

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019061442601**

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. (UBS-FS) 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-FS has been a FINRA member since 1936, is headquartered in Weehawken, New Jersey, and is a full-service brokerage firm. UBS-FS has over 11,000 registered representatives at approximately 1,100 branches.

In December 2021, UBS-FS was censured and ordered to pay restitution of \$4,059,652 plus interest for failing to establish and maintain a supervisory system reasonably designed to supervise representatives' 529 plan share-class recommendations in violation of Municipal Securities Rulemaking Board Rule G-27.¹

OVERVIEW

From January 2017 to at least December 2018, UBS-FS failed to establish and maintain a supervisory system, including written procedures, reasonably designed to assess whether its registered representatives recommended to retail customers short-term trades of syndicate preferred stocks that were unsuitable. At least 22 UBS-FS representatives or representative teams recommended that UBS-FS's retail customers purchase syndicate preferred stocks and then sell the positions within 180 days, causing the customers to

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

sustain losses on these transactions while the representatives collected concessions and commissions.

Based on the above conduct, UBS-FS violated FINRA Rules 3110 and 2010.

FACTS AND VIOLATIVE CONDUCT

A. UBS-FS's Sales of Syndicate Preferred Stocks

During the relevant period, UBS-FS permitted representatives to recommend that customers purchase syndicate preferred stocks. These products are income-generating securities. They typically offer more consistent income payments than common stock and higher payments than many bonds. Preferred stocks are generally purchased for their income features and held long-term.

For each of UBS-FS's transactions in preferred stock, UBS-FS was a member of the selling syndicate. Thus, when UBS-FS's customers purchased these products, the issuer paid UBS-FS a sales concession (typically 2% for preferred stock), a portion of which UBS-FS shared with the representatives. In addition, where customers later sold these securities, UBS-FS typically, but not always, charged customers sales commissions, which UBS-FS also shared with the representatives. UBS-FS's customers placed more than 38,000 trades in preferred stock during the relevant period, with a total principal amount of more than \$2 billion.

Trading in syndicate preferred stock is subject to potential abuse where representatives make recommendations to customers to purchase the security, collect the sales concession, and then recommend a short-term sale of the security. This practice is particularly concerning if the representative then solicits the customer to purchase a different preferred stock, again receiving a front-end sales concession. Multiple UBS-FS representatives engaged in repeated short-term buying and selling of syndicate preferred stock.

B. UBS-FS failed to establish and maintain a supervisory system, including written procedures, reasonably designed to achieve compliance with its suitability obligations for syndicate preferred stock.

FINRA Rule 3110(a) requires a member firm to 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.

FINRA Rule 2010 requires FINRA member firms, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade. Conduct that violates FINRA Rule 3110 also violates FINRA Rule 2010.

During the relevant period, UBS-FS's supervisory obligations included maintaining a supervisory system to supervise the activities of its associated persons reasonably

designed to achieve compliance with the suitability rule, FINRA Rule 2111. Prior to June 30, 2020, FINRA Rule 2111 required members and associated persons to have a reasonable basis to believe that a recommended transaction involving a security was suitable for the customer. Where a representative recommended short-term trading in syndicate preferred stock, including for the purposes of obtaining selling compensation, these transactions may be unsuitable and may violate Rule 2111.²

During the relevant period, UBS-FS did not maintain any written procedures for its representatives, or provide any guidance specific to the suitability of holding periods for purchases of syndicate preferred stock. Nor did UBS-FS's procedures identify any concerns with short-term trading of those preferred stock positions.

UBS-FS supervised short-term trading of syndicate preferred stock through an electronic surveillance system, which generated a Preferred Securities Frequent Trading Report that UBS-FS then manually reviewed. The report's parameters, however, were unduly narrow. First, the report only screened for preferred stocks held less than 90 days—meaning that preferred stocks held more than 90 days but less than 180 days were not subject to any supervisory review. Second, preferred stocks held less than 90 days appeared on the report only when they were traded by UBS-FS representatives with the highest amount of trading in preferred stocks held less than 90 days. As a result, UBS-FS failed to review a substantial amount of short-term syndicate preferred stock trading.

