



**DISCIPLINARY DECISION**

**Cboe Exchange, Inc.**

**Star No. 2018057169602/File No. USE-1905-01**

**UBS Securities LLC**

Pursuant to Exchange Rule 13.3, attached to and incorporated as part of this Decision is a Letter of Consent.

**Applicable Rule(s)**

- Cboe Rules 4.2 – Adherence to Law, 4.24 – Supervision, 8.16 – Supervision, and 15.1 – Maintenance, Retention and Furnishing of Books, Records and Other Information
- Section 17(a) of the Securities Exchange Act of 1934, as amended (“Exchange Act”) and Rule 17a-3 – Records to be Made by Certain Exchange Members, Brokers and Dealers thereunder.

**Sanction**

A censure, a monetary fine of \$155,000 and an undertaking requiring the Firm to address the deficiencies discussed in paragraph 15 of the Letter of Consent.

**Effective Date**

September 8, 2020

/s/ Greg Hoogasian

Greg Hoogasian, CRO, SVP

**Cboe Exchange, Inc.**  
**LETTER OF CONSENT**  
**Star No. 2018057169602**  
**File No. USE-1905-01**

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In the Matter of:

UBS Securities LLC  
1285 Avenue of the Americas  
New York, NY 10019

Subject

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Pursuant to the provisions of Cboe Exchange, Inc. (“Cboe” or the “Exchange”) Rule 13.3 – Expedited Proceeding, UBS Securities LLC (“UBS” or the “Firm”) submits this Letter of Consent for the purposes of proposing a settlement of the alleged rule violations described below.

The Firm neither admits nor denies the allegations for STAR No. 20180571696/File No. USE – 1905-01 and the stipulation of facts and findings described herein do not constitute such an admission.

**BACKGROUND**

1. During all relevant periods herein, the Firm was an Exchange Trading Permit Holder (“TPH”) registered to conduct business on Cboe, 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.
2. 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 Cboe 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”).

## VIOLATIVE CONDUCT

### Applicable Rules

3. During all relevant periods herein, the following rules were in full force and effect: Cboe Rules 4.2 – Adherence to Law, 4.24 – Supervision, 8.16 - Supervision, and 15.1 – Maintenance, Retention and Furnishing of Books, Records and Other Information; and Section 17(a) of the Securities Exchange Act of 1934, as amended (“Exchange Act”) and Rule 17a-3 – Records to be Made by Certain Exchange Members, Brokers and Dealers thereunder.<sup>1</sup>
4. The recordkeeping provisions of the federal securities laws and Cboe 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 Cboe and other self-regulatory organizations.
5. 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.”
6. During all relevant periods herein, Cboe Rule 4.2 provided that no TPH shall engage in conduct in violation of the Exchange Act, rules or regulations thereunder, the Bylaws or the Rules of Cboe, or the Rules of the Clearing Corporation insofar as they relate to the reporting or clearance of any Cboe transaction, or any written interpretation thereof.
7. During all relevant periods herein, Cboe Rule 15.1 provided that: “[e]ach Trading Permit Holder shall make, keep current and preserve such books and records as the Exchange may prescribe and as may be prescribed by the Exchange Act as though

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<sup>1</sup> As of October 7, 2019, Cboe Rules 4.2, 4.24, and 15.1 were renumbered as Cboe Rules 8.2, 8.16, and 7.1, respectively. These rules’ text remain unchanged.

such Trading Permit Holder were a broker or dealer registered pursuant to Section 15 of such Exchange Act.”

8. During all relevant periods herein, Cboe Rule 4.24(e), and subsequently Cboe Rule 8.16(e), provided, in relevant part: “Each Trading Permit Holder shall establish, maintain, and enforce written supervisory procedures, and a system for applying such procedures, to supervise the types of business in which the Trading Permit Holder engages and to supervise the activities of all associated persons. The written supervisory procedures and the system for applying such procedures shall reasonably be designed to prevent and detect violations of applicable securities laws and regulations, and applicable Exchange rules.”

