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May 20, 2015

VIA FIRST CLASS MAIL AND EMAIL

Mary Kosterlitz, Esq.
Chief, Office of Enforcement Liaison
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-7553

United States of America v. UBS AG

Dear Ms. Kosterlitz:

We submit this letter on behalf of our client, UBS AG, a reporting company registered under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act") and the settling defendant in the above-captioned criminal proceeding (the "Settling Firm").

We hereby request a determination by the U.S. Securities and Exchange Commission (the "Commission") or the Division of Corporation Finance (the "Division"), acting pursuant to authority duly delegated by the Commission, that the Settling Firm should not be an "ineligible issuer" as defined under Rule 405 promulgated under the Securities Act of 1933 (the "Securities Act") as a result of the entry of a Guilty Plea against the Settling Firm, which is described below. Relief from the ineligible issuer provisions is appropriate in the circumstances of this case for the reasons set forth below. The Settling Firm requests that this determination be made effective as of the date of the Guilty Plea.

BACKGROUND

On December 18, 2012, the United States Department of Justice, Criminal Division, Fraud Section ("DOJ Criminal Division") and the Settling Firm entered into a Non-Prosecution Agreement ("LIBOR NPA") related to the LIBOR Conduct, described and defined below.

Following an initial media report in 2013 of widespread irregularities in the foreign exchange ("FX") markets, the Settling Firm immediately commenced an internal review of its FX business (although the article did not identify or implicate the Settling Firm). After identifying certain issues, the Settling Firm notified the Department of Justice that it had identified evidence of potential FX market trading coordination and thereafter provided extensive cooperation to the Department of Justice and other relevant regulators in connection with investigations into FX-related conduct.[1]

As set forth in a Plea Agreement, dated May 20, 2015, entered into by the Settling Firm and the DOJ Criminal Division (the "Plea Agreement"), the DOJ Criminal Division determined that the Settling Firm had breached the LIBOR NPA. Relevant considerations in reaching that determination included certain conduct described in Exhibit 1 the Plea Agreement ("Factual Basis for Breach"), namely certain employees engaged in (i) fraudulent and deceptive currency trading and sales practices in conducting certain foreign exchange ("FX") market transactions with customers via telephone, email, and/or electronic chat, to the detriment of the UBS AG's customers, and (ii) collusion with other participants in certain FX markets (the "FX Conduct").

Further, the Settling Firm agreed to:

(i) Plead guilty to a one-count Information (the "Information") in the United States District Court, District of Connecticut (the "District Court") charging wire fraud, in violation of Title 18, United States Code Section 1343 and 2. The Information charges that between approximately 2001 and in or about 2010, the Settling Firm devised and engaged in a scheme to defraud counterparties to interest rate derivatives transactions by secretly manipulating benchmark interest rates to which the profitability of those transactions was tied (the "LIBOR Conduct").

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[1] In November 2014, the Settling Firm reached settlements with the U.K. Financial Conduct Authority ("FCA") and the U.S. Commodity Futures Trading Commission ("CFTC") in connection with their investigations into the FX Conduct, and the Swiss Financial Market Supervisory Authority ("FINMA") issued an order concluding its formal proceedings with respect to the FX Conduct and precious metals ("PM") trading. In addition to paying fines, the Settling Firm has ongoing obligations to cooperate with these authorities and to undertake certain remediation, including actions to improve processes and controls and requirements imposed by FINMA to apply compensation restrictions for certain employees and to automate at least 95% of its global FX trading. In December 2014, the Hong Kong Monetary Authority concluded an investigation of the FX Conduct, and found no evidence of collusion or manipulation but did find internal control deficiencies in the Settling Firm's FX trading operations. In addition, the Settling Firm is currently finalizing settlements with other regulators in connection with the FX Conduct and expects that those will result in the payment of additional fines and the undertaking of additional remedial measures; however, none of these settlements will require relief under 17 CFR § 230.405 or17 CFR § 200.30-1(a)(10).

The Information charges that the Settling Firm committed wire fraud in furtherance of that scheme in violation of Title 18, United States Code, Sections 1343 and 2 on or about June 29, 2009 by transmitting or causing the transmission of electronic communications, specifically: (i) an electronic chat between a senior derivatives trader (the "UBS Trader") employed by a subsidiary of the Settling Firm and a London-based interdealer derivatives broker (the "Broker"), in which the UBS Trader requested the Broker submit an increased Yen LIBOR rate favorable to the UBS Trader's position; (ii) a telephone call placed by the Broker at the UBS Trader's request to a Yen LIBOR submitter at another Yen panel bank, in which the Broker requested that the submitter increase the panel bank's Yen LIBOR submission that day; (iii) an electronic chat between the UBS Trader and a junior derivatives trader employed by the Settling Firm, who also served as a Yen LIBOR submitter for the Settling Firm (the "UBS Submitter"), in which the UBS Trader requested that the UBS Submitter increase the Settling Firm's Yen LIBOR submission rate to a rate favorable to the UBS Trader's trading positions; (iv) a subsequent Yen Libor submission from the Settling Firm to Thomson Reuters reflecting an accommodation of the UBS Trader's request to the UBS Submitter; and (v) a subsequent publication of a Yen LIBOR rate.

