



Andy Hubbartt
Principal Counsel

Department of Enforcement

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Via Certified Mail, Return Receipt Requested (9314 8699 0430 0077 9469 22), First Class Mail, and Email (eric.bernstein@ubs.com)

December 24, 2020

Eric Bernstein
Senior Regulatory Counsel
UBS Securities LLC
1285 Avenue of the Americas
New York, NY 10019

RE: Payment of Fine in Connection with Executed Letter of Consent
FINRA Matter No. 20180571696

Dear Mr. Bernstein:

Enclosed are executed copies of the Letters of Consent (“LOC”), signed by Eric Bernstein, Senior Regulatory Counsel at UBS Securities LLC (the “Firm”), and countersigned by Edward Deitzel, Executive Vice President and Chief Regulatory Officer, for the Business Conduct Committee, at the Miami International Securities Exchange, LLC (“MIAX”) and MIAX PEARL, LLC, on December 21, 2020. Please consider this correspondence as notice to the Firm that this LOC has been accepted, and as a result, the Firm must promptly remit payment of the agreed upon sanction. Please make the payment to Miami International Securities Exchange, LLC.

If payment is by wire, wiring instructions are as follows:

Pursuant to MIAX Rule 1011, after seven calendar days’ notice in writing, the Exchange may summarily suspend a Member that fails to pay promptly a fine when such fine becomes finally due and payable.

Eric Bernstein
December 24, 2020
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If you have any questions regarding this matter, please contact me at 312-899-4603.

Sincerely,



Andy Hubbartt
Principal Counsel

Enclosure

cc: Larry O'Leary, VP Regulation, Miami International Securities Exchange, LLC
(via e-mail to lolarey@miaxoptions.com)

This letter is issued on behalf of the Miami International Securities Exchange, LLC, by FINRA Department of Enforcement pursuant to a grant of authority to FINRA. Accordingly, this constitutes a letter by the Miami International Securities Exchange, LLC.

**MIAX PEARL, LLC
LETTER OF CONSENT
NO. 2018057169610**

TO: MIAX PEARL, LLC
c/o Department of Enforcement
FINRA

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

Pursuant to Rule 1003 of the Rules of the MIAX PEARL, LLC (“PEARL”), UBS Securities LLC (“UBS” or the “firm”) submits this Letter of Consent (“LOC”) for the purpose of proposing a settlement of the alleged rule violations described below. This LOC is submitted on the condition that, if accepted, PEARL will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm 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 PEARL, or to which PEARL 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 PEARL:

BACKGROUND

UBS became a member of PEARL in February 2017, and its registration remains in effect. The Firm is a broker-dealer headquartered in New York City, employs approximately 1,900 registered individuals among its 21 branch offices, and provides investment banking, research, and sales and trading services mainly to corporate and institutional clients.

RELEVANT DISCIPLINARY HISTORY

The Firm has prior relevant disciplinary history relating to the accurate recording of order receipt and transmission times.¹ On April 6, 2017, UBS consented to a censure and a fine of \$37,500 (allocated equally between three options exchanges) in connection with its failure, during the month of May 2015, to accurately timestamp 56 (66%) of 85 sampled options orders that were manually routed to options exchanges for execution. Specifically, the order tickets failed to record an accurate order entry, order receipt and/or order transmission time on the memorandum of 56 brokerage orders routed to floor

¹ FINRA Matter No. 20150443191.

brokers on the three options exchanges.

SUMMARY

This matter originated from the 2018 Cycle Examination (the “2018 Exam”) of UBS conducted by the Trading and Financial Compliance Examinations (“TFCE”) section of FINRA’s Market Regulation Department, on behalf of PEARL and other options exchanges. The 2018 Exam reviewed for, among other things, the accuracy of UBS’s manual options order tickets during the period between February 12, 2018 and February 16, 2018 (the “Exam Review Period”). The 2018 Exam also reviewed the Firm’s supervisory system, including its written supervisory procedures (“WSPs”), pertaining to the Firm’s books and records obligations during the period from February 12, 2018 through the present (the “Supervisory Review Period”).