From January through December 2018, only 40 preferred stock positions appeared on the reports and were thus subject to any supervisory review. Additionally, even when short-term trades in preferred stock appeared on the reports, UBS-FS did not take reasonable action to follow-up and investigate potentially unsuitable trades. For example, UBS-FS did not follow-up on certain preferred stock trades flagged on the first quarter 2018 report, which resulted in realized losses, on the basis that the customers' overall account performance was profitable. Nor did UBS-FS investigate other preferred stock trades flagged on that same report when it was unable to readily determine if the trades resulted in a profit or a loss.

During the relevant period, firm-wide, at least 22 UBS-FS representatives or representative teams recommended 1,986 syndicate preferred stock purchases that were then sold with a holding period of 180 days or less where there was a realized loss on the sale, even after including income earned on the position. For these 1,986 positions, UBS-FS earned \$2,645,537 in selling concessions from the syndicate purchases (collected from the issuer), and at least \$343,914 in sales commissions from the subsequent sales (collected from the customers).

UBS-FS conducted a substantial syndicate preferred stock business yet did not maintain a supervisory system reasonably designed to ensure that its representatives recommended

² FINRA Rule 2111 is still in effect, but as of June 30, 2020, it no longer applies to recommendations to retail customers that are subject to Regulation BI under the Securities Exchange Act of 1934.

short-term trading of syndicate preferred stocks was suitable, and not, for example, for the purpose of capturing sales concessions and commissions.

By January 2023, UBS-FS implemented enhanced written procedures and guidance and revised its trade review system for supervisory review of short-term trades of syndicate preferred stocks.

By failing to reasonably supervise its syndicate preferred stock business, UBS-FS violated FINRA Rules 3110 and 2010.

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

- a censure;
- a \$500,000 fine;
- restitution of \$343,914.66 plus interest as described below;³ and
- disgorgement of \$2,645,537 plus interest as described below.⁴

Respondent agrees to pay the monetary sanctions 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 sanctions imposed in this matter.

Restitution is ordered to be paid to the customers listed on Attachment A to this AWC (Eligible Customers) in the total amount of \$343,914.66, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621(a)(2), from April 14, 2023 until the date this AWC is accepted by the National Adjudicatory Council (NAC).

A registered principal on behalf of Respondent shall submit satisfactory proof of payment of restitution and interest (separately specifying the date and amount of each paid to each Eligible Customer) or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted by email to EnforcementNotice@FINRA.org from a work-related account of the registered principal of Respondent. The email must identify Respondent and the case number and include a copy of the check, money order, or other method of payment. This proof shall be provided by email to

³ The amount of restitution being paid to customers is equal to the commissions paid by the customers on the subsequent sales of the preferred stock, including mark-downs.

⁴ The amount of disgorgement being paid is equal to the concessions received by UBS-FS for the purchases of the preferred stock.

EnforcementNotice@FINRA.org no later than 120 days after the date of the notice of acceptance of the AWC.

The restitution amount plus interest to be paid to each Eligible Customer shall be treated by the Respondent as the Eligible Customer's property for purposes of state escheatment, unclaimed property, abandoned property, and similar laws. If after reasonable and documented efforts undertaken to effect restitution Respondent is unable to pay all Eligible Customers within 120 days after the date of the notice of acceptance of the AWC, Respondent shall submit to FINRA in the manner described above a list of the unpaid Eligible Customers and a description of Respondent's plan, not unacceptable to FINRA, to comply with the applicable escheatment, unclaimed property, abandoned property, or similar laws for each such Eligible Customer.

