

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION
May 25, 2012



ADMINISTRATIVE PROCEEDING
File No. 3-14862

HARD COPY

In the Matter of

MIGUEL A. FERRER, and
CARLOS J. ORTIZ,

Respondents.

RESPONDENT CARLOS J. ORTIZ'S ANSWER TO THE COMMISSION'S ORDER
INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS

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Respondent Carlos Juan Ortiz (“Respondent”), by and through his attorneys, hereby answers the Commission’s Order Instituting Administrative and Cease-and-Desist Proceedings (the “Order”). Respondent denies all allegations in the Order to the extent they assert or suggest that he acted fraudulently or negligently, and further responds to the specific allegations in the Order as follows:

A. SUMMARY

1. Respondent denies the allegations contained in Paragraph 1, and otherwise refers the Court to Respondent Miguel A. Ferrer’s Answer to the Commission’s Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

2. Respondent denies the allegations contained in Paragraph 2, except admits that, among other responsibilities, he supervises UBS PR’s CEF trading desk, and otherwise refers the Court to Respondent Miguel A. Ferrer’s Answer to the Commission’s Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

3. To the extent that Paragraph 3 states a legal conclusion, no response is required. To the extent that a response is required, Respondent denies the allegations contained in Paragraph 3, and otherwise refers the Court to Respondent Miguel A. Ferrer’s Answer to the Commission’s Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

4. Respondent denies the allegations contained in Paragraph 4.

5. Respondent denies the allegations contained in Paragraph 5, and otherwise refers the Court to Respondent Miguel A. Ferrer’s Answer to the Commission’s Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

6. To the extent that Paragraph 6 states a legal conclusion, no response is required. To the extent that a response is required, Respondent denies the allegations contained in Paragraph 6, except admits that as part of a risk management decision, UBSFS' Chief Risk Officer directed that the trading desk reduce CEF inventory from approximately \$50 million to the then-standing operating limit of \$30 million; that as part of a further risk management decision, the trading desk was directed by the firm's risk department to reduce CEF inventory levels from approximately \$30 million to a release limit target of \$12 million; and that the trading desk reduced CEF inventory levels to approximately \$12 million by July 31, 2009.

7. To the extent that Paragraph 7 states a legal conclusion, no response is required. To the extent that a response is required, Respondent denies the allegations contained in Paragraph 7, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

8. Paragraph 8 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

9. Respondent denies the allegations contained in Paragraph 9.

B. RESPONDENTS

10. Paragraph 10 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

11. Respondent denies the allegations contained in Paragraph 11, except avers that he is 52 years old, has been UBS PR's Managing Director of Capital Markets since 2003, and admits that, among other responsibilities, he supervises UBS PR's CEF trading desk, holds Series 7, 24, 53, and 55 securities licenses, and has no disciplinary history.

C. RELEVANT ENTITIES

12. To the extent the allegations in Paragraph 12 are asserted against him, Respondent denies the allegations. In all other respects, Respondent states that he does not have, and is unable to obtain, sufficient information to admit or deny the allegations contained in Paragraph 12, except admits that UBS PR is a Puerto Rico corporation with its principal place of business in Hato Rey, Puerto Rico.

13. To the extent the allegations in Paragraph 13 are asserted against him, Respondent denies the allegations. In all other respects, Respondent states that he does not have, and is unable to obtain, sufficient information to admit or deny the allegations contained in Paragraph 13, except admits that UBS Trust Company of Puerto Rico is an affiliate of UBS PR.

14. To the extent the allegations in Paragraph 14 are asserted against him, Respondent denies the allegations. In all other respects, Respondent states that he does not have, and is unable to obtain, sufficient information to admit or deny the allegations contained in Paragraph 14, except admits that UBS Financial Services, Inc. is the parent of UBS PR and that UBSFS is a Delaware corporation with its principal place of business in Weehawken, New Jersey.

D. UBR PR'S MARKETING AND SALES OF CEFS

15. Respondent denies the allegations contained in Paragraph 15, except admits that there are 23 separately organized CEFs and that those CEFs are not traded on an exchange. Respondent states that he does not have, and is unable to obtain, sufficient information to admit

or deny the allegations contained in Paragraph 15 relating to UBS PR's activities prior to the time Respondent joined UBS PR.

16. To the extent the allegations in Paragraph 16 are asserted against him, Respondent denies the allegations. In all other respects, Respondent states that he does not have, and is unable to obtain, sufficient information to admit or deny the allegations contained in Paragraph 16.

17. Respondent denies the allegations contained in Paragraph 17, except admits that he did not receive any proceeds from CEF sales. To the extent Paragraph 17 contains factual allegations that do not concern the Respondent, no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

18. Paragraph 18 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

19. Respondent denies the allegations contained in Paragraph 19, except admits that the CEFs were available to retail customers, including, *inter alia*, seniors and retirees, and that UBS PR solicits its customers to invest in securities, including CEFs. Respondent does not have, and is unable to obtain, sufficient information to admit or deny the allegations regarding the "aggressive solicitation" of customers or the percentage of CEF sales that were solicited.

20. Paragraph 20 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations

contained in Paragraph 20, except states that he does not have, and is unable to obtain, sufficient information to admit or deny the allegations regarding the activities of financial advisors.