As a result of the 2018 Exam, FINRA’s Department of Enforcement (“Enforcement”) found that UBS’s supervisory system, including the firm’s WSPs, applicable to its handling of manual options orders during the Supervisory Review Period, were not reasonably designed to achieve compliance with, and to detect and prevent violations of, the applicable securities laws, regulations, and recordkeeping requirements of PEARL.

FACTS AND VIOLATIVE CONDUCT

1. The recordkeeping provisions of the federal securities laws and PEARL rules are designed to ensure that regulators have access to certain basic information about securities transactions. Access to transaction records serves as an essential component for effective surveillance and examination of broker-dealers by PEARL and other self-regulatory organizations.
2. During all relevant periods herein, Rule 17a-3(a), promulgated under the Exchange Act, provided, in relevant part: “Every member of a national securities exchange who transacts a business in securities directly with others than members of a national securities exchange...and every broker or dealer registered pursuant to section 15 of the [Exchange Act]...shall make and keep current the following books and records related to its business: (6)(i) A memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. The memorandum shall show the terms and conditions of the order or instructions and of any modification or cancellation thereof; the account for which entered; the time the order was received; the time of entry; the price at which executed; the identity of each associated person, if any, responsible for the account; the identity of any other person who entered or accepted the order on behalf of the customer or, if a customer entered the order on an electronic system, a notation of that entry; and, to the extent feasible, the time of execution or cancellation....The term time of entry shall mean the time when the member, broker or dealer transmits the order or instruction for execution.”
3. During all relevant periods herein, Exchange Rule 500(b) prohibited members from engaging in conduct (1) inconsistent with the maintenance of a fair and orderly market; (2) apt to impair public confidence in the operations of the Exchange; or (3)

inconsistent with the ordinary and efficient conduct of business. Activities that may violate Exchange Rule 500(b) include, but are not limited to, the failure of a member to supervise a person employed by or associated with such member adequately to ensure that person's compliance with this paragraph. Similarly, Exchange Rule 1308(c)(1) provided that members must develop and maintain adequate controls over each of its business activities, and that such controls must provide for the establishment of procedures for verification and testing of those business activities.²

4. During the Supervisory Review Period, the Firm's WSPs stated that while conducting other reviews, the Desk Supervisor and/or their delegate(s) should "verify that order and trade tickets are properly maintained and required information is recorded," including accurate timestamps. This procedure was to be conducted on a monthly basis. To evidence the completion of their review, the Desk Supervisor or delegate was to make appropriate notations and close out the relevant tasks in an online supervisory tool. Supporting documentation, if any, was to be maintained within the Firm's online supervisory tool or in a separate supervisory file. If the Desk Supervisor or delegate identified a potential violation or patterns of non-compliance, they were to investigate and take corrective action where required. Lastly, the Desk Supervisor or delegate was to escalate any material issues to UBS's Legal and Compliance Department.
5. During the Supervisory Review Period, the Firm failed to establish, maintain, and enforce WSPs reasonably designed to prevent and detect violations of applicable securities laws and regulations, and applicable Exchange rules. In particular, while the WSPs state that a review of options orders is to be conducted, they do not set forth the procedure by which the review is to occur. Similarly, while the WSPs state that the review should verify that required information is recorded, including accurate timestamps, they do not set forth how this verification should occur, or how the reviewer would confirm that the information in a record is accurate. Further, the WSPs do not specify the number of options orders that are subject to supervisory review, and the frequency with which the Firm conducts its review (*i.e.* once a month), is unreasonable in light of the Firm's manual options order flow.
6. The acts, practices and conduct described in Paragraph 5, above, constitute violations of PEARL Rules 500 and 1308 by UBS, in that the firm failed to establish, maintain and enforce WSPs, and a system for applying such procedures, reasonably designed to assure compliance with applicable federal securities laws and PEARL Rules.