(ii) Pay a fine of $203 million in connection with the conduct charged in the Information.

(iii) A three-year term of probation, in which the Settling Firm would (i) not commit another federal crime during the term of probation; (ii) implement and continue to implement a compliance program designed to prevent and detect misconduct related to the benchmark interest rate and FX markets throughout its operations including those of its affiliates and subsidiaries and to provide annual reports to the probation officer and the DOJ Criminal Division on its progress; (iii) further strengthen its compliance program and internal controls as required by other regulatory and enforcement authorities that have addressed any of the misconduct related to the benchmark interest rate and FX markets; (iv) submit to the DOJ Criminal Division any report drafted by any compliance consultant or monitor imposed by the Board of Governors of the Federal Reserve System; and (v) promptly bring to the attention of the DOJ Criminal Division all credible evidence or allegations of criminal conduct by the Settling Firm or any of its employees that relate to violations of U.S. laws concerning fraud or governing securities and commodities markets.

In turn, the DOJ Criminal Division has agreed that it will not file additional criminal charges against the Settling Firm or any of its affiliates or subsidiaries relating to the LIBOR Conduct or the FX Conduct.

The Applicant expects to enter a guilty plea in the District Court (the "Guilty Plea") and expects that the District Court will enter a judgment against the Settling Firm (the "Judgment") that will require remedies that are materially the same as set forth in the Plea Agreement.

DISCUSSION

Effective on December 1, 2005, the Commission reformed and revised the registration, communications, and offering procedures under the Securities Act.[2] As part of these reforms, the Commission created a new category of issuer defined under Rule 405 as a well-known seasoned issuer ("WKSI"). A WKSI is eligible under the new rules, among other things, to register securities for offer and sale under an "automatic shelf registration statement," as so defined. A WKSI is also eligible for the benefits of a streamlined registration process including the use of free-writing prospectuses in registered offerings pursuant to Rules 164 and 433 under the Securities Act. These benefits, however, are unavailable to issuers defined as "ineligible issuers"[3] under Rule 405.

An issuer is an "ineligible issuer," as defined under Rule 405, if, among other things, "[w]ithin the past three years, the issuer or any entity that at the time was a subsidiary of the issuer was convicted of any felony or misdemeanor described in paragraphs (i) through (iv) of section 15(b)(4)(B) of the Securities Exchange Act of 1934," Rule 405(1)(v). Notwithstanding the foregoing, paragraph (2) of the definition provides that an issuer "shall not be an ineligible issuer if the Commission determines, upon a showing of good cause, that it is not necessary under the circumstances that the issuer be considered an ineligible issuer." The Commission has delegated authority to the Division of Corporation Finance to make such a determination pursuant to 17 CFR § 200.30-1(a)(10).

The Guilty Plea will be deemed to render the Settling Firm an ineligible issuer for a period of three years after the date of the Guilty Plea. This result would preclude the

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2 Securities Offering Reform, Securities Act Release No. 8591, Exchange Act Release No. 52,056, Investment Company Act Release No. 26,993, 70 Fed. Reg. 44,722, 44,790 (Aug. 3, 2005).

3 This request for relief is not intended to be limited solely for the purpose of continuing to qualify as a WKSI, but for all purposes of the definition of "ineligible issuer" under Rule 405 including but not limited to whatever purpose the definition may now or hereafter be used under the federal securities laws, including Commission rules and regulations.

Settling Firm from qualifying as a WKSI and having the benefits of automatic shelf registration and other provisions of the Securities Offering Reform for three years.

