DISCIPLINARY DECISION
Cboe EDGX Exchange, Inc.
File No. URE-470-07
UBS Securities LLC

Pursuant to Exchange Rule 8.3, attached to and incorporated as part of this Decision is a Letter of Consent.

Applicable Rule(s)

- Cboe EDGX Rule 3.2 – Violations Prohibited.
- Rule 15c3-5 – Risk Management Controls for Brokers or Dealers with Market Access, promulgated under the Securities Exchange Act of 1934, as amended.

Sanction

A censure and a monetary fine in the amount of $15,000.[1]

Effective Date

August 4, 2026

[redacted]

Greg Hoogasian, EVP, CRO

[1] This settlement relates to another settlement the Firm reached with Cboe BZX Exchange, Inc.

Cboe EDGX Exchange, Inc.
<u>LETTER OF CONSENT</u>
File No. URE-470-07

In the Matter of:

UBS Securities LLC
11 Madison Avenue
New York, NY 10010,

Subject

Pursuant to the provisions of Cboe EDGX Exchange, Inc. ("Cboe EDGX" or the "Exchange") Rule 8.3 – <u>Expedited Proceeding</u>, UBS Securities LLC (the "Firm") submits this Letter of Consent for the purpose of proposing a settlement of the alleged rule violations described below.

The Firm neither admits nor denies that violations of Exchange Rules or the Securities Exchange Act of 1934, as amended ("Exchange Act") rules have been committed, and the stipulations described herein do not constitute such an admission.

<u>BACKGROUND</u>

1. During all relevant periods herein, the Firm was acting as a registered Broker-Dealer and was an Exchange Member. The Firm's registrations remain in effect.

<u>VIOLATIVE CONDUCT</u>

<u>Applicable Rules</u>

2. During all relevant periods herein, the following rules were in full force and effect: Exchange Rule 3.2 – <u>Violations Prohibited</u> and Rule 15c3-5 – <u>Risk Management Controls for Brokers or Dealers with Market Access</u> promulgated under the Exchange Act (the "Market Access Rule").

3. During all relevant periods herein, Exchange Rule 3.2 stated: "No Member shall engage in conduct in violation of the [Exchange] Act, the rules or regulations thereunder, the By-Laws, Exchange Rules or any policy or written interpretation of the By-Laws or Exchange Rules by the Board or an appropriate Exchange committee. Every Member shall so supervise persons associated with the Member as to assure compliance with those requirements."

4. During all relevant periods herein, Exchange Act Rule 15c3-5(b) required that a "broker or dealer with market access, or that provides a customer or any other person with access to an exchange or alternative trading system through use of its market participant identifier or otherwise, shall establish, document, and maintain a system of risk management controls and supervisory procedures reasonably

designed to manage the financial, regulatory, and other risks of this business activity."

5. During all relevant periods herein, Exchange Act Rule 15c3-5(c)(1)(ii) required that such "risk management controls and supervisory procedures shall be reasonably designed to systematically limit the financial exposure of the broker or dealer that could arise as a result of market access, including being reasonably designed to … [p]revent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters, on an order-by-order basis or over a short period of time, or that indicate duplicative orders."

Market Access Rule Alleged Violations

6. On March 7, 2025, the Firm used its Order Routing Hub ("ORH"), which employed various market access controls, including but not limited to an average daily volume ("ADV") control that paused orders that exceeded certain thresholds based on certain percentages of the average daily trading volume of the security. Once paused, the order was flagged to Firm personnel for review of the paused order for potential market impact and whether the order was potentially erroneous. Upon completing the review, Firm personnel could release the order for execution, cancel the order, reject the order back to the client, or call the client for further instructions. Once a paused order was released, the order moved from ORH to the Firm's internal application LOD. The Firm employed functionality to set limit prices on all market orders within LOD. The limit price setting process was determined by logic based on the NBBO at the time each child order was generated. Child orders generated by LOD were routed to external markets through the Oscar Gateway Smart Order Router ("SOR"). The Firm's system was designed so that an order released by Firm personnel after being paused by a soft block control, like the ADV control, would not be subjected to any downstream market access controls in the SOR.