B. The firm also consents to the imposition of the following sanctions:

- a. A censure;
- b. A monetary fine in the amount of \$2,857.

² The rules contained in MIAX Chapter XIII, including MIAX Rule 1308, apply to PEARL and are incorporated by reference into PEARL Chapter XIII Rules.

- c. An undertaking requiring the firm to address the deficiencies discussed in paragraph 5 of this Letter of Consent. Within 90 days of the date of this Letter of Consent, the firm shall submit to the COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 15200 Omega Drive, Suite 300, Rockville, MD 20850-3241, a written report, certified by a senior management firm executive, to MarketRegulationComp@finra.org that provides the following information:
- (i) a reference to this matter;
 - (ii) a representation that the firm addressed each of the deficiencies described above, including the specific measure or enhancements taken to address those deficiencies; and
 - (iii) the date the measures or enhancements were implemented.

Acceptance of this AWC is conditioned upon acceptance of similar settlement agreements in related matters between the Firm and each of the following self-regulatory organizations: (i) Miami International Securities Exchange, LLC; (ii) Nasdaq Options Market, LLC; (iii) Nasdaq GEMX, LLC; (iv) Nasdaq ISE, LLC; (v) Nasdaq PHLX, LLC; (vi) Cboe Exchange, Inc.; (vii) Cboe C2 Exchange, Inc.; (viii) Cboe BZX Exchange, Inc.; (ix) Cboe EDGX Exchange, Inc.; and (x) BOX Exchange, LLC.

The firm agrees to pay the monetary sanction upon notice that this LOC has been accepted and that such payment is 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 imposed in this matter.

The sanctions imposed herein shall be effective on a date set by PEARL.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under PEARL Rules:

- A. To have a Statement of Charges issued specifying the allegations against the firm;
- B. To be notified of the Statement of Charges 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 PEARL's Board of Directors and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the

Chief Regulatory Officer (“CRO”), as well as the Business Conduct Committee (“BCC”), in connection with participation in discussions regarding the terms and conditions of this LOC, or other consideration of this LOC, including acceptance or rejection of this LOC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of PEARL Rule 1006, in connection with such person’s or body’s participation in discussions regarding the terms and conditions of this LOC, or other consideration of this LOC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this LOC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO and the BCC, pursuant to PEARL Rule 1003;
- B. If this LOC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. This LOC will become part of the firm’s permanent disciplinary record and may be considered in any future actions brought by PEARL or any other regulator against the firm;
 - 2. This AWC will be published on a website maintained by PEARL; and
 - 3. The firm 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 LOC or create the impression that the LOC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of PEARL, or to which PEARL is a party, that is inconsistent with any part of this LOC. 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 PEARL is not a party.
- D. The firm may attach a Corrective Action Statement to this LOC 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 LOC in this Statement. This Statement does not constitute factual or legal findings by PEARL, nor does it reflect the views of PEARL 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 LOC and has been given a full opportunity to ask questions about it; that it has agreed to the LOC'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.

Respondent
UBS Securities LLC

Date: August 21, 2020

By: Eric Bernstein

Name: Eric Bernstein

Title: Senior Regulatory Counsel

Reviewed by:

Eric Bernstein
Eric Bernstein
Senior Regulatory Counsel
UBS Securities LLC
1285 Avenue of the Americas
New York, NY 10019
212-713-4363

Accepted by MIAX PEARL, LLC:

December 21, 2020

Date

Edward Deitzel

Edward Deitzel
Executive Vice President and
Chief Regulatory Officer
MIAX PEARL, LLC

Decision of the Business Conduct Committee:

Accept Decline

December 21, 2020

Date

Edward Deitzel

By: Edward Deitzel
For the Business Conduct Committee

ELECTION OF PAYMENT FORM

The firm intends to pay the fine proposed in the attached Letter of 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

August 21, 2020

Date

By: Eric Bernstein

Name: Eric Bernstein

Title: Senior Regulatory Counsel