The imposition of a restitution order or any other monetary sanctions in this AWC, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

Restitution payments to customers shall be preceded or accompanied by a letter, not unacceptable to FINRA, describing the reason for the payment and the fact that the payment is being made pursuant to a settlement with FINRA and as a term of this AWC.

Disgorgement of commissions received is ordered to be paid to FINRA in the amount of \$2,645,537, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621 from April 14, 2023 until the date this AWC is accepted by the NAC.

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 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:

- 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.

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- 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.

December 17, 2024

Date

Darya Geetter

UBS Financial Services Inc.
Respondent

Print Name: Darya Geetter

Title: Head of US Securities Regulatory Affairs

Accepted by FINRA:

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

December 18, 2024

Date

Josephine M. Vella

Josephine M. Vella
Principal Counsel
FINRA
Department of Enforcement
200 Liberty Street, 11th Floor
New York, NY 10281

ATTACHMENT A

SCHEDULE OF RESTITUTION

Customer #	Restitution Amount (Exclusive of Interest)
1	\$19,727.69
2	\$12,054.84
3	\$8,098.34
4	\$7,913.87
5	\$7,057.91
6	\$7,000.00
7	\$6,465.84
8	\$5,945.13
9	\$5,846.04
10	\$5,250.00
11	\$4,700.00
12	\$4,611.01
13	\$4,032.23
14	\$3,800.00
15	\$3,744.92
16	\$3,700.00
17	\$3,552.31
18	\$3,500.00
19	\$3,390.00
20	\$3,200.00
21	\$3,165.00
22	\$3,141.12
23	\$3,125.00
24	\$3,055.01
25	\$3,035.00
26	\$3,000.00
27	\$2,991.75
28	\$2,839.45
29	\$2,820.00
30	\$2,800.00
31	\$2,730.00
32	\$2,670.00
33	\$2,600.00
34	\$2,600.00

35	\$2,491.40
36	\$2,450.00
37	\$2,440.00
38	\$2,425.00
39	\$2,400.00
40	\$2,400.00
41	\$2,310.00
42	\$2,300.00
43	\$2,204.00
44	\$2,200.00
45	\$2,200.00
46	\$2,200.00
47	\$2,161.08
48	\$2,150.00
49	\$2,142.66
50	\$2,100.00
51	\$2,050.00
52	\$2,040.00
53	\$2,000.00
54	\$2,000.00
55	\$1,975.00
56	\$1,900.00
57	\$1,900.00
58	\$1,890.00
59	\$1,888.95
60	\$1,887.40
61	\$1,800.00
62	\$1,794.71
63	\$1,770.00
64	\$1,750.00
65	\$1,710.00
66	\$1,677.73
67	\$1,658.00
68	\$1,650.00
69	\$1,602.27
70	\$1,600.00
71	\$1,600.00
72	\$1,500.00
73	\$1,500.00
74	\$1,500.00
75	\$1,495.58
76	\$1,464.70
77	\$1,462.56

78	\$1,400.00
79	\$1,400.00
80	\$1,400.00
81	\$1,400.00
82	\$1,385.22
83	\$1,320.00
84	\$1,300.00
85	\$1,290.51
86	\$1,250.00
87	\$1,250.00
88	\$1,215.00
89	\$1,200.00
90	\$1,200.00
91	\$1,150.00
92	\$1,150.00
93	\$1,138.29
94	\$1,110.20
95	\$1,109.14
96	\$1,100.00
97	\$1,100.00
98	\$1,100.00
99	\$1,088.84
100	\$1,066.57
101	\$1,050.00
102	\$1,000.00
103	\$973.79
104	\$959.33
105	\$950.00
106	\$946.91
107	\$932.00
108	\$929.20
109	\$921.55
110	\$913.70
111	\$900.00
112	\$890.00
113	\$875.00
114	\$850.00
115	\$850.00
116	\$829.24
117	\$800.00
118	\$800.00
119	\$800.00
120	\$800.00