As set forth above, Rule 405 authorizes the Commission to determine for good cause that an issuer shall not be an ineligible issuer, notwithstanding that the issuer or a subsidiary of the issuer becomes subject to an otherwise disqualifying order. The Settling Firm believes that there is good cause for the Commission to make such a determination based on precedent as well as the Division's Statement[4] on granting such waivers, on the following grounds:

1. The Persons Responsible for, and the Duration of, the Alleged Misconduct.

(a) LIBOR

While the Settling Firm acknowledges that the misconduct alleged in the Information occurred over a prolonged period of time (from 2001 through June 2010), it involved only approximately 14 of UBS' approximately 65,000 total employees; members of senior management of UBS were not implicated in the misconduct; none of the misconduct involved the Settling Firm's filings with the Commission (the "UBS AG Disclosures"); and while some of the individuals involved in the trader-related conduct described in the Exhibit 3 of the Plea Agreement ("LIBOR Statement of Facts") were employees of the Settling Firm, none of these individuals had any responsibility for, or role in, preparing the UBS AG Disclosures. All of the individuals at the Settling Firm who were identified as being responsible for the conduct alleged in the Information have either resigned or have had their employment terminated. Therefore, the misconduct cannot be viewed as pervasive within the Settling Firm.

As none of the members of the Settling Firm's senior management were implicated in the misconduct, the conduct alleged in the Information ended in 2010 and the individuals responsible for the misconduct are no longer employed by the Settling Firm, we believe the foregoing discussion addresses these concerns. Finally, as noted in the discussion concerning remedial actions, the Settling Firm has taken a number of actions to reinforce its commitment to compliance.

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[4] Division of Corporation Finance, Revised Statement on Well-Known Seasoned Issuer Waivers (April 24, 2014), available at http://www.sec.gov/divisions/corpfin/guidance/wksi-waivers-interp-031214.htm (the "Division Statement"). We note that the Division Statement relates to the grant of waivers that are necessary as a result of violations of the federal securities laws. While the Judgment does not assert any such violations, we believe that the standards set forth in the Division Statement are relevant to its consideration of the request for a waiver.

(b) FX

The Settling Firm acknowledges that the FX Conduct occurred prior to and continuing after December 18, 2012. It involved less than 10 of UBS' approximately 65,000 total employees. Members of senior management of UBS were not implicated in the misconduct. The Settling Firm has taken appropriate disciplinary action against the individuals responsible for the FX Conduct. In some cases, UBS has delayed taking final action pending resolution of the DOJ Criminal Division's investigation in order to ensure the ongoing cooperation of relevant individuals.

As none of the members of the Settling Firm's senior management were implicated in the misconduct, the conduct alleged has ended, and UBS has already taken or intends to take appropriate disciplinary action we believe the foregoing discussion addresses these concerns. Finally, as noted in the discussion concerning remedial actions, the Settling Firm has taken a number of actions to reinforce its commitment to compliance.

2. Role of Individuals in Preparing UBS AG Disclosures.

In addition, none of the LIBOR or FX Conduct pertains to activities undertaken by the Settling Firm, its affiliates, or its subsidiaries in connection with its filings with the Commission (the "UBS AG Disclosures"). Nor did any of the individuals have any responsibility for preparing the UBS AG Disclosures. There is no connection between the alleged conduct and the integrity of UBS AG Disclosures made by the Settling Firm or any of its affiliates, with respect to the business or operations of the Settling Form or any of its affiliates as issuers.

The Settling Firm has rigorous procedures relating to the preparation of its filings with the Commission. Input from functions preparing preliminary drafts of disclosures was and is subject to challenge, comment and revision by a number of functions including investor relations, accounting, legal, risk control and communications under the management of the Group External Reporting team. The disclosure process subject to the oversight of the Group Disclosure Committee, which reviews material changes in disclosure or new disclosures, disclosure aspects of changes in accounting and reporting requirement and assessing identified areas of particular risk or sensitivity. The Disclosure Committee is chaired by the Group Chief Financial Officer and includes the Group CEO, Group Chief Risk Officer and Group General Counsel and well as representatives of Group External Reporting, Finance, Investor Relations, Legal and Corporate Communications.

Moreover, neither the Information relating to LIBOR conduct nor the Factual Basis for Breach involves any allegations that the Settling Firm committed scienter-based violations of the Securities Act or the Exchange Act in respect of the conduct.

3. Remedial Steps Taken.

(a) LIBOR Conduct

After extensive investigation, the Department of Justice and the Settling Firm have negotiated a settlement reflected in the Plea Agreement. The Settling Firm has agreed to comply with several undertakings pursuant to the Plea Agreement, including, among other things, the undertakings and payment of the fine described above.

The Settling Firm has previously agreed to various undertakings pursuant to investigations and settlements with the authorities in the United States, the United Kingdom, Japan, Singapore, Hong Kong, and Switzerland related to the LIBOR Conduct. UBS paid fines and disgorgements totaling CHF 1.4 billion to U.S., U.K. and Swiss authorities to resolve investigations related to the LIBOR Conduct, including $500 million to the Department of Justice, GBP 160 million to the FCA, and CHF 59 million to FINMA.