### **Books and Records**

9. During the Exam Review Period, the Firm handled approximately 839 manual options orders of which 262 (31%) were manually routed to floor brokers at various options exchanges, including Cboe, while the remaining 577, or 69% were routed to options exchanges electronically. Forty customer options orders that were manually routed by UBS to floor brokers were reviewed for timestamp accuracy. Twenty of the 40 sampled manual customer options orders were routed to Cboe floor brokers for execution.
10. During the Exam Review Period, the Firm did not maintain an accurate record of the order receipt time for 13 (65%) of the 20 sampled manual customer options orders that it routed to Cboe floor brokers for execution.
11. During the Exam Review Period, the Firm did not maintain an accurate record of the order transmission time for 16 (80%) of the 20 sampled manual customer options orders that it routed to Cboe floor brokers for execution.
12. The acts, practices and conduct described in Paragraph 10, above, constitute violations of Cboe Rules 4.2 and 15.1; and Section 17(a) of the Exchange Act and Rule 17a-3 thereunder by the Firm, in that the Firm failed to record accurate order receipt times for 13 of the 20 sampled manual customer options orders that were routed to and executed on Cboe.
13. The acts, practices and conduct described in Paragraph 11, above, constitute violations of Cboe Rules 4.2 and 15.1; and Section 17(a) of the Exchange Act and Rule 17a-3 thereunder by the Firm, in that the Firm failed to record accurate order transmission times for approximately 16 of the 20 sampled manual customer options orders that were routed to and executed on Cboe.

## **Supervision and Written Supervisory Procedures**

14. 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.
15. 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. Finally, the Firm's supervisory process failed to detect any of the inaccurate books and records at issue here.
16. The acts, practices and conduct described in Paragraph 15, above, constitute violations of Cboe Rule 4.24, and subsequently Cboe Rule 8.16,<sup>2</sup> by the Firm, in that the Firm failed to establish, maintain and enforce WSPs, and a system for applying such procedures, reasonably designed to prevent and detect violations of Cboe Rule 15.1 and Section 17(a) of the Exchange Act and Rule 17a-3 thereunder.

## **SANCTIONS**

17. The Firm has prior relevant disciplinary history relating to the accurate recording of order receipt and transmission times.<sup>3</sup> On April 6, 2017, UBS consented to a censure and a fine of \$37,500 (allocated equally between Cboe and two other 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

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<sup>2</sup> As stated above, the Firm violated Cboe Rule 4.24 from February 12, 2018 through October 6, 2019, and subsequently Cboe Rule 8.16 from October 7, 2019 to the present.

<sup>3</sup> FINRA Matter No. 20150443191.

record an accurate order entry, order receipt and/or order transmission time on the memorandum of 20 brokerage orders routed to floor brokers on Cboe, and 36 orders routed to floor brokers on the other two options exchanges.

18. In light of the alleged rule violations described above, and the Firm's prior relevant disciplinary history, the Firm consents to the imposition of the following sanctions:
- a. A censure;
  - b. A monetary fine in the amount of \$155,000.
  - c. An undertaking requiring the Firm to address the deficiencies discussed in paragraph 15 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](mailto: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.

If this Letter of Consent is accepted, the Firm acknowledges that it shall be bound by all terms, conditions, representations and acknowledgements of this Letter of Consent, and, in accordance with the provisions of Exchange Rule 13.3, waives the right to review or to defend against any of these allegations in a disciplinary hearing before a Hearing Panel. The Firm further waives the right to appeal any such decision to the Board of Directors, the U.S. Securities and Exchange Commission, a U.S. Federal District Court, or a U.S. Court of Appeals.

The Firm waives any right to claim bias or prejudgment of the Chief Regulatory Officer ("CRO") in connection with the CRO's participation in discussions regarding the terms and conditions of this Letter of Consent, or other consideration of this Letter of Consent, including acceptance or rejection of this Letter of Consent.

The Firm agrees to pay the monetary sanction(s) upon notice that this Letter of Consent has been accepted and that such payment(s) are due and payable. The Firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The Firm understands that submission of this Letter of Consent is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to Exchange Rule 13.3. If the Letter of Consent is not accepted, it will not be used as evidence to prove any of the allegations against the Firm.

The Firm understands and acknowledges that acceptance of this Letter of Consent will become part of its disciplinary record and may be considered in any future actions brought by Cboe or any other regulator against the Firm.

The Firm understands that it may not deny the charges or make any statement that is inconsistent with the Letter of Consent. The Firm may attach a Corrective Action Statement to this Letter of Consent that is a statement of demonstrable corrective steps taken to prevent future misconduct. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of the Exchange 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 Letter of Consent and has been given a full opportunity to ask questions about it; that it has agreed to the Letter of Consent's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce the Firm to submit it.**

**Date:** August 21, 2020  
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**UBS Securities LLC**

**By:** \_\_\_\_\_  


**Name: Eric Bernstein**

**Title: Senior Regulatory Counsel**