121	\$800.00
122	\$800.00
123	\$752.48
124	\$750.00
125	\$750.00
126	\$745.03
127	\$740.57
128	\$732.03
129	\$720.00
130	\$717.78
131	\$700.00
132	\$700.00
133	\$700.00
134	\$696.62
135	\$692.92
136	\$684.00
137	\$660.00
138	\$647.32
139	\$630.00
140	\$600.00
141	\$600.00
142	\$600.00
143	\$550.00
144	\$548.75
145	\$545.00
146	\$525.00
147	\$501.09
148	\$500.00
149	\$500.00
150	\$500.00
151	\$500.00
152	\$500.00
153	\$500.00
154	\$500.00
155	\$500.00
156	\$500.00
157	\$483.54
158	\$479.24
159	\$465.68
160	\$450.00
161	\$450.00
162	\$450.00
163	\$425.00

164	\$420.00
165	\$400.00
166	\$400.00
167	\$400.00
168	\$400.00
169	\$400.00
170	\$400.00
171	\$400.00
172	\$400.00
173	\$400.00
174	\$400.00
175	\$400.00
176	\$380.00
177	\$376.52
178	\$375.62
179	\$367.20
180	\$355.00
181	\$350.00
182	\$339.85
183	\$328.13
184	\$320.00
185	\$305.00
186	\$300.00
187	\$300.00
188	\$300.00
189	\$300.00
190	\$300.00
191	\$300.00
192	\$300.00
193	\$300.00
194	\$300.00
195	\$300.00
196	\$292.04
197	\$250.05
198	\$250.00
199	\$250.00
200	\$245.00
201	\$225.00
202	\$225.00
203	\$200.00
204	\$200.00
205	\$200.00
206	\$200.00

207	\$200.00
208	\$200.00
209	\$200.00
210	\$200.00
211	\$200.00
212	\$200.00
213	\$200.00
214	\$200.00
215	\$200.00
216	\$200.00
217	\$200.00
218	\$200.00
219	\$200.00
220	\$179.38
221	\$175.00
222	\$171.83
223	\$150.06
224	\$150.00
225	\$150.00
226	\$150.00
227	\$150.00
228	\$150.00
229	\$140.00
230	\$125.00
231	\$125.00
232	\$125.00
233	\$125.00
234	\$120.05
235	\$107.00
236	\$101.00
237	\$101.00
238	\$101.00
239	\$100.03
240	\$100.00
241	\$100.00
242	\$100.00
243	\$100.00
244	\$100.00
245	\$100.00
246	\$100.00
247	\$100.00
248	\$100.00
249	\$100.00

250	\$100.00
251	\$100.00
252	\$100.00
253	\$100.00
254	\$100.00
255	\$100.00
256	\$100.00
257	\$100.00
258	\$100.00
259	\$100.00
260	\$100.00
261	\$100.00
262	\$100.00
263	\$100.00
264	\$100.00
265	\$100.00
266	\$100.00
267	\$100.00
268	\$100.00
269	\$100.00
270	\$100.00
271	\$93.00
272	\$85.00
273	\$85.00
274	\$85.00
275	\$80.00
276	\$75.00
277	\$75.00
278	\$75.00
279	\$70.06
280	\$60.00
281	\$60.00
282	\$50.00
283	\$50.00
284	\$50.00
285	\$50.00
286	\$50.00
287	\$50.00
288	\$50.00
289	\$50.00
290	\$50.00
291	\$50.00
292	\$50.00

293	\$50.00
294	\$40.00
295	\$35.00
296	\$35.00
297	\$33.00
298	\$30.00
299	\$25.00
300	\$25.00
301	\$25.00
302	\$25.00
303	\$25.00
304	\$25.00
305	\$25.00
306	\$25.00
307	\$20.00
308	\$20.00
309	\$20.00
310	\$20.00
311	\$20.00
312	\$20.00
313	\$17.80
314	\$10.00
315	\$10.00