Further, in connection with an Order dated December 19, 2012, issued by the CFTC with respect to the matters described therein, UBS agreed to extensive undertakings to ensure the integrity and reliability of its benchmark interest rate submissions by (i) determining its submissions based on specific factors, adjustments and considerations; (ii) conducting supervisory review of each daily submission; (iii) ensuring minimum qualifications of submitters and supervisors; (iv) implementing firewalls to prevent improper communications and submissions; (v) providing certain documents to the CFTC upon request and without a subpoena; (vi) developing and maintaining monitoring systems and performing periodic internal audits and annual external audits; (vii) developing policies, procedures and controls to comply with the undertakings; and (viii) developing a training program for all submitters and supervisors and traders who deal with the benchmark interest rate; and (ix) making periodic reports to the commission on compliance with the undertakings. The Settling Firm has complied with these undertakings and submitted a final report to the CFTC on December 18, 2013. The Settling Firm has also complied with additional undertakings imposed by FINMA.

In addition to the specifics steps taken to fulfill the CFTC undertakings, lessons learned from the LIBOR matter drove the Settling Firm to have much greater focus overall on supervising, monitoring and surveillance of intra-day conduct and behaviors to complement the end-of-day control framework that was then prominent. The firm-wide Principles and Behaviors program, sponsored by the Group Chief Executive Officer is designed to significantly strengthen three core behaviors across the firm (Integrity,

Collaboration, and Challenge) to strengthen the culture and foster greater alignment to protecting the firm's reputation and ensuring long-term and sustainable performance. In 2013, the Group Chief Executive Officer's decision to integrate the Compliance function with Operational Risk Control was an important step in bringing a risk management approach and control discipline to the Compliance activities in the second line of defense. It has enabled the Settling Firm to clarify the roles, responsibilities and control expectations for the 2nd line of defense and supports the implementation of an industry leading monitoring and surveillance capability.

Based on the lessons learned from the LIBOR investigation itself, the Settling Firm significantly tightened the coordination and governance over high risk legal, regulatory or conduct matters, including establishing a cross-functional investigations sounding board, assigning leadership accountability aligned to the potential tail risk should any allegation or speculation prove to be true, and applying the learnings across the organization. This serves as an important component of the overall compliance program. Fully leveraging this very protocol led to the firm investigating the initial allegations in the media which led to the firm identifying the FX issue and everything that followed.

(b) FX Conduct

As noted above, after learning of potentially inappropriate practices in the FX industry in media reports in June of 2013 – none of which specifically mentioned the Settling Firm – a newly formed Investigations Sounding Board launched an internal investigation into potential misconduct in the FX spot markets. From early on in its investigation, the Settling Firm consistently provided the Department of Justice with detailed, real-time reports of its investigation findings and repeatedly solicited the Department's input and approval of changing investigation priorities and altered significantly the investigation plan on different occasions at the request of the Department. The Settling Firm believes that it was the first bank to report FX misconduct to the Department of Justice and other authorities.

While the Settling Firm believes that its control environment for FX rates during the investigation period was proportionate to prevailing industry standards and the systems and controls of peer institutions, the Settling Firm has adopted significant remedial measures to address problems that it identified. In fact, the Settling Firm is making a significant investment in adopting measures to align its FX business with many of the same standards in place for its business in fully regulated markets.

First, since the early stages of the FX investigation, the Settling Firm has been transitioning its FX business to adopt principles, systems, and controls more akin to that of regulated markets. For example, the Settling Firm is introducing continuous transaction monitoring and detailed time stamping of orders to ensure it can conduct additional forensic analysis of trading activity. These initiatives, although requiring significant further investment in overhauling systems and processes, are developed, funded, and in place.

Second, following detection of the FX issues, the Settling Firm conducted an in-depth review of the FX business to identify areas in need of improvement. Since then, the Settling Firm has undertaken actions to significantly improve compliance monitoring, intraday supervision and operational risk management assessment to more swiftly detect inappropriate activity. For instance, the Settling Firm has made the following improvements:

Strengthened Front Office Processes

- Standardized the fixing order process
- Closed FX management books
- Instituted a formal process of review and supervision of enhanced conduct risk
- Designed brokerage management information in order to facilitate the identification of possible collusion between FX traders and brokers
- Recalibrated the FX "business owned limits" to align them to market risk appetite and historical utilization
- Reviewed the FX supervisory hierarchy
- Revised guidance on handling client error
- Improved the consistency of disclosing trading conflicts in Terms and Conditions to clients
- Updated chat room standards and controls, which were implemented in November 2013
- Prohibited the use of personal mobile phones on trading floors for all Investment Bank sales and trading staff
- Implemented a series of measures to manage obligations and expectation to clients and markets over potential conflicts of interests

