

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the
Continued Membership
of
UBS Securities LLC
(CRD No. 7654)

Notice Pursuant to
Rule 19h-1
Securities Exchange Act
of 1934¹

SD-2342

December 12, 2023

I. Introduction

On October 14, 2022, UBS Securities LLC (“UBS” or “Firm”) submitted a Membership Continuance Application (“MC-400A Application” or “Application”) to FINRA’s Credentialing, Registration, Education, and Disclosure Department (“CRED”).² The Application seeks to permit the Firm, a FINRA member, to continue its membership with FINRA notwithstanding its statutory disqualification. A hearing was not held in this matter; rather, pursuant to FINRA Rule 9523(b), FINRA’s Department of Member Supervision (“FINRA,” “Member Supervision,” or “Department”) approves the Application and is filing this Notice pursuant to Rule 19h-1 of the Securities Exchange Act of 1934 (“Exchange Act” or “SEA”).

II. The Statutorily Disqualifying Event

The Firm is subject to statutory disqualification, as that term is defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Section 15(b)(4)(D) and (E), as a result of a September 2022 Order issued by the Securities and Exchange Commission (“SEC” or “Commission”) finding UBS willfully violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) and failed reasonably to supervise its employees with a view to preventing or detecting certain of its employees’ aiding and abetting violations of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4) thereunder (the “SEC Order”).³ According

¹ This SEA Rule 19h-1 Notice, along with supporting Exhibits, addresses several technical issues and replaces the SEA Rule 19h-1 Notice filed by FINRA on October 25, 2023.

² See MC-400A Application and related attachments compiled by CRED, with a cover memorandum dated October 27, 2022, collectively attached as Exhibit 1.

³ See SEC Order, *In re UBS Financial Services, Inc. and UBS Securities LLC*, Exchange Act Release No. 95929 (Sept. 27, 2022), attached as Exhibit 2. Member Supervision is filing a separate Notice pertaining to UBS’s affiliate UBS Financial Services, Inc.

The SEC Order also triggered disqualification under Rules 262(a)(4), 506(d)(1)(iv), and 602(c)(3) of the Securities Act of 1933 and Rule 503(a)(4)(ii) of Regulation Crowdfunding. On September 27, 2022, the SEC

to the SEC Order, from at least January 2018 to September 2021, employees of UBS sent and received off-channel communications that related to the Firm's business, and a majority of these written communications was not maintained or preserved by the Firm.⁴ Further, supervisors who were responsible for preventing this misconduct among junior employees routinely communicated off-channel using their personal devices and in so doing failed to comply with Firm policies by communicating using non-Firm approved methods on their personal devices about the Firm's broker-dealer business.⁵

The Firm was ordered to cease and desist from committing or causing any future violations, censured, ordered to pay a civil money penalty of \$125,000,000, and ordered to comply with undertakings.⁶

III. Remedial Measures

In its Application, the Firm represented that it has undertaken significant remedial measures in response to the SEC's findings, including requiring more frequent employee attestations regarding their understanding of the Firm's electronic communications policies, increasing the frequency and venues of written and verbal compliance reminders related to electronic communications, reviewing and upgrading relevant written policies on electronic communications, adding additional training content, evaluating the potential use of additional technology, and improving the process and procedures for gathering documents for review and investigation to ensure that electronic communications through unapproved channels are included.⁷ According to the SEC Order, the SEC considered the Firm's prompt remedial actions and cooperation with the Commission when determining to accept the Offer of Settlement.⁸

IV. Firm Background

The Firm has been a FINRA member since 1978.⁹ It is headquartered in New York, NY with 37 branches, 23 of which are Offices of Supervisory Jurisdiction.¹⁰ The Firm employs 1775 registered representatives (471 of which are registered principals), 12,109 non-

granted a waiver from the application of the disqualification provisions of these Rules. *See In re Certain Broker-Dealer Practices*, Securities Act Release No. 11109 (Sept. 27, 2022), attached as Exhibit 3.

⁴ *See* Exhibit 2 at p. 2.

⁵ *Id.*

⁶ *Id.* at p. 10. The SEC ordered that UBS and its affiliate UBS Financial Services, Inc. jointly and severally pay the \$125,000,000 penalty. *Id.* The Firm represents that this amount was fully paid on October 7, 2022. *See* Exhibit 1 at FINRA00016. *See also* Correspondence from Lari A. Dierks to FINRA dated January 5, 2023, attached as Exhibit 4 at p. 1, Response 1.

⁷ *See* Exhibit 1 at FINRA00047, 00051-53.

⁸ *See* Exhibit 2 at p. 6.

⁹ *See* CRD Excerpt: Organization Registration Status, attached as Exhibit 5.

¹⁰ FINRA confirmed this through analysis of the Firm's information contained in the Central Registration Depository ("CRD"), last performed on September 20, 2023.

registered fingerprint employees, and 196 operations professionals.¹¹ UBS employs zero statutorily disqualified individuals.¹²

UBS is approved to engage in the following lines of business: exchange member engaged in exchange commission business other than floor activities; broker or dealer making inter-dealer markets in corporate securities over-the-counter; broker or dealer retailing corporate equity securities over-the-counter; broker or dealer selling corporate debt securities; underwriter or selling group participant (corporate securities other than mutual funds); U.S. government securities dealer; U.S. government securities broker; municipal securities dealer; municipal securities broker; solicitor of time deposits in a financial institution; put and call broker or dealer or option writer; broker or dealer selling securities of non-profit organizations; trading securities for own account; private placements of securities; broker or dealer selling interests in mortgages or other receivables; engages in other securities business; effects transactions in commodity futures, commodities, commodity options as broker for others or dealer for own account; and engages in other non-securities business such as providing advice (including rendering fairness opinions and providing valuation services) in connection with mergers, acquisitions, divestitures, joint ventures, and leveraged buyouts; for the purposes of hedging other activities, financial future trading for its own account; and swaps.¹³