7. In addition, on March 7, 2025, LOD employed functionality for securities that are subject to Limit Up-Limit Down ("LULD") bands. For orders in securities subject to LULD bands, the Firm's system would not send any child orders priced more aggressively than a certain threshold based on certain percentages away from the NBBO at the time of parent order receipt and the applicable LULD band and further, would stop sending child orders once the threshold was reached. This functionality did not apply to orders in warrants because warrants are not subject to LULD bands. The Firm also employed a functionality for orders in warrants that had been paused by market access controls. The functionality allowed Firm personnel to manually assign a completion price to an order they release to the market. For orders that were assigned a manual completion price, the Firm's system would not send any child orders priced more aggressively than the manual completion price assigned and would stop sending child orders once the manual completion price was reached. As of March 7, 2025, the Firm did not require that Firm personnel utilize the manual completion price tool.

March 7, 2025 Order Event

8. At approximately 15:47:32 on March 7, 2025, the Firm received a buy-side 100,000-warrant market order in symbol CELUW. At the time of order receipt, the

prevailing NBBO was $0.028/warrant x $0.041/warrant. After the order was paused in ORH by the Firm's soft block ADV control, Firm personnel released the order to the market without utilizing the manual completion price tool. Per the limit price setting functionality, LOD split the parent order into smaller child orders and placed limit prices on the child orders determined by logic based on the NBBO at the time each child order was generated. As each child order was entered, the NBO consistently increased, the child orders were entered with successively higher limit prices, and executions at prices exceeding $4,500 in the warrant occurred across the consolidated market, representing up to an approximately 11,179,412% price increase in the security. The child orders that were submitted to Cboe EDGX received executions at prices as high as $1.00. At approximately 16:08:42 on March 7, 2025, the Exchange Trade Desk received a Clearly Erroneous Execution ("CEE") petition from the Firm claiming all trades in symbol CELUW between 15:48:00 and 15:48:15 for more than or equal to $0.10/warrant as CEEs. The CEEs were taken to a street-wide ruling where the decision was made to bust all trades equal to or more than $0.04/warrant between 15:47:00 and 15:51:00.

<u>Unreasonably Designed Controls</u>

9. The Firm's controls were not reasonably designed in that, for market orders that were paused by a soft block control within ORH and then released by Firm personnel, there were no additional pre-trade controls applied to or required for securities not subject to LULD bands, such as a control designed to consider the market impact of any resulting child orders and/or a control designed to reject orders that are not reasonably related to the quoted price of the security.

10. The acts, practices and conduct described in Paragraphs 6 through 9 constitute violations of Exchange Rule 3.2 and Exchange Act Rules 15c3-5(b) and 15c3-5(c)(1)(ii) by the Firm, in that the Firm's risk management controls were not reasonably designed to prevent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters, on an order-by-order basis or over a short period of time.

SANCTIONS

11. In November 2021, the Firm consented to the imposition of $120,000 in fines by Cboe BZX Exchange, Inc., Cboe BYX Exchange, Inc., and Cboe EDGX for failing to maintain financial risk management controls that were reasonably designed to prevent the entry of erroneous orders.

12. In light of the alleged rule violations described above, and prior relevant disciplinary, the Firm consents to the imposition of the following sanctions:

    a. A censure; and

    b. A monetary fine in the amount of $15,000.[1]

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

[1] This matter relates to another matter resolved on behalf of Cboe BZX Exchange, Inc. ($15,000).

with the provisions of Exchange Rule 8.3, 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 8.3. 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 the Exchange or any other regulator against the Firm. The Letter of Consent will be published on a website maintained by the Exchange.

The Firm understands that it may not deny the charges or make any public statement that is inconsistent with the Letter of Consent. The Firm may not take any position in any proceeding brought by or on behalf of the Exchange, or to which the Exchange is a party, that is inconsistent with any part of this Letter of Consent. 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 the Exchange is not a party. 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 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: July 29, 2026

[redacted]

[redacted]

Name: Todd Lopez

Title: Managing Director

Date: July 29, 2026

[redacted]

Name: Michael Held

Title: Managing Director