Strengthened Front Office Systems

- As of December 2014, implemented an enhanced booking and risk management workflow for all FX prime brokerage cash trades, fully segregating prime brokerage components of trades from FX sales and trading

Enhanced Guidance and Training

- Significantly strengthened its "FX, Rates & Credit Global Handbook," which includes new sections covering client and market conduct requirements, behavior, and communication
- Mandatory training (both live and computer-based) linked to these guidelines has been completed for all Investment Bank sales and trading staff globally; this training is mandatory for all Investment Bank staff, including new joiners
- FX management has completed a full review of the content of the "FX, Rates & Credit Global Handbook" against existing Key Procedural Controls, with new controls being implemented where required

The Settling Firm has taken disciplinary actions (including terminations, suspensions and significant penalties related to compensation against these individuals) against employees who were found through the FX investigation to have engaged in misconduct, who failed to effectively execute their supervisory duties, or who uniquely and materially contributed to key control deficiencies.

In addition to the significant remedial measures the Settling Firm has already adopted, the Settling Firm has also agreed to specific remediation undertakings in connection with the November 2014 government resolutions. In connection with the CFTC order described above in footnote 1, the Settling Firm represented that it had already undertaken certain steps intended to make reasonable efforts to ensure the integrity of the FX markets including, but not limited to, the following: (i) strengthening mandatory training requirements for all FX employees, with a heavy focus on appropriate trading behavior; (ii) implementing new procedures regarding the appropriate use of chat rooms as a form of communication, including the prohibition of nearly all participation by Investment Bank staff in multi-bank chat rooms; and (iii) strengthening supervision and surveillance of FX trading desks, including the ongoing introduction of specific trade surveillance systems and enhancements to electronic communication monitoring.

In connection with the FCA settlement, the Settling Firm must conduct an audit of the following areas to ensure its culture, governance arrangements, policies, procedures, systems, and controls are appropriate and adequate to effectively manage specific risks with respect to the FX business: (i) front office culture; (ii) the adequacy of the first line of defense (i.e. the risk and control environment relating to daily operations, including monitoring of traders' activity and conduct); (iii) the adequacy of the second and third lines of defense (e.g. compliance, audit, risk); (iv) the adequacy of the challenge of risk management by the second and third lines of defense; (v) the role and appropriateness of financial incentives and performance management; (vi) the adequacy of training for the specific relevant business area; (vii) the adequacy of communications monitoring and

surveillance; (viii) the adequacy of the management of conflicts of interest; and (ix) benchmarks, whether trading, judgment, or submissions based, which fall within any of these business areas. If this audit identifies any areas requiring improvement, the Settling Firm must implement appropriate remedial action.

In connection with the FINMA order, the Settling Firm must (i) automate at least 95% of global FX and PM trading by December 31, 2016; (ii) implement and improve controls with respect to the remaining FX voice trading; (iii) implement adequate monitoring, supervision, and analysis instruments with respect to market abusive conduct in the Investment Bank; (iv) implement and improve control measures to avoid conflicts of interest between client trading and the active proprietary trading (i.e., the trading of traders' own positions on behalf of the bank, independent of risk management/hedging in connection with client orders), including the organizational and personnel separation of client and active proprietary trading; (v) clarify guidelines on personal account dealing, expand controls and oversight of personal account dealing, and enhance sanctions for violations of these guidelines; (vi) conduct an annual review of the compensation process within the Investment Bank through an internal audit regarding the impact of the compliance and risk conduct of employees on their compensation, as well as on the adequacy of senior management decisions made during the process, for a period of two years from fiscal year 2014;(vii) implement a maximum annual variable salary component of twice the fixed annual income (2:1) for the FX and PM trading business for a period of two years from fiscal year 2014; (viii) implement of a maximum annual variable salary component of twice the fixed annual income (2:1) for persons with a total salary of over CHF 1 million in the Investment Bank for a period of two years from fiscal year 2014 (although there may be exceptions based on adequate consideration of employee conduct and the adherence to compliance objectives); and (ix) strengthen the whistleblower process.

In addition, in connection with other settlements currently being finalized with other regulators, the Settling Firm expects to make a number of significant undertakings that address its internal controls and compliance program and its compliance risk management program.

Also in connection with these resolutions, the Settling Firm has paid a total of CHF 774 million, including GBP 234 million in fines to the FCA, $290 million in fines to the CFTC, and CHF 134 million to FINMA representing confiscation of costs avoided and profits.