The Firm is a member of the following self-regulatory organizations (“SROs”): Box Exchange LLC (“BOX”); Cboe BYX Exchange, Inc. (“BYX”); Cboe BZX Exchange, Inc. (“BZX”); Cboe C2 Exchange, Inc. (“C2”); Cboe EDGA Exchange, Inc. (“EDGA”); Cboe EDGX Exchange, Inc. (“EDGX”); Cboe Exchange, Inc. (“Cboe”); Investors’ Exchange LLC (“IEX”); Long-Term Stock Exchange, Inc. (“LTSE”); MEMX LLC (“MEMX”); MIAX Emerald LLC (“MIAX Emerald”); MIAX Pearl, LLC (“MIAX Pearl”); Miami International Securities Exchange, LLC (“MIAX”); NYSE American LLC (“NYSE American”); NYSE Arca, Inc. (“NYSE Arca”); NYSE Chicago, Inc. (“NYSE Chicago”); NYSE National, Inc. (“NYSE National”); Nasdaq BX, Inc. (“BX”); Nasdaq GEMX, LLC (“GEMX”); Nasdaq ISE, LLC (“ISE”); Nasdaq MRX, LLC (“MRX”); Nasdaq PHLX LLC (“PHLX”); The Nasdaq Stock Market LLC (“Nasdaq”); New York Stock Exchange LLC (“NYSE”);¹⁴ Municipal Securities Rulemaking Board (“MSRB”); The Depository Trust Company (“DTC”); the Fixed Income Clearing Corporation Government Securities Division (“FICC-GOV”) and Mortgage Backed Securities Division (“FICC-MBS”); and the National Securities Clearing Corporation (“NSCC”).¹⁵

¹¹ *Id.*

¹² *Id.*

¹³ See CRD Excerpts: Types of Business and Other Business Descriptions, collectively attached as Exhibit 6.

¹⁴ See Exhibit 5.

¹⁵ Membership in these organizations was verified by FINRA staff through a search of public member directories, last performed on September 20, 2023.

Recent Examinations

In the past two years, FINRA completed one routine examination of the Firm that resulted in a Cautionary Action Letter (“CAL”), and nine non-routine examinations of the Firm that resulted in CALs, two of which were conducted on behalf of Nasdaq, Cboe, and MIAX Pearl pursuant to Regulatory Services Agreements (“RSAs”). The SEC also completed one examination.

A. FINRA Routine Examination

In September 2022, FINRA issued a Cautionary Action to the Firm for the three exceptions noted relating to the Firm’s credit risk management practices, the Firm’s inability to adequately identify all ETNs and/or ETN options for purposes of excluding such positions for portfolio margin eligibility, and the failure of the Firm’s consolidated stock record tool to apply the required price factor for treasury inflation-protected securities which caused a lower market value of these securities to be recorded in the Firm’s Customer Reserve Formula.¹⁶ The Firm responded in writing that some of the delays in setting certain credit limits were due to COVID-19, it enhanced its credit system to monitor excess credit limits automatically rather than manually, it increased the speed by which its credit risk officers are required to action excess workflow items, it implemented a number of enhancement efforts to bolster its risk management including additional daily reports distributed to management, it developed an automated process to flag all ETNs and options on ETNs as ineligible for portfolio margin, it established a control to ingest a daily “factor” file from its vendor, it updated the relevant procedures, and it trained relevant staff on the process to capture the correct market value on positions with a factor value.¹⁷

B. FINRA Non-Routine Examinations

In February 2023, FINRA issued a Cautionary Action to the Firm for failing to establish and maintain a supervisory system reasonably designed to supervise the maintenance of options records.¹⁸

In February 2023, FINRA issued a Cautionary Action to the Firm for erroneously reporting 203 transactions containing the RX modifier in violation of FINRA Rules 7230A(g) and 2010.¹⁹ The Firm responded in writing that it corrected the technology issue that was

¹⁶ See Disposition Letter for Examination No. 20210693198 dated September 29, 2022, Examination Report dated May 27, 2022, and Firm Response dated June 24, 2022, collectively attached as Exhibit 7.

¹⁷ *Id.* at FINRA pp. 11-19.

¹⁸ See Disposition Letter and Examination Report for Examination No. 20220754401 dated February 16, 2023 (the Firm did not provide a written response), collectively attached as Exhibit 8.

¹⁹ See Disposition Letter for Examination No. 20210729390 dated February 7, 2023 and Firm Response dated February 23, 2023, collectively attached as Exhibit 9.

preventing the Firm's system from identifying the difference between risk transfers and reportable transactions with a change in beneficial ownership.²⁰

In January 2023, FINRA issued a Cautionary Action to the Firm for effecting 648 trades during five trading halts/pauses in violation of FINRA Rule 5260 and failing to have a supervisory system that provided for supervision reasonably designed to achieve compliance with Rule 5260.²¹ The Firm responded in writing that it took corrective action by issuing written guidance to relevant staff regarding the importance of accurate trade reporting including validating the trade and execution time prior to submitting a trade that was rejected due to a trading halt, and enhancing its automated exception-based supervisory controls.²²

In January 2023, FINRA, on behalf of Cboe and MIAX Pearl, issued a second Cautionary Action to the Firm for a) failing to report as many as 6,735 expiring index options positions to the Large Options Positions Report on the day of expiration that underwent exercises or assignments during the review periods and b) overreporting positions to the Large Options Positions Report that underwent exercises and assignments prior to expiration during the review periods.²³

In January 2023, FINRA issued another Cautionary Action to the Firm for over-reporting information to TRACE regarding 68 transactions in TRACE-Eligible Corporate Debt Securities and failing to report to TRACE 74 transactions.²⁴ The Firm responded in writing that it completed remediation of the TRACE reports on a going forward basis.²⁵

In November 2022, FINRA issued a Cautionary Action to the Firm because the Firm's erroneous price control was not reasonably designed to comply with SEA Rule 15c3-5 as it excluded orders in securities that were subject of an IPO prior to the IPO opening without a statutory exemption.²⁶ The Firm responded in writing that it was in the process of constructing a price control for securities subject to an IPO which the Firm expected to implement during the first quarter of 2023, and it began an assessment to determine whether its outbound order systems exclude any other equity order types from the Firm's price and size controls.²⁷

²⁰ *Id.* at FINRA pp. 3-4.

