

**NASDAQ PHLX LLC**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 2015047551601**

TO: Nasdaq PHLX LLC  
c/o Department of Enforcement  
Financial Industry Regulatory Authority ("FINRA")

RE: UBS Securities LLC, Respondent  
Member Firm  
CRD No. 7654

Pursuant to Rule 9216 of Nasdaq PHLX LLC ("PHLX") Code of Procedure, UBS Securities LLC (the "Firm", "UBS" 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, PHLX will not bring any future actions against the 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 PHLX, or to which PHLX 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 PHLX:

**BACKGROUND AND RELEVANT DISCIPLINARY HISTORY**

UBS has been registered with PHLX since May 15, 1978 and FINRA since August 17, 1978. Its registrations remain in effect. The Firm is headquartered in New York, New York, and is a wholly owned subsidiary of UBS AG, a publically-owned Swiss banking company. The Firm employs approximately 1,900 registered persons operating out of 20 branch office locations, and provides investment banking, research, and sales and trading services mainly to corporate and institutional clients.

UBS has no relevant disciplinary history.

## **SUMMARY**

Between October 2015 and December 2018 (the "Review Period"), UBS manually handled thousands of options orders that it received from institutional customers. During the Review Period, the Firm failed to provide for a reasonable supervisory system to achieve compliance with its best execution obligations when manually executing and/or facilitating options orders. UBS also failed to establish, maintain, and enforce written supervisory procedures ("WSPs") that were reasonably designed to prevent and detect violations of its best execution obligations. As a result of the foregoing conduct, the Firm violated PHLX Rules 707 and 748.

## **FACTS AND VIOLATIVE CONDUCT**

1. PHLX Rule 764 requires members to use reasonable diligence to ascertain the best market for a security when buying or selling for a customer so that the resultant price to the customer is as favorable as possible under prevailing market conditions.
2. PHLX Rule 748(b) requires member organizations to provide for appropriate supervisory control of the organization and compliance with securities laws and regulations, including PHLX's By-Laws and Rules. Member organizations are required to provide for appropriate written procedures of supervision and control, and to establish a separate system of follow-up and review to determine that the delegated authority and responsibility is being properly exercised.
3. PHLX Rule 748(h) requires member organizations to establish, maintain, and enforce WSPs, and a system for applying such procedures, reasonably designed to prevent and detect violations of securities laws and regulations, including PHLX's By-Laws and Rules.
4. PHLX Rule 707 states that a member, member organization, or person associated with or employed by a member or member organization shall not engage in conduct inconsistent with just and equitable principles of trade.
5. During the Review Period, the Firm had in place three sets of procedures that described the Firm's obligations to seek best execution for its customers' equities and options orders. These procedures established best execution reviews of orders that the Firm routed through its smart order routers. However, the Firm's supervisory system, including its WSPs, did not establish a review of options orders that were manually handled and executed by the Firm's traders.
6. In each year during the Review Period, UBS manually handled and executed thousands of options orders. Additionally, the Firm facilitated thousands of options orders each year that it manually executed where it both executed an options order as agent for a client and also bought/sold the other side of the order in a proprietary capacity. However, the Firm did not review these manually executed and/or facilitated orders to ensure that Respondent fulfilled its obligations to provide best execution to its clients' orders as set forth in PHLX Rule 764.

7. As a result of the above, Respondent's WPSs and its supervisory system for reviewing manually executed and/or facilitated options orders were not reasonably designed to achieve compliance with PHLX Rule 764. Accordingly, Respondent violated PHLX Rules 707 and 748.

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

1. A censure; and
2. A fine in the amount of \$50,000.

Respondent agrees to pay the monetary sanction(s) in accordance with its executed Election of Payment Form.

Respondent 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 PHLX's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Formal 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 PHLX Exchange Review Council 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 Regulatory Officer, the PHLX Exchange Review Council, or any member of the PHLX Exchange Review Council, 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 Rule 9143 or the separation of functions prohibitions of 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 FINRA's Department of Enforcement and the PHLX Exchange Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to PHLX Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Respondent; and
- C. If accepted:
  - 1. This AWC will become part of the Respondent's permanent disciplinary record and may be considered in any future actions brought by PHLX or any other regulator against the Respondent;
  - 2. PHLX may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with PHLX Rule 8310 and IM-8310-3; and
  - 3. 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 PHLX, or to which PHLX is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Respondent's right to take legal or factual positions in litigation or other legal proceedings in which PHLX 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. 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 PHLX, nor does it reflect the views of PHLX 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 the Firm 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.

UBS Securities LLC

Respondent

By: *D. Christopher Walker*

Print Name: D. Christopher Walker

Title: Executive Director + Regulatory Attorney

1/1/2019  
Date

Reviewed by:

*Christian T. Kemnitz*

Christian T. Kemnitz  
Counsel for Respondent  
Katten Muchin Rosenman  
525 West Monroe Street  
Chicago, IL 60661-3693

Accepted by PHLX:

~~1/1/2019~~ 1/22/19  
Date *PH*

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

*John P. Hewson*  
John P. Hewson  
Principal Counsel  
Department of Enforcement

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

**ELECTION OF PAYMENT FORM**

The Firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A Firm Check or bank check for the full amount
- Wire transfer

Respectfully submitted,

Respondent

UBS Securities LLC

1/1/2019  
Date

By: D. Christopher Walker

Name: D. Christopher Walker

Title: Executive Director + Regulatory Attorney

**Billing and Payment Contact**

Please enter the billing contact information below. Nasdaq MarketWatch will contact you with billing options and payment instructions. *Please DO NOT submit payment until Nasdaq has sent you an invoice.*

Billing Contact Name: Chris Walker

Billing Contact Address: 153 West 53rd St. 5th Floor New York, NY 10019

Billing Contact Email: Chris-C.Walker@UBS.com

Billing Contact Phone Number: 212-713-1169