

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022076156301**

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 FSI) 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 FSI has been a FINRA member since October 1936. UBS FSI is a full-service brokerage firm headquartered in Weehawken, New Jersey. UBS FSI currently has more than 11,000 registered representatives and approximately 1,100 branch offices.¹

OVERVIEW

From February 2014 through November 2024, UBS FSI sent its customers over 330 million trade confirmations that either (1) disclosed that the price shown was or may be an average price when it was not an average price or (2) failed to disclose that the price shown was in fact an average price. These failures occurred even though FINRA notified UBS FSI about its inaccurate average price disclosures in February 2014. As a result, UBS FSI violated Rule 10b-10 of the Securities Exchange Act of 1934, and FINRA Rules 2232 and 2010.

From at least February 2014 through August 2024, UBS FSI also failed to establish and maintain a supervisory system, including written supervisory procedures (WSPs), reasonably designed to achieve compliance with Exchange Act Rule 10b-10 and FINRA Rule 2232. After FINRA notified UBS FSI about its inaccurate average price disclosures

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

in February 2014, UBS FSI did not take reasonable or timely steps to ensure its trade confirmations correctly included or omitted average price disclosures. Additionally, until August 2024, UBS FSI had no supervisory review to determine whether confirmations correctly included or omitted average price disclosures. Accordingly, UBS FSI violated FINRA Rules 3110 and 2010, and NASD Rule 3010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's examination of UBS FSI.

UBS FSI sent millions of trade confirmations to customers that failed to accurately disclose whether the price shown was an average price.

Trade confirmations protect investors who buy or sell securities through broker-dealers by, among other things, alerting them to potential conflicts of interest with their broker-dealers and providing them the means to verify the terms of their transactions and evaluate transaction costs and the quality of their broker-dealers' executions.

Exchange Act Rule 10b-10, promulgated under § 10(b) of the Exchange Act, requires broker-dealers that effect securities transactions for customers to provide customers a confirmation, at or before completion of each transaction, disclosing certain basic terms of the transaction, such as the identity, price, number of shares of the security bought or sold, and the execution capacity of the broker-dealer.

In a 2005 No-Action Letter, the U.S. Securities and Exchange Commission Division of Trading and Markets staff published guidance on Exchange Act Rule 10b-10 that permits broker-dealers to send a single trade confirmation for single customer orders effected via multiple executions at multiple prices, so long as certain conditions are satisfied. If the price reflected on the trade confirmation is an average price, the broker-dealer is required to include certain disclosures on the confirmation, including a notation that the confirmed price is an average price.

FINRA Rule 2232(a) requires members, at or before the completion of any transaction in any security effected for or with an account of a customer, to provide such customer with written confirmations that conform with the requirements of Exchange Act Rule 10b-10.

A violation of the Exchange Act, an Exchange Act rule, or any FINRA rule also is a violation of FINRA Rule 2010, which requires members, in the conduct of their business, to observe high standards of commercial honor and just and equitable principles of trade.

In early February 2014, FINRA notified UBS FSI that certain of its trade confirmations incorrectly disclosed that the price shown was an average price, in violation of Exchange Act Rule 10b-10. The inaccuracies arose because UBS FSI's confirmations disclosed that each trade processed through its Trade Allocation and Processing System (TAPS) account was executed in more than one transaction and that the price shown was an average price. However, while the TAPS account was designed for average price transactions, UBS FSI also used the TAPS account to process block orders, some of

which were effected in one execution at a single price. For those orders, UBS FSI's confirmations incorrectly disclosed that the trade was executed in more than one transaction and that the price shown was an average price.

In mid-2014, UBS FSI changed the blanket disclosure on its confirmations for trades processed through the TAPS account to state that each trade "may have been completed in multiple executions consisting of various quantities/prices and the price shown may be an average of these prices."² For non-average price trades processed through the TAPS account, the confirmations disclosed that the confirmed price may be an average price when it was not an average price. For average price trades processed through the TAPS account, the confirmations failed to disclose that the price shown was in fact an average price. As a result, from August 2014 through August 2018, all of the firm's confirmations for trades processed through the TAPS account—an estimated 244 million confirmations—were deficient because they either (1) disclosed that the price shown "may have been" an average price when it was not an average price, or (2) failed to disclose that the price shown was in fact an average price.