²¹ See Disposition Letter for Examination No. 20210727428 dated January 13, 2023 and Firm Response dated February 10, 2023, collectively attached as Exhibit 10.

²² *Id.* at FINRA p. 4.

²³ See Disposition Letter for Examination No. 20210735443 dated January 17, 2023 (the Firm did not provide a written response), attached as Exhibit 11.

²⁴ See Disposition Letter for Examination No. 20220738510 dated January 9, 2023 and Firm Response dated January 17, 2023, collectively attached as Exhibit 12.

²⁵ *Id.* at FINRA p. 4.

²⁶ See Disposition Letter for Examination No. 20210727806 dated November 1, 2022 and Firm Response dated November 9, 2022, collectively attached as Exhibit 13.

²⁷ *Id.* at FINRA p. 4.

In May 2022, FINRA, on behalf of Nasdaq, issued a Cautionary Action to the Firm because the Firm was unable to provide a reasonable basis or provide documentation to demonstrate that its “% Away – Equities” and “% Away – Last Trade – Equities” controls for limit orders were reasonably designed to prevent the entry of erroneous orders from reaching the market.²⁸ The Firm responded in writing that it is committed to compliance with Market Access rules and regulations and understands the importance of documenting its process for determining that the referenced market access controls are reasonably designed.²⁹

In February 2022, FINRA issued a Cautionary Action to the Firm because the Firm accepted 13 market orders in five new issues prior to the commencement of trading in the secondary market in violation of FINRA Rules 5131(d)(4) and 2010.³⁰ The Firm responded in writing that it is engaged in introducing further automation to its automated controls already in place to expedite its IPO set-up process and its cancellation functionality in order to assist in its efforts to comply with Rule 5131(d)(4).³¹

In October 2021, FINRA, on behalf of Cboe, issued a Cautionary Action to the Firm because the Firm failed to establish, maintain, and enforce written supervisory procedures reasonably designed to prevent and detect position limit violations, in violation of Cboe Rule 8.16.³²

C. SEC Examination

An SEC examination concluded in October 2023 identified the Firm’s failure to make and maintain certain books and records related to its net capital computations as a result of inaccurately calculating haircut and deficit charges as well as PAB reserve computations.³³ The SEC also identified the Firm’s failure to establish, maintain and/or enforce written supervisory procedures (“WSPs”) related to those computations.³⁴ Finally, the SEC identified that the Firm failed to promptly resolve differences between ADP and DTC when conducting its required periodic security counts.³⁵

²⁸ See Disposition Letter for Examination No. 20180587811 dated May 13, 2022 and Firm Response dated June 8, 2022, collectively attached as Exhibit 14.

²⁹ *Id.* at FINRA p. 3. This examination also resulted in several Letters of Acceptance, Waiver, and Consent (“AWC(s)”) signed by the Firm and FINRA, NYSE Arca, and Nasdaq in May 2022 that will be discussed below in further detail.

³⁰ See Disposition Letter for Examination No. 20210705934 dated February 16, 2022 and Firm Response dated March 14, 2022, collectively attached as Exhibit 15.

³¹ *Id.* at FINRA p. 4.

³² See Disposition Letter for Examination No. 20200672291 dated October 20, 2021 (the Firm did not provide a written response), attached as Exhibit 16.

³³ See SEC Examination Letter for File No. 8-22651 dated October 4, 2023, attached as Exhibit 17. As of the date of this Notice, it appears that the Firm has not yet submitted a response.

³⁴ *Id.* at FINRA pp. 8-9.

³⁵ *Id.* at FINRA p. 9.

Regulatory Actions

In approximately the past two years, UBS has been the subject of 21 disciplinary matters, besides the SEC Order at issue in this notice. The Firm was subject to disciplinary matters brought by FINRA, the Commodities Futures Trading Commission (“CFTC”), NYSE, NYSE American, NYSE Arca, Nasdaq, BZX, BYX, EDGX, Cboe Futures Exchange, LLC (“Cboe Futures”), Bourse de Montreal Inc. (“Montreal Exchange”), the Chicago Mercantile Exchange (“CME”), the Chicago Board of Trade (“CBOT”), Commodity Exchange, Inc. (“COMEX”), New York Mercantile Exchange, Inc. (“NYMEX”), and Ice Futures Europe.

A. FINRA Actions

On February 3, 2023, the Firm entered into an AWC with FINRA in connection with the Firm’s publication of inaccurate monthly statistics regarding execution of covered orders in violation of Rule 605 of Regulation NMS.³⁶ The Firm consented to a censure and a \$475,000 fine.³⁷

On January 5, 2023, the Firm entered into an AWC with FINRA in connection with the Firm’s failure to report and accurately report over-the-counter options positions to the Large Options Positions Reporting System.³⁸ The Firm consented to a censure and a \$3,750,000 fine.³⁹

On November 21, 2022, the Firm entered into an AWC with FINRA in connection with the Firm’s failure to timely and accurately report transactions to TRACE, in violation of FINRA Rules 6730 and 2010.⁴⁰ The Firm consented to a \$675,000 fine.⁴¹

B. CFTC Action

On September 27, 2022, the CFTC issued an Order finding that the Firm violated Section 4g of the Commodity Exchange Act (7 U.S.C. § 6g), and Commission Regulations 1.31, 1.35, and 166.3 (17 C.F.R. §§ 1.31, 1.35, 166.3 (2021)).⁴² These violations were based on

³⁶ See FINRA AWC No. 2019062435601, dated February 3, 2023 and CRD Disclosure for Occurrence No. 2255257, collectively attached as Exhibit 18.

³⁷ *Id.* at FINRA p. 4. The fine was paid on March 10, 2023. *Id.* at p. 9.

³⁸ See FINRA AWC No. 2017056154401, dated January 5, 2023 and CRD Disclosure for Occurrence No. 2249604, collectively attached as Exhibit 19.

³⁹ *Id.* at FINRA p. 5. The fine was paid on January 17, 2023. *Id.* at FINRA p. 11.

