



DIVISION OF
CORPORATION FINANCE

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

November 10, 2011

Mark F. Fitterman, Esquire
Morgan Lewis & Bockius LLP
1111 Pennsylvania Avenue, NW
Washington, DC 20004

Re: In the Matter of UBS Securities LLC
Release No. 34-65733
Waiver Request under Regulation A and Rule 505 of Regulation D

Dear Mr. Fitterman:

This responds to your letter dated today, written on behalf of UBS Securities LLC and constituting an application for relief under Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D under the Securities Act of 1933. You requested relief from disqualifications from exemptions available under Regulation A and Rule 505 of Regulation D that arose by virtue of entry of an order today by the Securities and Exchange Commission in In the Matter of UBS Securities LLC, Release No. 34-65733, against UBS Securities under Section 15(b) of the Securities Exchange Act of 1934 (the "Order"). The Order, among other things, requires UBS Securities to comply with certain of its own undertakings and pay an \$8 million penalty.

For purposes of this letter, we have assumed as facts the representations set forth in your letter and the findings supporting entry of the Order. We also have assumed that UBS Securities LLC will comply with the Order.

On the basis of your letter, I have determined that you have made showings of good cause under Rule 262 and Rule 505 that it is not necessary under the circumstances to deny the exemptions available under Regulation A and Rule 505 by reason of entry of the Order. Accordingly, pursuant to delegated authority, on behalf of the Division of Corporation Finance, and without determining whether or not any disqualification arose by virtue of entry of the Order, UBS Securities LLC is granted relief and any disqualifications from such exemptions that arose by reason of entry of the Order are waived.

Very truly yours,

A handwritten signature in cursive script that reads "Gerald J. Laporte".

Gerald J. Laporte
Chief, Office of Small Business Policy

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Morgan Lewis
C O U N S E L O R S A T L A W

November 10, 2011

VIA FIRST CLASS MAIL AND E-MAIL

Gerald J. Laporte, Esq.
Chief, Office of Small Business Policy
Division of Corporate Finance
U.S. Securities and Exchange Commission
100 F Street, N.E., 3rd Floor
Washington, D.C. 20549-3628

Re: In the Matter of UBS Securities LLC

Dear Mr. Laporte:

We submit this letter on behalf of our client, UBS Securities LLC (“UBS” or “Settling Firm”), which is settling the above-referenced proceeding by the Securities and Exchange Commission (“Commission”), requiring the Settling Firm to cease and desist from committing or causing any violations and any future violations of Section 17(a) the Exchange Act and Rule 203(b) of Regulation SHO thereunder.

The Settling Firm hereby requests, pursuant to Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D of the Commission promulgated under the Securities Act of 1933 (the “Securities Act”), waivers of any disqualifications from exemptions under Regulation A and Rule 505 of Regulation D that may be applicable to the Settling Firm or any other person as a result of the entry the Order described below. The Settling Firm requests that these waivers be granted effective as of the date of the Order. It is our understanding that the Staff of the Division of Enforcement (the “Staff”) does not oppose the grant of the requested waivers.

BACKGROUND

The staff of the Division of Enforcement engaged in settlement discussions with the Settling Firm in connection with the above-captioned administrative proceeding. As a result of these discussions, the Settling Firm submitted an executed Offer of Settlement (“Offer”), solely for the purpose of proceedings brought by or on behalf of the Commission, and the Settling Firm consented to the entry of the Order.

Under the Order entered under Sections 15(b) and 21C of the Exchange Act, the Settling Firm will cease and desist from committing or causing any violations and any future violations of Section 17(a) the Exchange Act and Rule 203(b) of Regulation SHO thereunder. The Commission’s Order finds, without admission or denial by the Settling Firm, that UBS’s locate¹ practices with respect to short sale orders created an inaccurate record regarding the basis upon which locates were granted and caused locates to be granted without UBS documenting a reasonable basis for the locates. According to the Commission’s Order, UBS’s practices created risk of locates being granted based on sources that could not be relied upon if shares were needed for UBS’s or another executing broker-dealer’s settlement obligations. Accordingly, the Order finds that, as a result of its actions, UBS violated Section 17(a) of the Exchange Act and Rule 203(b) of Regulation SHO thereunder.

The Order requires the Settling Firm to cease and desist from committing or causing any violations and any future violations of Section 17(a) the Exchange Act and Rule 203(b) of Regulation SHO thereunder, censures the Settling Firm, requires it to comply with the undertakings specified in the Order, and provides that the Settling Firm will pay a civil monetary penalty in the amount of \$8,000,000.

The undertakings require, among other things, that the Settling Firm retain, at its expense and within thirty (30) days of the issuance of the Order, a qualified independent consultant (the “Consultant”) not unacceptable to the Staff, to conduct a comprehensive review of the Settling Firm’s Securities Lending Desk policies, procedures and practices with respect to granting locate requests and the Settling Firm’s procedures to monitor compliance therewith, to satisfy its obligations under Section 17(a) of the Exchange Act and 203(b) of Regulation SHO thereunder to (i) accept short sale orders for equity securities only if it has borrowed the securities or has reasonable grounds to believe that securities can be borrowed for delivery when due; and (ii) document the basis for accepting short sale orders. The Consultant will also prepare written reports reviewing the adequacy of the Settling Firm’s policies, practices and procedures and make recommendations for any changes in or improvements to the Settling Firm’s policies and

¹ A “locate” represents a determination by a broker-dealer that it has borrowed or has entered into a bona fide arrangement to borrow particular securities, or has reasonable grounds to believe that particular securities can be or have been borrowed for delivery when due.

procedures, and procedures for implementing such recommendations. The Settling Firm will require the Consultant to report to the Commission Staff on a periodic basis detailing its progress with respect to these undertakings. Finally, the Settling Firm agrees that within fourteen (14) days after the one-year anniversary of the issuance of this Order, it will certify in writing to Commission staff that as of the one-year anniversary date the Settling Firm has continued to implement and enforce all of the Consultant's recommendations and has continued to maintain policies, practices, and procedures consistent with its obligations under Rule 203(b) of Regulation SHO and Section 17(a) of the Exchange Act.

