although UBS performed supervisory reviews that identified late reports, it failed to have a process for addressing the issues that caused those reports to be filed late.

UBS has been aware of its late reporting issues since at least 2017. The firm did not, however, effectively remediate its late TRACE reporting. The firm failed to reasonably train supervisors and staff regarding TRACE reporting requirements.

Therefore, UBS violated FINRA Rules 3110 and 2010.

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

- a censure;
- a \$350,000 fine; and
- an undertaking to revise the firm’s supervisory system with respect to the rules and regulations cited in this AWC. Within 90 business days of acceptance of this AWC, a registered principal of the firm shall submit to the Administrative Assistant, Department of Enforcement, 15200 Omega Drive, Suite 300, Rockville, MD 20850, a signed, dated letter, or an email from a work-related account of the registered principal to MarketRegulationComp@finra.org, with a copy to Doria.Bachenheimer@finra.org, providing the following information: (a) a reference to this matter; (b) a representation that the firm has revised its supervisory system with respect to late reporting of transactions eligible for TRACE reporting in a manner reasonably designed to achieve compliance with FINRA Rule 6730(a); and (c) the date the supervisory system was revised by the firm.

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 after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 its acceptance or rejection.

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:

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- 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 its subject matter 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 right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent 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 Respondent to submit this AWC.

April 11, 2022

Date

Darya Geetter

UBS Financial Services Inc.
Respondent

Print Name: Darya Geetter

Title: Managing Director

Reviewed by:

Andrew Sidman

Andrew W. Sidman
Gregory S. Sparer
Counsel for Respondent
Bressler Amery Ross, P.C.
17 State Street
34th floor
New York, NY 10004

Accepted by FINRA:

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

April 25, 2022

Date

Doria Bachenheimer

Doria G. Bachenheimer
Principal Counsel
FINRA Department of Enforcement
Brookfield Place
200 Liberty Street
New York, NY 10281