⁴⁰ See FINRA AWC No. 2017053191801, dated November 21, 2022 and CRD Disclosure for Occurrence No. 2242321, collectively attached as Exhibit 20.

⁴¹ *Id.* at FINRA p. 6. The fine was paid on December 12, 2022. *Id.* at FINRA p. 11.

⁴² See CFTC Order, *In re UBS AG, UBS Financial Services, Inc., and UBS Securities LLC*, CFTC Docket No. 22-42 (Sept. 27, 2022), attached as Exhibit 21. FINRA has determined that this is not a disqualifying

the same misconduct underlying the SEC Order that is the subject of the Firm's Application. The Firm was ordered to cease and desist from violating the cited sections of the Commodity Exchange Act and Commission Regulations, to pay (jointly and severally) a \$75,000,000 civil penalty, and to comply with various undertakings related to the Firm's preservation of records related to electronic communications.⁴³

C. FINRA, NYSE, and NYSE American Related Actions

Between September 7 and October 3, 2022, the Firm entered into three AWCs with FINRA, NYSE, and NYSE American to settle allegations that it did not accurately calculate the net positions of, or assess long and short sales for, four independent trading units, in violation of Regulation SHO Rule 200(f) and other related rules.⁴⁴ The Firm consented to a censure and a combined fine of \$770,000 of which \$173,334.00 was payable to FINRA and \$298,333.00 was payable to NYSE and NYSE American, respectively.⁴⁵

Additionally, the Firm signed a second AWC with FINRA on October 3, 2022 to settle allegations that it improperly used revocable volume-weighted average price transactions or limit orders to address buy-in obligations for failure-to-deliver positions; undercalculated the shares it was required to borrow or purchase; and failed to restrict all short sales in securities with an unsatisfied close-out requirement in violation of Regulation SHO Rules 204(a) and (b).⁴⁶ The Firm consented to a censure, a \$2,500,000 fine, and agreed to certain undertakings.⁴⁷

D. FINRA, Nasdaq, and NYSE Arca Related Actions

Between April 8 and May 3, 2022, the Firm entered into three AWCs with FINRA, Nasdaq, and NYSE Arca.⁴⁸ Each action related to the Firm's failure to establish any credit

event.

⁴³ *Id.* at pp. 9-13. The Firm represented that the full amount of the civil penalty was paid on October 7, 2022. *See* Exhibit 4 at p. 2, Response 4. Further, the Firm represented that it remains in full compliance with the ordered undertakings. *See* Correspondence from Lari A. Dierks to FINRA dated June 21, 2023, attached as Exhibit 22.

⁴⁴ *See* FINRA AWC No. 2017053779201, dated October 3, 2022; NYSE AWC No. 2017053779203, dated September 7, 2022; and NYSE American AWC No. 2017053779202, dated September 7, 2022, collectively attached as Exhibit 23.

⁴⁵ *Id.* at FINRA pp. 3, 11, 19. The fine was paid to FINRA on October 17, 2022. *See* CRD Disclosure for Occurrence No. 2232089, attached as Exhibit 24 at p. 2. The Firm paid the fine to NYSE on October 3, 2022 and to NYSE American on December 19, 2022. *See* Exhibit 4 at p. 2, Responses 2 and 3.

⁴⁶ *See* FINRA AWC No. 2016050211701, dated October 3, 2022, attached as Exhibit 25.

⁴⁷ *Id.* at pp. 4-5. The fine was paid on October 18, 2022 and the Firm complied with the required undertakings. *See* CRD Disclosure for Occurrence No. 2231978 and Correspondence from WilmerHale to FINRA dated December 21, 2022, regarding undertakings, collectively attached as Exhibit 26, at FINRA pp. 3, 6.

⁴⁸ *See* FINRA AWC No. 2018058781101, dated May 3, 2022; Nasdaq AWC No. 2018058781102, dated May 3, 2022; and NYSE Arca AWC No. 2018058781103, dated April 8, 2022, collectively attached as

thresholds or erroneous order controls with respect to the two affiliates and maintain a supervisory system for reviewing credit limits and resumed orders in violation of Section 15(c)(3) of the Exchange Act and Exchange Act Rule 15c3-5 thereunder, among other rules.⁴⁹ The Firm consented to a censure and a combined \$250,000 fine to be paid jointly to the three regulators (\$70,000 to FINRA, \$90,000 to Nasdaq, and \$90,000 to NYSE Arca).⁵⁰

E. BZX, BYX, and EDGX Related Actions

On November 8, 2021, BZX, BYX, and EDGX issued decisions, incorporating Letters of Consent finding that UBS violated several of their rules.⁵¹ Each action related to the Firm's failure to maintain financial risk management controls that were reasonably designed to prevent the entry of erroneous orders.⁵² The Firm consented to a censure and a combined \$120,000 fine, of which \$24,000 each was to be paid to BZX and BYX, and \$72,000 to be paid to EDGX.⁵³

F. Cboe Futures Action

On May 1, 2023, Cboe Futures issued a decision incorporating a Letter of Consent finding that the Firm failed to correctly report details of a block trade, failed to timely report a block trade to the Exchange, failed to provide all required information of the block trade to the Authorized Reporter, and failed to obtain consent from a customer to execute the transaction as a block trade.⁵⁴ The Firm consented to a \$16,000 fine.⁵⁵

G. Montreal Exchange Action

On April 25, 2022, Bourse de Montreal, Inc. issued a decision relating to the Firm allowing employees to trade on the Bourse and granting access to the Bourse via its electronic

Exhibit 27.

⁴⁹ *Id.* at FINRA pp. 3-4, 9, 15-17.

⁵⁰ *Id.* at FINRA pp. 4-5, 11, 17-18. The fine was paid to FINRA on May 24, 2022, to Nasdaq on May 10, 2022 and to NYSE Arca on May 6, 2022. *See* CRD Disclosure for Occurrence No. 2201602, attached as Exhibit 28 at p. 3; *see also* Exhibit 4 at pp. 2-3, Responses 5 and 6.