(c) Additional Firmwide Reform

The work undertaken in relation to FX is part of a much broader program focused on strengthening front office processes and systems, and enhanced guidance and training. This includes (i) transactional monitoring to cover all asset classes and client and proprietary flows; (ii) enhanced monitoring of electronic communications to cover all e-mail flow and chat channels in all jurisdictions; (iii) preliminary monitoring of audio communications; (iv) trader surveillance to monitor and detect rogue trading; (v) monitoring and assessment of employee behavioral indicators to identify outliers; (vi) expanded cross border monitoring that goes beyond the traditional control-based monitoring; and (vii) improved processes associated with the firm's whistleblowing policy.

In addition, the Settling Firm's incentive and compensation structure has been reformed to ensure that inappropriate behavior is not incentivized and that there are consequences for misconduct. The Settling Firm believes that it was the first in the industry to implement longer compensation deferral periods and greater clawback powers. For employees whose compensation exceeds a certain level, a significant portion of their performance award is deferred up to five years and includes forfeiture provisions for material misconduct. In addition, the Settling Firm considers compliance related violations, for example failure to complete mandatory training on time or failure to comply with personal account dealing policy, in an individual's performance review, and repeat violations can lead to sanctions.

(d) Past Waivers from Being Considered an Ineligible Issuer

The Commission has previously granted the Settling Firm and its affiliates six waivers from being considered an ineligible issuer, five of which, as discussed in the bullets below, were in connection with conduct wholly unrelated to the conduct alleged in the Information. The waiver in connection with United States of America v. UBS Securities Japan Co. Ltd., related to the same facts that are alleged in the Information and was granted by the Commission to an affiliate of the Settling Firm on September 13, 2013, more than two years after the Settling Firm had ceased the conduct alleged in the Information.

Four of the other waivers were granted by the Commission after the Settling Firm had ceased the conduct alleged in the Information. Only the waiver granted on December 9, 2008 (the "2008 Waiver") was granted while the conduct alleged in the Information was occurring, but as it related to conduct unrelated to the conduct alleged in the Information, the remedial measures put in place by the Settling Firm as a result of the 2008 Waiver could not have prevented, led to an earlier discovery of, or raised red flags about the conduct alleged in the Information.

- In the Matter of Auction Rate Securities Liquidity Issues (File No. HO-10915-A) (Dec. 9, 2008) related to alleged conduct by UBS Financial Services Inc. ("UBSFS") and UBS Securities LLC ("UBSS") in connection with the underwriting, marketing and sale of auction rate securities. This matter alleged that UBSS and UBSFS misled investors into believing that auction rate securities were safe, highly liquid investments that were equivalent to cash or money-market funds.

- SEC v. UBS Financial Services Inc. (P-01118) (May 6, 2011) related to the activity of former employees of UBSFS with respect to the temporary investment of proceeds of municipal securities in reinvestment products such as guaranteed investment contracts, repurchase agreements, and forward purchase agreements. The otherwise disqualifying order alleged that former employees of UBSFS engaged in bidding practices that affected the prices for certain of the reinvestment products at issue and the certifications required under applicable regulations. The employees of UBSS involved in the activity described in the order did not have any role with respect to the UBS ATS.

- In the Matter of UBS Financial Services Inc. of Puerto Rico (FL-3491) (May 10, 2012) related to conduct by UBS Financial Services Inc. of Puerto Rico ("UBSPR") in connection with secondary market sales of mutual funds to residents of Puerto Rico. The order alleged that UBSPR made misrepresentations and omissions concerning market prices and liquidity of certain non-exchange traded closed-end mutual funds.

- In the Matter of UBS Securities LLC (NY-8353) (Aug. 6, 2013) related to the alleged failure to disclose retention of certain upfront premiums in connection with credit default swaps referenced as collateral in a collateralized debt offering that was sold to accredited investors. The employees of UBSS involved in the activity described in the order did not have any role with respect to the UBS ATS.

- United States of America v. UBS Securities Japan Co. Ltd. (Sep. 13, 2013) involved the manipulation of benchmark interest rates by UBS Securities Japan Co. Ltd. ("UBSJC"). The conduct was limited to approximately fourteen employees, none of whom was responsible for preparing the UBS AG Disclosures and all of whom resigned or had their employment terminated. UBSJC implemented extensive remedial measures to enhance its compliance environment and risk monitoring, including a comprehensive microlevel review of its business divisions and processes, installation of a

dedicated communications monitoring team, adoption of amended employment rules and supervisory procedures, and enhanced training regarding, among other things, full compliance with UBSJC's Code of Conduct and obligation to report inappropriate activities. As a result of an order entered by the U.S. Commodity Futures Trading Commission in December 2012, the Settling Firm also agreed to comply with significant audit and monitoring conditions of its interest-rate benchmark submissions.

