

**NASDAQ PHLX LLC
NOTICE OF ACCEPTANCE OF AWC**

Certified, Return Receipt Requested

**TO: UBS Securities LLC
D. Christopher Walker
Executive Director and Counsel
1285 Avenue of the Americas
New York, NY 10019**

**FROM: Nasdaq PHLX LLC (“Phlx” or “Exchange”)
Phlx Enforcement Department
805 King Farm Blvd
Rockville, MD 20850**

DATE: December 9, 2019

RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 2018.06.0007

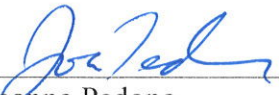
Please be advised that your above-referenced Letter of Acceptance, Waiver and Consent (“AWC”) has been accepted on **December 9, 2019** by the Phlx Exchange Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Phlx Exchange Review Council, pursuant to Phlx Rule 9216. A copy of the AWC is enclosed herewith.

If applicable, you are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration (“Form BD”) to reflect the conclusion of this disciplinary action. Additionally, you must also notify Phlx in writing of any change of address or other changes required to be made to your Form BD.

You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed. If a fine or disgorgement has been imposed, payment will be handled in accordance with your Payment Information Form.

UBS Securities LLC
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If you have any questions concerning this matter, please contact me at (301) 978-8196.



Joanne Pedone
Senior Enforcement Counsel
Nasdaq Enforcement Department

Enclosure

NASDAQ PHLX LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2018.06.0007

TO: Nasdaq PHLX LLC
Phlx Enforcement Department

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

Pursuant to Rule 9216 of Nasdaq PHLX LLC (“Phlx” or the “Exchange”) 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 its registration remains in effect.

In Matter No. 20110301661-01, on July 13, 2015, UBS finalized an AWC with The Nasdaq Options Market LLC (“NOM”) in which it agreed to a censure and a total fine of \$350,000 to settle several findings of inaccurate LOPR system reporting in violation of Chapter III, Section 10 of the NOM rules between May 21, 2011 and November 2014.

SUMMARY

Between January 1, 2018 and August 21, 2018 (the “Review Period”), the Firm failed to provide information in its LOPR submissions that matched the Options Clearing Corp. (“OCC”) options contracts positions in 12,097 instances.¹ From January 1, 2018 through June 28, 2019 (the “Supervisory Review Period”), the Firm failed to establish, maintain, and enforce adequate written supervisory procedures (“WSPs”) relating to LOPR reporting on the Phlx. The Firm also failed to establish adequate supervisory systems and controls that were reasonably designed to prevent and detect, insofar as practicable, violations of the Phlx rules concerning LOPR reporting. As a result of the foregoing conduct, the Firm violated Phlx Rules 1003(a) and 748.

¹ An “instance” is a single failure to report accurately a reportable options position. The number of instances is determined by multiplying a reportable position by the number of trade dates the position was not reported accurately.

FACTS AND VIOLATIVE CONDUCT

Reporting of Options Positions

1. LOPR data is used extensively by self-regulatory organizations to identify holders of large options positions who may be, among other things, attempting to manipulate the market or otherwise violate securities laws and regulations.
2. The accuracy of LOPR data is essential for the analysis of potential violations related to insider trading, position limits, exercise limits, front-running, capping and pegging, mini-manipulation, and marking the close.
3. Phlx Rule 1003(a) provides that “[e]ach member and member organization shall file with the Exchange a report with respect to each account in which the member or member organization has an interest, each account of a partner, officer, director, or employee of such member organization, and each customer account, acting alone, or in concert with others, which has established an aggregate position of 200 or more option contracts (whether long or short) of a put class and call class on the same side of the market covering the same underlying security . . . combining for purposes of this Rule (i) long positions in put options with short positions in call options, and (ii) short positions in put options with long positions in call options.”
4. During the Review Period, UBS failed to provide accurate LOPR data because the information in its LOPR submissions did not match the OCC options contracts positions in 12,097 instances.
5. The above-described discrepancies were caused by over-reporting extraneous information for UBS AG London, a foreign affiliate of UBS, and the Firm’s failure to suppress internal transactions when reporting positions to the LOPR system.
6. The conduct described in paragraphs 4 and 5 constitutes violations of Phlx Rule 1003(a).

Supervision

7. 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.
8. 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, insofar as practicable, violations of securities laws and regulations, including Phlx’s By-Laws and Rules.
9. While the Firm did have WSPs and a supervisory system in place with respect to LOPR reporting during the Supervisory Review Period, the Firm did not detect the discrepancies described in paragraphs 4 and 5 above. The WSPs required, in relevant part, a daily sampling of Listed LOPR positions and a T+1 Listed LOPR reconciliation between a LOPR master database and the OCC LOPR snapshot.
10. During the Supervisory Review Period, the WSPs did not specify the size of the

sample or the key attributes to be reviewed during the daily sampling of Listed LOPR positions provided for in the WSPs.

11. In addition, during the Supervisory Review Period, the Firm's WSPs did not specify or provide any guidelines regarding the data elements reviewed during the Listed LOPR reconciliation between the LOPR master database and the OCC LOPR snapshot.
12. The conduct described in paragraphs 10 and 11 constitutes violations of Phlx Rule 748.²

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

1. A censure;
2. A fine in the amount of \$15,000.00 (consisting of a \$12,500 fine for options reporting violations and a \$2,500 fine for supervision violations).

Respondent agrees to pay the monetary sanction(s) in accordance with its executed Payment Information 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 Phlx Enforcement Department staff.

² The Phlx Enforcement Department does not recommend a supervisory undertaking because the Firm corrected the deficiencies identified in its WSPs on or about June 28, 2019.

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 prejudice 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.

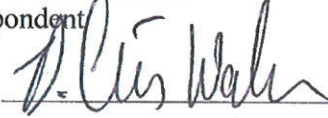
III.
OTHER MATTERS

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 the Phlx Enforcement Department 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: 

Print Name: D. Christopher Walker

Title: Executive Director + Counsel

11/25/2019

Date

Accepted by Phlx:

12/9/2019

Date

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



Joanne Pedone
Senior Enforcement Counsel
Phlx Enforcement Department

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

PAYMENT INFORMATION

Ordinarily, the fine amount will be reflected on an upcoming invoice and will be direct debited from the account for your firm that Nasdaq currently has on file. ***Please DO NOT submit payment at this time.***

If you need to arrange for an alternative method of payment, please contact Nasdaq at (301) 978-8310 by no later than the last business day of the month in which the Notice of Acceptance of the AWC was issued. ***Otherwise, a direct debit will process from the account for your firm that Nasdaq currently has on file.***

Because you have contacted Nasdaq to make an arrangement other than direct debit, your firm's fine will be paid by a wire transfer. Please use the wire instructions below no later than 30 days from the date on which the Notice of Acceptance of the AWC was issued:

Bank Name: Wells Fargo Bank, N.A.

Bank Address: 420 Montgomery Street, San Francisco, CA 94101

SWIFT Number: WFBIUS6S

ABA Number: 121000248

CHIPS ID: 0407

Beneficiary: Nasdaq, Inc.

Account Number: 2000031405177

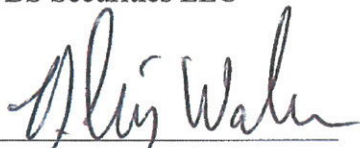
Respectfully submitted,

Respondent

UBS Securities LLC

11/27/19

Date

By: 
Name: D. Christopher Walker
Title: Executive Director + Counsel