⁵¹ *See* BZX Disciplinary Decision and Letter of Consent, *In re UBS Securities LLC*, File No. USRI-7757-05 (Nov. 8, 2021), BYX Disciplinary Decision and Letter of Consent, *In re UBS Securities LLC*, File No. USRI-7757-06 (Nov. 8, 2021), and EDGX Disciplinary Decision and Letter of Consent, *In re UBS Securities LLC*, File No. USRI-7757-07 (Nov. 8, 2021), collectively attached as Exhibit 29.

⁵² *Id.*

⁵³ *Id.* at FINRA pp. 5, 11, 19. The Firm represented that the fines were paid to BYX and EDGX on November 8, 2021 and to BZX on November 19, 2021. *See* Exhibit 4 at p. 3, Responses 7-9.

⁵⁴ *See* Cboe Futures Disciplinary Decision and Letter of Consent, *In re UBS Securities LLC*, File No. URE-186-09 (May 1, 2023), attached as Exhibit 30.

⁵⁵ *Id.* at FINRA p. 4. The Firm represented that the fine was paid on May 23, 2023. *See* Correspondence from Lari A. Dierks to FINRA dated June 21, 2023, attached as Exhibit 31, at p. 2 Response 4.

trading system without having obtained prior approval.⁵⁶ The Firm was ordered to pay a \$90,000 CAD fine (approximately \$77,000 USD) and costs of \$5,685 CAD.⁵⁷

H. CME Action

On August 20, 2021, CME issued a notice of disciplinary action in connection with the Firm's failure to maintain accurate records for certain performance bond calls in violation of Chicago Board of Trade Rules.⁵⁸ The CME imposed a \$75,000 fine on the Firm.⁵⁹

I. CME, CBOT, COMEX, and NYMEX Related Actions

On May 19, 2023, the Firm was the subject of Summary Action proceedings with CME, CBOT, COMEX and NYMEX that resulted in sanctions against the Firm as a result of the Firm's failure to maintain current and accurate information in the Exchanges' Fee Systems.⁶⁰ The Firm was fined a total of \$8,000 to be paid in equal amounts to the Exchanges.⁶¹

J. Other Statutory Disqualification Matters

The Firm has not been the subject of any other matters in the past five years that rendered it statutorily disqualified.

V. Prior SEA Rule 19h-1 Notices

FINRA filed one Rule 19h-1 Notice approving UBS' continued membership notwithstanding the existence of its statutory disqualification.

On May 7, 2014, FINRA filed a Rule 19h-1 notice approving UBS' continued membership notwithstanding its statutory disqualification stemming from a December 22, 2008 judgment and permanent injunction entered in the United States District Court for the Southern District of New York that related to the Firm misleading customers regarding the

⁵⁶ See *In re Bourse de Montreal Inc. and UBS Securities LLC*, File No. EN DC-21007 (Province of Quebec, Canada), dated April 25, 2022, attached as Exhibit 32.

⁵⁷ *Id.* at p. 8. The Firm represented that the monetary sanctions were paid on May 9, 2022. See CRD Disclosure for Occurrence No. 2205965, attached as Exhibit 33, at p. 3.

⁵⁸ See CME Notice of Final Decision, Case No. 21-CH-2109, dated August 20, 2021 and Notice of Disciplinary Action, Case No. 21-CH-2109, dated August 20, 2021, collectively attached as Exhibit 34.

⁵⁹ *Id.* at FINRA p. 1. The Firm represented that the fine was paid on September 7, 2021. See Exhibit 4 at p. 3, Response 10.

⁶⁰ See CME Notice of Summary Action, Case No. CME-DQA-23-1115, dated May 19, 2023; CBOT Notice of Summary Action, Case No. CBOT-DQA-23-1115, dated May 19, 2023; COMEX Notice of Summary Action, Case No. COMEX-DQA-23-1115, dated May 19, 2023; NYMEX Notice of Summary Action, Case No. NYMEX-DQA-23-1115, dated May 19, 2023, collectively attached as Exhibit 35.

⁶¹ *Id.* at FINRA p. 1. The Firm represented that all fines were paid to the Exchanges. See Exhibit 31 at p. 2, Response 3.

nature and risks of auction rate securities that the Firm underwrote, marketed, and sold.⁶² The Commission acknowledged FINRA's Notice on August 21, 2014.⁶³

VI. The Firm's Proposed Continued Membership with FINRA Plan of Heightened Supervision

The Firm seeks to continue its membership with FINRA notwithstanding its status as a disqualified member. The Firm has agreed to the following Plan of Heightened Supervision ("Supervision Plan" or "Plan") as a condition of its continued membership with FINRA.⁶⁴

UBS Securities, LLC (the "Firm") is subject to statutory disqualification pursuant to 3(a)(39)(F) of the Securities Exchange Act of 1934, which incorporates by reference Sections 15(b)(4)(D) & (E), as a result of an order issued by the U.S. Securities and Exchange Commission dated September 27, 2022 which found that the Firm willfully violated Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-4(b)(4) thereunder. The Order also found that the Firm failed to reasonably supervise its employees within the meaning of Section 15(b)(4)(E).

For the purpose of this Supervision Plan, the term "Digital Communication Channels" means all written electronic methods of communication used to conduct Firm business, including but not limited to, text message platforms, whether via SMS messaging, iMessage, or other messaging services such as WhatsApp; direct messaging platforms including Twitter, Instagram, LinkedIn, Slack, or Bloomberg Messaging; non-firm domain email accounts; and any other written electronic business-related correspondence. "Digital Communication Channels" encompass platforms used to exchange messages with internal or external stakeholders using either a personal or Firm-provided device.

For the purpose of this Supervision Plan, the term "Off-Channel Communications" means all business-related written electronic messages sent on Digital Communication Channels that are not captured by Firm surveillance and record-keeping systems.

In consenting to this Supervision Plan, the Firm agrees to the following:

1. The Firm shall comply with all of the undertakings outlined in the Securities and Exchange Commission ("SEC" or "Commission") Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant to Sections 15(b) and 21(C) of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial

⁶² See *In re: the Continued Membership of UBS Financial Services, Inc. and UBS Securities, LLC*, SD-1757, SD-1758, and SD-1896 (FINRA May 7, 2014) and the SEC's Letter of Acknowledgement dated August 21, 2014, collectively attached as Exhibit 36.