- In the Matter of UBS (NY-8692) (January 15, 2015) related to the failure by an affiliate of the Settling Firm to timely disclose to all subscribers of an automated trading system (the "ATS") two new features of the ATS.

As demonstrated above, none of the conduct alleged in the six otherwise disqualifying orders related to the Settling Firm's conduct or the conduct of its affiliates as an issuer of securities and does not call into question the Settling Firm's ability to make accurate disclosures about its future offerings. Accordingly, the conduct alleged in the Information does not call into question the effectiveness of the Settling Firm's prior remedial measures.

4. Impact on the Settling Firm if the Waiver Request is Denied.

The loss of the Settling Firm's status as an eligible issuer could, as described in more detail below, affect the Settling Firm's ability to conduct its structured products businesses, which could potentially harm investors and the market as a whole. This would be an unduly severe consequence, particularly in light of the fact that the conduct charged in the Information does not involve the issuance of UBS securities.

The Settling Firm is a global financial institution that relies on the benefits afforded to well-known seasoned issuers in its day-to-day operations. Being a well-known seasoned issuer provides two primary benefits: (1) additional flexibility over a Form F-3 when issuing from a shelf registration; and (2) the ability to communicate more freely with investors using free-writing prospectuses ("FWPs").

The Settling Firm regularly relies on its eligible issuer status to offer securities using its shelf registration. Losing its status as a well-known seasoned issuer would impose additional restrictions on the Settling Firm's use of a shelf registration statement. Among other things, the Settling Firm would be required to pay all fees upfront at the time of registration and include additional information in its registration statements. Further, the Settling Firm's registration statements would be subject to a review period. All of these consequences would impose additional administrative burdens on the Settling Firm.

Another impact of being considered an ineligible issuer, however, would be the limitations on the Settling Firm's ability to communicate with investors using free-writing prospectuses ("FWPs"), which convey targeted and relevant information to customers in a user-friendly format that is often easier to understand than the typically dense statutory prospectus. The SEC has recognized that investors and the securities markets benefit from the use of FWPs, which among other things facilitate greater transparency to investors.[5]

The Settling Firm currently employs user-friendly FWPs to offer securities on an almost daily basis. In 2014, the Settling Firm issued securities in 2,986 offerings, only 31 of which did not use an FWP. The aggregate principal amount of the 2,955 offerings in which the Settling Firm used some form of FWP was approximately $2.865 billion. In each of these offerings, UBS used at least one document that was filed as an FWP. While some of these documents could be reformatted to comply with the requirement of Section 10(b), the loss of its eligible issuer status would limit the Settling Firm's ability to market the products offered by its exchange-traded note ("ETN") and structured product businesses.

(a) Exchange-Traded Notes.

The Settling Firm is an active issuer of ETNs, which are fixed term debt securities indexed to the performance of a reference index. The Settling Firm currently offers 33 ETNs and regularly produces written materials in FWP format to provide investors with summary information regarding those ETNs. The Settling Firm relies on its ability to post fact sheets, press releases and email distributions on its website to provide transparency to ETN investors regarding performance and income payments. Each of these forms of communication is a permitted form of FWP that is filed with the SEC. These documents are primarily communicated to investors through the Settling Firm's E-TRACS website. Other than the fact sheets, these FWPs would no longer be eligible to use as FWPs if the Settling Firm is deemed an ineligible issuer, requiring the Settling Firm to implement changes to its communications and E-TRACS systems. Among other things, the Settling Firm anticipates that ineligible issuer status would require it to modify its informational E-TRACS website. Inability to use FWPs also could result in redemptions of the Settling Firm's ETNs by investors who prefer to invest in ETNs issued by companies that can provide user-friendly, summary information in FWP format.

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[5] Securities Offering Reform, Securities Act Release No. 8501 (Nov. 3, 2004)

(b) UBS Equity Investor System.

Loss of WKSI status would also require the Settling Firm to modify the FWPs used in its structured products business to either cause such documents to conform to the requirements of Section 10, or to otherwise cause them not to be FWPs. Most of the FWPs for the Settling Firm's structured products are generated by its Equity Investor System ("EQI"), which is an automated system used to price and issue multiple structured product offerings daily based on input from investors. EQI uses embedded risk management parameters and documentation templates to automatically generate pricing terms and preliminary and final offering documentation. FWPs and prospectus supplements generated by EQI are automatically filed with EDGAR upon use. The Settling Firm would have to modify and recode certain FWP templates to enable it to make such documents into Section 10-compliant prospectuses. In the case of educational materials such as product guides, these modifications would result in a less user-friendly format than is currently available as FWPs.

