

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140399376 - 01**

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

RE: UBS Securities LLC, Respondent
Broker-Dealer
CRD No. 7654

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, UBS Securities LLC (the "firm" or "Respondent") 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 herein.

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

The firm has been a member of FINRA since August 17, 1978, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On September 9, 2013, FINRA accepted an AWC in which the firm was censured and fined \$575,000 for, among other things, failing, from 2003 through June 21, 2011, to deliver certain written confirmations and account statements, and in certain instances, to disclose certain required information to institutional customers who executed trades in non-U.S. securities through certain non-registered foreign affiliates, in violation of Rules 10b-10 and 15a-6 of the Securities Exchange Act, NASD Rules 2230 and 2110 and FINRA Rules 2232 and 2010. The AWC also included, among other things, related supervisory violations under NASD Rules 3010 and 2110 and FINRA Rule 2010 for having an inadequate supervisory system concerning the firm's delivery of trade confirms and account statements and the above disclosures of certain required transaction information to customers.

On January 15, 2013, FINRA accepted an AWC in which the firm was censured and fined \$90,000 in connection with certain findings from two exams of which (1) \$15,000 pertained, in relevant part, to SEC Rule 10b-10 violations for failing to identify the firm was a market maker on 74 confirmations associated with trade dates from August 24-25, 2009, and failing to disclose the correct capacity information in which the firm acted on 117 confirmations associated with the trade date of August 18, 2010.

SUMMARY

In Trading and Financial Compliance Exam No. 20140399376, the staff reviewed trading activity of the firm for compliance with various regulatory requirements for trade dates Sept. 18-19, 2014, and the firm's compliance with SEC Rule 10b-10 and related supervision for the period from April 3, 2012 through March 30, 2015 (collectively, the "Exam Review Period"). The review revealed a systemic capacity misreporting issue on certain trade confirmations over 36 months on the firm's program trading desk involving trades with non-regular-way settlements, as well as related supervisory failures, during the Exam Review Period. As a result of the review, the staff determined the firm violated SEC Rule 10b-10, NASD Rule 3010 and FINRA Rules 2010 and 3110, as described below.

FACTS AND VIOLATIVE CONDUCT

1. From April 3, 2012 through March 30, 2015, the firm failed, on at least approximately 15,550 occasions, to disclose on the written notification to its customer its correct capacity in the transaction, by erroneously noting that the firm acted in an agency capacity when it acted in a riskless principal capacity. The inaccurate capacity designations on the above confirmations arose from a systems configuration error when the firm's program trading desk switched order management systems. The systems configuration error resulting in the inaccurate capacity information affected confirmations issued to customers/clients seeking settlement dates other than by regular-way (T+3) settlement dates (e.g., T+1, T+4 settlement dates) whose orders were handled by the program trading desk. The above 15,550 confirmations related to 282,404 executed orders. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10 and FINRA Rule 2010.
2. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations and the Rules of FINRA. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
 - (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;

- (c) the frequency of such reviews; and
- (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to sufficiently provide for one or more of the four above-cited minimum requirements for adequate written supervisory procedures, in the following subject area: (1) SEC Rule 10b-10 compliance [(b)]. The conduct described above in this paragraph constitutes violations of NASD Rule 3010 and FINRA Rules 3110 and 2010.

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

A censure, a fine of \$110,000 (consisting of \$80,000 for the SEC Rule 10b-10 findings and \$30,000 for the associated supervisory findings concerning Rule 10b-10 compliance), and an undertaking to revise the firm's written supervisory procedures with respect to the areas described in paragraph I.A.2 above. Within 60 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal 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 registered principal 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 paragraph I.A.2; and, (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It 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(s) imposed in this matter.

The sanctions imposed herein 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 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 Commission and a U.S. Court of Appeals.

Further, Respondent specifically and voluntarily waives any right to claim bias or prejudice 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 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. 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 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. Respondent 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.

5-5-2016

Date

Respondent

UBS Securities LLC

By: Mark Impellizeri

Name: Mark Impellizeri

Title: Director / Regulatory Attorney

Reviewed by:

Attorney Name
Counsel for Respondent
Firm Name
Address
City/State/Zip
Phone Number

Accepted by FINRA:

May 27, 2016
Date

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

James J. Nixon
James J. Nixon
Chief Litigation Counsel
FINRA Department of Market Regulation