⁶³ *Id.* at FINRA p. 14.

⁶⁴ See Executed Consent to Plan of Heightened Supervision dated September 14, 2023, attached as Exhibit 37.

Sanctions and a Cease-and-Desist Order, *In the Matter of UBS Financial Services, Inc. and UBS Securities LLC*, Exchange Act Release No. 95929 (September 27, 2022) (“SEC Order”).

2. The Firm shall maintain copies of all correspondence between the Firm and Commission staff relating to the SEC Order, including documenting when Commission staff grants extensions to the deadlines set forth in the SEC Order. The Firm shall maintain copies of all such correspondence in a segregated file for ease of review by FINRA staff.
3. The Firm shall provide FINRA’s Statutory Disqualification Group with copies of all certifications submitted to the SEC upon completion of the undertakings as specified in the SEC Order. The Firm shall also maintain copies of all certifications in a segregated file for ease of review by FINRA staff.
4. The Firm shall maintain copies of all reports and supporting documentation submitted to SEC staff in accordance with the SEC Order, as well as any other documentation needed to evidence the status and completion of each of the undertakings outlined in the SEC Order. The Firm shall maintain copies of such documentation in a segregated file for ease of review by FINRA staff.
5. Within six months of the SEC’s Letter of Acknowledgement in this matter (“LOA”), to the extent that it has not already done so within the past six months, and on at least an annual basis thereafter, for a term of six years from the date of the LOA, the Firm shall conduct training for all associated persons regarding the Digital Communication Channels that the Firm has approved for business communication, along with the Firm’s current policies regarding retention of business-related electronic communications. The Firm shall maintain a record of individual completion of said training and a copy of said training materials in a readily accessible place for ease of review by FINRA staff.
6. The Firm shall conduct the training described in item number 5 above for all new hires, within sixty-five days from the date of commencement of new hire training, for a term of six years from the date of the LOA. The Firm shall retain a record of all new hire training, including a copy of all written training materials, and keep said record(s) in a readily accessible place for ease of review by FINRA staff.
7. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, establish and maintain a written list(s) of all Digital Communication Channels that its associated persons are permitted to use to communicate about Firm business. The list(s) shall be circulated to all of the Firm’s associated persons at least on a semi-annual basis, for a term of six years from the date of the LOA. The Firm shall require that all associated persons obtain written approval for use of any Digital Communication Channels to communicate about Firm business that are not already on the approved list(s) maintained by the Firm. The Firm shall maintain a record of all requests and approvals or rejections of each request, including the date of the

requests and the Firm's decision. The Firm shall maintain copies of such requests and decisions in a readily accessible place for ease of review by FINRA staff.

8. The Firm shall require all associated persons to disclose on at least a semi-annual basis, for a term of six years from the date of the LOA, any unapproved Digital Communication Channels he/she is using to communicate about Firm business. The Firm shall retain records of such disclosures in a readily accessible place for ease of review by FINRA staff.
9. Subject to Paragraph 7 above, the Firm shall prohibit associated persons from using Off-Channel Communications.
10. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, develop a process whereby, in the event that an associated person sends or receives an Off-Channel Communication, the Off-Channel Communication is submitted to the Firm and retained in compliance with relevant securities laws and regulations. For a term of six years from the date of the LOA, the Firm shall maintain a record of all such Off-Channel Communications, including a record of the Firm's receipt of the communication, in a readily accessible place for ease of review by FINRA staff.
11. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, develop and maintain written supervisory policies and procedures detailing the Firm's process for disciplining associated persons who utilize Off-Channel Communications to communicate about Firm business. When the Firm utilizes the disciplinary process, the Firm shall document each instance. The Firm shall retain records of such written supervisory policies and procedures and records of the disciplinary processes and each outcome.
12. All requested documents and certifications under this Supervision Plan shall be sent directly to FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org.
13. The Firm shall obtain written approval from FINRA's Statutory Disqualification Group prior to changing any provision of the Supervision Plan.
14. The Firm shall submit any proposed changes or other requested information under this Supervision Plan to FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org.

VII. Discussion

After carefully reviewing the entire record in this matter, FINRA approves the Firm's request to continue its membership with FINRA, subject to the terms and conditions set forth herein. In evaluating UBS' Application, FINRA assessed whether the Firm has demonstrated that its continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. *See* FINRA By-Laws,

Art. III, Sec. 3(d); *cf. Frank Kufrovich*, 55 S.E.C. 616, 624 (2002) (holding that FINRA “may deny an application by a firm for association with a statutorily-disqualified individual if it determines that employment under the proposed plan would not be consistent with the public interest and the protection of investors”). Typically, factors that bear on FINRA’s assessment include, among other things, the nature and gravity of the statutorily disqualifying misconduct, the time elapsed since its occurrence, the restrictions imposed, the Firm’s regulatory history, and whether there has been any intervening misconduct.

As of the date of this Notice, FINRA has determined that the Firm’s continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. While the SEC Order identified serious violations of securities laws, the Firm was not expelled or suspended, nor were any limitations placed on UBS’ securities activities. Although the SEC Order triggered certain disqualifications from exemptions from registration available under the Securities Act of 1933 (“Securities Act”), specifically Regulations A, D and E of the Securities Act and Regulation Crowdfunding, the SEC granted the Firm a waiver from the application of the disqualification provisions of Rules 262(a)(4)(ii), 506(d)(1)(iv)(B), and 602(c)(3) of the Securities Act and Rule 503(a)(4)(ii) of Regulation Crowdfunding. Moreover, the full amount of the civil monetary penalty was promptly paid and the Firm promptly paid the sums owed to the CFTC based on an order with similar findings as the disqualifying one. Additionally, the Firm represented that it is in compliance with the ordered undertakings.