In September 2018, over four years after FINRA's notification, UBS FSI implemented system changes that allowed it to systematically determine whether certain trades processed through the TAPS account were executed at an average price and to include or omit a definitive average price disclosure on those confirmations. However, the system changes applied only to trades processed through one third-party vendor system. For the remaining trades processed through the TAPS account, UBS FSI continued to send confirmations disclosing that the price shown "may" be an average price, regardless of whether the trade was or was not executed at an average price. As a result, from September 2018 through December 2022, UBS FSI sent customers approximately 86 million trade confirmations with deficient average price disclosures.

After a FINRA examination identified confirmations with deficient average price disclosures again in late 2022, UBS FSI began taking steps to fully remediate the issue. By December 2023, the firm had remediated the issue for at least 95 percent of confirmations for trades processed through the TAPS account. However, the firm did not fully remediate the issue until November 2024 and, as a result, from January 2023 through November 2024, UBS FSI sent customers hundreds of thousands of confirmations with deficient average price disclosures.

In all, UBS FSI sent its retail and institutional customers over 330 million confirmations between February 2014 and November 2024 that either failed to disclose that the price shown was in fact an average price or disclosed that the price shown may have been an average price when it was not an average price.

Therefore, UBS FSI violated Exchange Act Rule 10b-10, and FINRA Rules 2232 and 2010.

² The confirmations disclosed the correct price to the customer. The confirmations also disclosed, "Details of the individual trade executions and elements of total remuneration paid by you are available to you upon request." However, UBS FSI did not receive any requests pursuant to this disclosure.

UBS FSI failed to reasonably supervise its compliance with trade confirmation requirements.

FINRA Rule 3110(a), and its predecessor NASD Rule 3010(a), require member firms to establish and maintain a supervisory system, including written procedures, to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws, regulations, and FINRA rules.³ FINRA Rule 3110(b), and its predecessor NASD Rule 3010(b), require member firms to establish, maintain, and enforce written procedures to supervise the types of business in which they engage and the activities of their associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. The duty to supervise under FINRA Rule 3110 and NASD Rule 3010 also includes the responsibility to reasonably investigate red flags that suggest that misconduct may be occurring and to act upon the results of such investigation. A violation of FINRA Rule 3110 or NASD Rule 3010 is also a violation of FINRA Rule 2010.

From at least February 2014 through August 2024, UBS FSI's supervisory system and WSPs were not reasonably designed to achieve compliance with Exchange Act Rule 10b-10 and FINRA Rule 2232. UBS FSI did not respond reasonably after FINRA notified the firm about its inaccurate average price disclosures in February 2014 by taking over ten years to fully remediate its disclosures. Additionally, although UBS FSI began including or omitting definitive average price disclosures on the trades processed through the TAPS account by the third-party vendor in September 2018, the firm had no supervisory system or WSPs to review whether these average price disclosures were correctly included or omitted. The firm reviewed a weekly sample of trade confirmations to determine the accuracy of other required confirmation elements, but did not review the accuracy of its average price disclosures.

In August 2024, UBS FSI implemented a supervisory review of the accuracy of average price disclosures, along with corresponding WSPs. As a result of this review, between August 2024 and November 2024, UBS FSI detected and corrected additional issues causing deficient average price disclosures on confirmations.

By failing to reasonably supervise average price disclosures on its confirmations, Respondent violated FINRA Rules 3110 and 2010, and NASD Rule 3010.

³ FINRA Rule 3110 superseded NASD Rule 3010 on December 1, 2014.

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

- a censure; and
- a \$1.1 million fine.

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:

- 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.

December 27, 2024

Date

Darya Geetter

UBS Financial Services Inc.
Respondent

Print Name: Darya Geetter

Title: Head of US Securities Regulatory Affairs

Reviewed by:

Susan Light

Susan Light
Counsel for Respondent
Katten Muchin Rosenman LLP
50 Rockefeller Plaza
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Accepted by FINRA:

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

December 30, 2024

Date

Shanyn L. Gillespie

Shanyn Gillespie
Director
FINRA
Department of Enforcement
9509 Key West Avenue
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