DISCUSSION

The Settling Firm understands that the entry of the Order against it could disqualify it and other persons from participating in certain offerings otherwise exempt under Regulation A and Rule 505 of Regulation D promulgated under the Securities Act, insofar as the Order causes the Settling Firm to be "subject to an order of the Commission entered pursuant to Section 15(b) . . . of the Exchange Act. . . ." See 17 C.F.R. §§ 230.262(b)(3). The Commission has the authority to waive the Regulations A and D exemption disqualifications upon a showing of good cause that such disqualifications are not necessary under the circumstances. See 17 C.F.R. §§ 230.262 and 230.505(b)(2)(iii)(C).

The Settling Firm requests that the Commission waive any disqualifying effects that entry of the Order against it may have under Regulation A and Rule 505 of Regulation D with respect to the Settling Firm and other persons on the following grounds:

1. The Settling Firm's conduct addressed in the Order does not relate to offerings under Regulation A or Rule 505 of Regulation D.
2. The Settling Firm has cooperated with the Division of Enforcement in the investigation of this matter and has agreed to settle rather than litigate the Commission's Enforcement case.
3. The disqualification of the Settling Firm, its affiliates or other persons from the exemptions under Regulation A and Rule 505 of Regulation D would be unduly and disproportionately severe because under the Order: (a) the Settling Firm is required to cease and desist from further violations of Section 17(a) the Exchange Act and Rule 203(b) of Regulation SHO thereunder; (b) the Settling Firm is required to comply with substantial undertakings, including retaining, at its expense and within thirty (30) days of the issuance of the Order, a qualified independent consultant, not unacceptable to the Staff, to conduct a comprehensive review of the Settling Firm's Securities Lending Desk policies, procedures and practices with respect to granting locates and the Settling Firm's procedures to

monitor compliance therewith, to satisfy its obligations under Section 17(a) of the Exchange Act and 203(b) of Reg SHO thereunder to (i) accept short sale orders for equity securities only if it has borrowed the securities or has reasonable grounds to believe that securities can be borrowed for delivery when due; and (ii) document the basis for accepting short sale orders; (c) the Settling Firm will pay a civil monetary penalty in the amount of \$8,000,000. As noted above, it is our understanding that the Staff does not object to the grant of the requested waivers.

4. The disqualification may affect the business operations of the Settling Firm, its issuer affiliates, and third party issuers by impairing their ability to issue securities pursuant to these exemptions to raise new capital or for other purposes. In addition, the disqualification may place the Settling Firm or its affiliates at a competitive disadvantage with respect to third parties.

In light of the grounds for relief discussed above, we believe that disqualification is not necessary, in the public interest, or for the protection of investors, and that the Settling Firm has shown good cause that relief should be granted. Accordingly, we respectfully request that the Commission, or an appropriate Commission employee pursuant to appropriate delegated authority, waive, effective as of the date of the Order, the disqualification provisions in Regulation A and Rule 505 of Regulation D to the extent that they may be applicable as a result of the entry of the Order.²

² We note in support of this request that the Commission has in other instances granted relief under Rule 262 of Regulation A and Rule 505(b)(2)(iii)(C) of Regulation D for similar reasons. *See, e.g.*, UBS Financial Services Inc. (SEC No-Action Letter (pub. avail. May 9, 2011)); Citigroup Inc., SEC No-Action Letter (pub. avail. Oct. 19, 2010); Evergreen Investment Management Co., LLC, SEC No-Action Letter (pub. avail. June 8, 2009); UBS AG, SEC No-Action Letter (pub. avail. Mar. 19, 2009); Citigroup Global Markets, Inc., SEC No-Action Letter (pub. avail. March 23, 2005); Morgan Stanley & Co. Incorporated, SEC No-Action Letter (pub. avail. Feb. 4, 2005); Lehman Brothers Inc., SEC No-Action Letter (pub. avail. Oct. 31, 2003); Citigroup Global Markets Inc., *f/k/a/* Salomon Smith Barney Inc., SEC No. Action Letter (pub. avail. October 31, 2003); and Credit Suisse First Boston Corporation, SEC No-Action Letter (pub. avail. Jan. 29, 2002).

Gerald J. Laporte, Esquire
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C O U N S E L O R S A T L A W

Please do not hesitate to call the undersigned at (202) 739-5019 regarding this request.

Sincerely,



Mark D. Fitterman

cc: Patricia Canavan, UBS
Johanna Losert, SEC
Anne Flannery, Morgan, Lewis & Bockius LLP
Ben Indek, Morgan, Lewis & Bockius LLP
Julia Miller, Morgan, Lewis & Bockius LLP
Beth Kiesewetter, Morgan, Lewis & Bockius LLP