Member Supervision also acknowledges that within the SEC Order the Commission considered the Firm’s prompt remedial actions and cooperation with the Commission when determining to accept the Offer of Settlement. Specifically, the Commission acknowledged that UBS enhanced its policies and procedures and increased training concerning the use of approved communications methods including on personal devices.⁶⁵

It is well settled that a firm’s regulatory history bears upon the assessment of its ability to comply with securities law and regulations. *See In the Matter of the Continued Association of Craig Scott Taddonio with Meyers Associate, L.P.*, SD-2117, slip op. at 24-25 (FINRA NAC March 8, 2017). However, the corrective measures taken by firms to address deficiencies are weighed in determining whether to approve applications. *See In the Matter of the Association of X with the Sponsoring Firm*, SD11007 (FINRA NAC 2011) (where a firm’s corrective actions negated Member Regulation’s assertion that the firm failed to appreciate or respect securities rules and regulations). FINRA has also previously approved applications for continued membership where the firms had extensive regulatory history, including disqualifying events. *See In the Matter of the Continued Membership of Deutsche Bank Securities, Inc.*, SD-2190, (FINRA Jan. 14, 2020) and *In the Matter of the Continued Membership of Citigroup Global Markets, Inc.*, SD-2082, (FINRA May 2, 2017) (approving continued membership where the firms had extensive regulatory history, including recent disqualifying events).

In its evaluation of the Firm’s Application, FINRA acknowledges the Firm’s recent

⁶⁵ See Exhibit 2 at p. 6.

regulatory and disciplinary history, including its additional statutory disqualifying event. Member Supervision also notes that, as of the date of this Notice, the Firm has paid all fines and complied with all undertakings ordered by regulators. None of these matters would prevent the continuance of the Firm as a FINRA member. With respect to the Firm's recent examination exceptions, the Firm took multiple steps to resolve the deficiencies, including updating its WSPs, correcting and upgrading its technology, implementing new tools and automated processes for monitoring accounts and supervising trading activity, and issuing written guidance to its staff.

FINRA is further reassured by the controls set in place by the Firm's Supervision Plan which bolster the undertakings outlined in the SEC Order and will continue to provide oversight of the Firm and compliance with its remaining undertakings. In accordance with the Plan, the Firm agreed to conduct annual training for all associated persons, including new hires, regarding the Firm's approved digital communication methods and record retention policies for electronic communications. Further, the Plan calls for the Firm to maintain a list of approved digital communication methods that associated persons are permitted to use for Firm business and to circulate that list to its associated persons semi-annually. The Plan requires the Firm's associated persons to obtain written approval to use digital communication channels not already approved. The Plan prohibits the use of off-channel communications and requires associated persons to semi-annually disclose any unapproved digital communication methods they are using for Firm business; they must also forward any off-channel communications that may have taken place to the Firm for retention purposes. These provisions will help to ensure that the Firm is aware of the communication methods being used by associated persons so that it can appropriately monitor, capture, and retain those communications. Additionally, the Plan mandates that the Firm develop policies and procedures for disciplining associated persons who use unapproved communication methods for Firm business and segregate all certifications, reports, and supporting documentation submitted to the SEC regarding compliance with the undertakings, for ease of review by FINRA staff to ensure ongoing compliance.

The Department is further reassured by the progress the Firm has made on the undertakings required by the SEC. Specifically, the Firm retained a compliance consultant, and that consultant has completed its comprehensive review of UBS' policies, procedures, and training related to the use and preservation of electronic communications.⁶⁶ In addition, the compliance consultant submitted its detailed report of findings to SEC staff, and the Firm is in the process of adopting the recommendations set forth in the report.⁶⁷

Following the approval of the Firm's continued membership in FINRA, FINRA intends to utilize its examination and surveillance processes to monitor the Firm's continued compliance with the standards prescribed by Exchange Act Rule 19h-1 and FINRA Rule 9523.

Thus, FINRA is satisfied, based on the foregoing and on the Firm's representations made

⁶⁶ See Exhibit 4 at p. 1.

⁶⁷ See Exhibit 22.

pursuant to the Plan, that the Firm's continued membership in FINRA is consistent with the public interest and does not create an unreasonable risk of harm to the market or investors. Accordingly, FINRA approves UBS' Application to continue its membership with FINRA.

FINRA certifies that the Firm meets all qualification requirements and represents that the Firm is registered with several other SROs including BOX; BYX; BZX; C2; EDGA; EDGX; Cboe; IEX; LTSE; MEMX; MIAX Emerald; MIAX Pearl; MIAX; NYSE American; NYSE Arca; NYSE Chicago; NYSE National; BX; GEMX; ISE; MRX; PHLX; Nasdaq; NYSE; DTC; FICC-GOV; FICC-MBS; and NSCC. The SROs have been provided with the terms and conditions of UBS' proposed continued membership, and they concur with FINRA.

In conformity with the provisions of Rule 19h-1 of the Exchange Act, the continued membership of the Firm will become effective within 30 days of the receipt of this notice by the Commission, unless otherwise notified by the SEC.

On Behalf of FINRA,



Marcia E. Asquith
Executive Vice President & Corporate Secretary

EXHIBITS
SD-2342

1. MC-400A Application and related attachments compiled by CRED, with a cover memorandum dated October 27, 2022.
2. SEC Order, *In re UBS Financial Services, Inc. and UBS Securities LLC*, Exchange Act Release No. 95929 (Sept. 27, 2022).
3. *In re Certain Broker-Dealer Practices*, Securities Act Release. No. 11109 (Sept. 27, 2022).
4. Correspondence from Lari A. Dierks to FINRA dated January 5, 2023.
5. CRD Excerpt: Organization Registration Status.
6. CRD Excerpts: Types of Business and Other Business Descriptions.
7. Disposition Letter for Examination No. 20210693198 dated September 29, 2022, Examination Report dated May 27, 2022, and Firm Response dated June 24, 2022.
8. Disposition Letter and Examination Report for Examination No. 20220754401 dated February 16, 2023.
9. Disposition Letter for Examination No. 20210729390 dated February 7, 2023 and Firm Response dated February 23, 2023.
10. Disposition Letter for Examination No. 20210727428 dated January 13, 2023, and Firm Response dated February 10, 2023.
11. Disposition Letter for Examination No. 20210735443 dated January 17, 2023.
12. Disposition Letter for Examination No. 20220738510 dated January 9, 2023 and Firm Response dated January 17, 2023.
13. Disposition Letter for Examination No. 20210727806 dated November 1, 2022 and Firm Response dated November 9, 2022.
14. Disposition Letter for Examination No. 20180587811 dated May 13, 2022 and Firm Response dated June 8, 2022.
15. Disposition Letter for Examination No. 20210705934 dated February 16, 2022 and Firm Response dated March 14, 2022.