EQI-generated offerings represent a majority of the Settling Firm's structured product business by number of offerings. Of the 2,986 offerings by the Settling Firm in 2014, 2,425, or approximately 81 percent, were generated using EQI. EQI allows the Settling Firm to meet investor demand by creating offerings smaller than $1 million, allowing greater, customized investor access to structured notes. The average EQI offering has a principal amount of around $250,000. These small-denomination offerings provide investors with customized investment opportunities.

(c) Other Structured Products.

The Settling Firm also utilizes FWPs to market structured products outside of the EQI system. In 2014, the Settling Firm offered 561 structured products with an aggregate principal amount of approximately $2.492 billion in registered non-EQI offerings, and utilized FWPs in approximately 94% of these offerings. All of these offerings use, among other things, a preliminary prospectus filed as an FWP, which would require reformatting to conform to statutory prospectus requirements.

The Settling Firm believes that an inability to utilize most documents as FWPs could trigger its removal from the competitive bidding process for certain third-party distributors due to its inability to produce FWPs. Third-party distributors frequently request that the Settling Firm provide a one-to-two-page FWP as part of the investor package. As an ineligible issuer, the Settling Firm could be unable to participate in the bidding for these offerings to the extent any such FWP cannot be reformatted to comply with the requirements of Rule 164(e).

Accordingly, for the Settling Firm, the shelf registration process and the ability to utilize FWP's provides an important means of access to the U.S. capital markets. Consequently, the ability to avail itself of automatic shelf registration and the other benefits available to a WKSI is extremely important to the Settling Firm's ability to raise capital and conduct its operations. In this regard, denying this waiver request would be unduly and disproportionately severe given that if the requested relief is not granted, the Settling Firm would incur substantial additional regulatory burdens and costs for conduct that has been discontinued and remedied.

In light of the foregoing, subjecting the Settling Firm to ineligible issuer status is not necessary under the circumstances, either in the public interest or for the protection of investors, and good cause exists for the grant of the requested relief. Accordingly, we respectfully request that the Commission, or the Division of Corporation Finance, acting pursuant to authority duly delegated by the Commission and pursuant to paragraph (2) of the definition of "ineligible issuer" in Rule 405, determine that under the circumstances the Settling Firm will not be considered an "ineligible issuer" within the meaning of Rule 405 as a result of the Guilty Plea and the entry of the Judgment.[6] We further request that this determination be made (i) as of the date of the Guilty Plea and (ii) for all purposes of the definition of "ineligible issuer," however it may now or hereafter be used under the federal securities laws and the rules thereunder.

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[6] We note in support of this request that the Division of Corporation Finance, acting pursuant to authority duly delegated by the Commission, has in other instances granted relief under Rule 405 for similar reasons. *See, e.g.*, Waiver Requests of Ineligible Issuer Status under Rule 405 of the Securities Act were granted for: Deutsche Bank AG (May 1, 2015); Deutsche Bank AG (April 23, 2015); UBS AG (January 15, 2015); Citigroup Inc. (September 26, 2014); Barclays PLC (September 23, 2014); Morgan Stanley (July 24, 2014); AEGON N.V. (June 24, 2014); The Royal Bank of Scotland Group plc (April 25, 2014); Nomura Holdings Inc. (January 2, 2014); Bank of America Corporation (December 12, 2013); Fifth Third Bankcorp (December 4, 2013); The Royal Bank of Scotland Group plc (November 26, 2013); UBS AG (September 19, 2013); UBS AG (August 6, 2013); Oppenheimer Holdings, Inc. (March 26, 2013); JPMorgan Chase & Co. (January 8, 2013); Credit Suisse AG (November 16, 2012); Wells Fargo & Company (August 14, 2012); UBS AG (May 10, 2012); JPMorgan Chase & Co. (July 11, 2011); UBS AG (May 6, 2011); Wells Fargo Securities, LLC (April 7, 2011); Goldman Sachs Group, Inc. (July 23, 2010); Deutsche Bank Securities, Inc. (June 16, 2009); Royal Bank of Canada (June 11, 2009); UBS Financial Services Inc. (December 23, 2008); Bank of America (May 1, 2008); Morgan Stanley (May 11, 2007); Banc of America Securities LLC (March 14, 2007); Bank of New York (January 9, 2007); and Deutsche Bank, AG (January 9, 2007).

If you have any questions regarding this request, please contact me at (212) 909-6036.

Sincerely yours,

Steven J. Slutzky