16. Disposition Letter for Examination No. 20200672291 dated October 20, 2021.
17. SEC Examination Letter for File No. 8-22651 dated October 4, 2023.
18. FINRA AWC No. 2019062435601, dated February 3, 2023 and CRD Disclosure for Occurrence No. 2255257.
19. FINRA AWC No. 2017056154401, dated January 5, 2023, and CRD Disclosure for Occurrence No. 2249604.
20. FINRA AWC No. 2017053191801, dated November 21, 2022, and CRD Disclosure for Occurrence No. 2242321.
21. CFTC Order, *In re UBS AG, UBS Financial Services, Inc., and UBS Securities LLC*, CFTC Docket No. 22-42 (Sept. 27, 2022).
22. Correspondence from Lari A. Dierks to FINRA dated June 21, 2023.
23. FINRA AWC No. 2017053779201, dated October 3, 2022; NYSE AWC No. 2017053779203, dated September 7, 2022; and NYSE American AWC No. 2017053779202, dated September 7, 2022.
24. CRD Disclosure for Occurrence No. 2232089.
25. FINRA AWC No. 2016050211701, dated October 3, 2022.
26. CRD Disclosure for Occurrence No. 2231978 and Correspondence from WilmerHale to FINRA dated December 21, 2022.
27. FINRA AWC No. 2018058781101, dated May 3, 2022; Nasdaq AWC No. 2018058781102, dated May 3, 2022; and NYSE Arca AWC No. 2018058781103, dated April 8, 2022.
28. CRD Disclosure for Occurrence No. 2201602.
29. BZX Disciplinary Decision and Letter of Consent, *In re UBS Securities LLC*, File No. USRI-7757-05 (Nov. 8, 2021), BYX Disciplinary Decision and Letter of Consent, *In re UBS Securities LLC*, File No. USRI-7757-06 (Nov. 8, 2021), and EDGX Disciplinary Decision and Letter of Consent, *In re UBS Securities LLC*, File No. USRI-7757-07 (Nov. 8, 2021).
30. Cboe Futures Disciplinary Decision and Letter of Consent, *In re UBS Securities LLC*, File No. URE-186-09 (May 1, 2023).
31. Correspondence from Lari A. Dierks to FINRA dated June 21, 2023.

32. *In re Bourse de Montreal Inc. and UBS Securities LLC*, File No. EN DC-21007 (Province of Quebec, Canada), dated April 25, 2022.
33. CRD Disclosure for Occurrence No. 2205965.
34. CME Notice of Final Decision, Case No. 21-CH-2109, dated August 20, 2021 and Notice of Disciplinary Action, Case No. 21-CH-2109, dated August 20, 2021.
35. CME Notice of Summary Action, Case No. CME-DQA-23-1115, dated May 19, 2023; CBOT Notice of Summary Action, Case No. CBOT-DQA-23-1115, dated May 19, 2023; COMEX Notice of Summary Action, Case No. COMEX-DQA-23-1115, dated May 19, 2023; NYMEX Notice of Summary Action, Case No. NYMEX-DQA-23-1115, dated May 19, 2023.
36. *In re: the Continued Membership of UBS Financial Services, Inc. and UBS Securities, LLC*, SD-1757, SD-1758, and SD-1896 (FINRA May 7, 2014) and the SEC's Letter of Acknowledgement dated August 21, 2014.
37. Executed Consent to Plan of Heightened Supervision dated September 14, 2023.

Exhibit A

Plan of Heightened Supervision

UBS Securities LLC (the “Firm”) is subject to statutory disqualification pursuant to Section 3(a)(39)(F) of the Securities Exchange Act of 1934, which incorporates by reference Sections 15(b)(4)(D) & (E), as a result of an order issued by the U.S. Securities and Exchange Commission (“SEC” or “Commission”) dated September 27, 2022, which found that the Firm willfully violated Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-4(b)(4) thereunder (“SEC Order”). The SEC Order also found that the Firm failed reasonably to supervise its employees within the meaning of Section 15(b)(4)(E).

In consenting to this Supervision Plan¹ (“Supervision Plan”), the Firm agrees to the following:

1. The Firm shall comply with all the undertakings outlined in the SEC Order.
2. The Firm shall maintain copies of all correspondence between the Firm and Commission staff relating to the SEC Order, including documenting when Commission staff grants extensions to the deadlines set forth in the SEC Order. The Firm shall maintain copies of all such correspondence in a readily accessible place for ease of review by FINRA staff.
3. The Firm shall maintain copies of all reports and supporting documentation submitted to SEC staff in accordance with the SEC Order, as well as any other documentation needed to evidence the status and completion of each of the undertakings outlined in the SEC Order. The Firm shall maintain copies of such documentation in a readily accessible place for ease of review by FINRA staff.
4. The Firm shall provide FINRA’s Statutory Disqualification Group with copies of all certifications submitted to the SEC upon completion of the undertakings as specified under paragraph 36 of the SEC Order.
5. This Supervision Plan shall take effect on the date the Firm executes its consent to this Supervision Plan. The Supervision Plan shall be in effect until FINRA’s receipt of the Firm’s final certifications required by the SEC Order, after which time the Supervision Plan and its provisions thereto will expire.
6. All requested documents and certifications under this Supervision Plan shall be sent directly to FINRA’s Statutory Disqualification Group at SDMailbox@FINRA.org.
7. The Firm shall obtain written approval from FINRA’s Statutory Disqualification Group prior to changing any provision of the Supervision Plan.

¹ This Supervision Plan supersedes the Firm’s previous Supervision Plan executed on September 13 & 14, 2023.

8. The Firm shall submit any proposed changes or other requested information under this Supervision Plan to FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org.