Respondent otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

E. FERRER AND ORTIZ MISREPRESENTED AND OMITTED DISCLOSING MATERIAL FACTS ABOUT THE CEFS' PRICES AND LIQUIDITY

i) Misrepresentations About CEF Prices

21. Paragraph 21 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations contained in Paragraph 21, except states that he does not have, and is unable to obtain, sufficient information to admit or deny the allegations regarding what "elderly investors were looking for."

22. Respondent denies the allegations contained in Paragraph 22, except admits that the pricing of the CEFs involved, *inter alia*, the exercise of judgment by market professionals on the trading desk to assess supply and demand and other indicators of market price, including the Funds' respective yields; that the pricing of the CEFs is not set by any mathematical formula; and that UBS PR may buy or sell as a principal when there is no immediately-available customer order to take the other side of a trade, and the firm has both the inventory and the risk appetite to transact in the funds.

23. Respondent denies the allegations contained in Paragraph 23.

24. To the extent that Paragraph 24 states a legal conclusion, no response is required. To the extent that a response is required, Respondent denies the allegations contained in Paragraph 24, except admits that the newspaper *El Vocero* published pricing information on a weekly basis regarding the CEFs since prior to the time Respondent joined UBS PR; and that the

information published by *El Vocero*, the presentation of which Respondent had no role in or control over, was based upon pricing information generated by the trading desk pursuant to a consistent protocol in place since prior to the time Respondent joined UBS PR, and provided to *El Vocero* with certain explicit disclaimers.

25. To the extent that Paragraph 25 states a legal conclusion, no response is required. To the extent that a response is required, Respondent denies the allegations contained in Paragraph 25, except admits that the trading desk once a month provided bid prices for the CEFs to the firm's Pricing Group.

ii) Misrepresentations About CEF Liquidity

26. Respondent denies the allegations contained in Paragraph 26, except admits that in 2008, during an unprecedented period of local and global financial stress, there existed periodic order imbalances in the CEFs; and that to help maintain an orderly market, the trading desk requested (and received) from the firm's risk department modest, temporary increases to the inventory limits to provide an additional source of liquidity in the market.

27. Paragraph 27 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

iii) The 2008-09 Price and Liquidity Crisis

28. Respondent denies the allegations contained in Paragraph 28, except admits that in May 2008 there existed an order imbalance in the CEFs, and refers the Court to the document referenced for the contents thereof.

29. Respondent denies the allegations contained in Paragraph 29, except admits that in or around May 16, 2008 UBS PR had approximately \$37 million of CEF shares in its inventory, an amount that was within its authorized limit.

30. Respondent denies the allegations contained in Paragraph 30, except admits that, during an unprecedented period of local and global financial stress, there existed periodic order imbalances in the CEFs; and that to help maintain an orderly market, the trading desk requested and received from the firm's risk department modest, temporary increases to the inventory limits to provide an additional source of liquidity in the market. Respondent refers the Court to the document referenced for the contents thereof.

31. Respondent denies the allegations contained in Paragraph 31, except admits that, in the professional judgment of the trading desk, price levels for the CEFs during the period May through August 2008 reflected the state of the market and would foster liquidity for the CEFs.

32. Respondent denies the allegations contained in Paragraph 32, except admits that, in the professional judgment of the trading desk, price levels for the PR Investors Tax-Free Fund I during the period May through August 2008 reflected the state of the market and would foster liquidity in that fund.

33. Paragraph 33 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

34. Paragraph 34 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations,

and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

35. Respondent denies the allegations contained in Paragraph 35, except admits that he requested that the CEF Head Trader assemble truthful, accurate information about certain CEFs that offered relative value in order to educate brokers about the attributes of the product, and refers the Court to the document referenced for the contents thereof. Respondent does not have, and is unable to obtain, sufficient information to admit or deny the allegation regarding a meeting that he did not attend.

36. Respondent denies the allegations contained in Paragraph 36, except admits that he attended an August 12, 2008 meeting of the UBS PR Group Management Board, and refers the Court to the document referenced for the contents thereof.

37. Paragraph 37 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

38. Respondent denies the allegations contained in Paragraph 38, refers the Court to the document referenced for the contents thereof, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

39. Paragraph 39 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

40. Paragraph 40 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

41. Paragraph 41 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

42. Paragraph 42 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

43. Paragraph 43 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

44. Paragraph 44 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

45. Paragraph 45 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations,

and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

46. Paragraph 46 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

47. Paragraph 47 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

48. Respondent denies the allegations contained in Paragraph 48, except refers the Court to the documents referenced for the contents thereof. To the extent that Paragraph 48 states a legal conclusion, no response is required.

49. Respondent denies the allegations contained in Paragraph 49, except admits that in order to help maintain an orderly market, the trading desk purchased and sold CEF shares in inventory to provide an additional source of liquidity in the market; and that amongst the many reasons the trading desk purchased CEF shares into inventory was to accommodate reinvestment share purchases. Respondent does not have, and is unable to obtain, sufficient information to admit or deny the allegations contained in Paragraph 49 with respect to investor participation in the primary offerings.

50. Respondent denies the allegations contained in Paragraph 50, except admits that in order to help maintain an orderly market, the trading desk requested and received from the firm's risk department modest, temporary increases to the inventory limits to provide an

additional source of liquidity in the market; that the trading desk requested and received from the firm's risk department a temporary increase of the inventory limits to \$50 million; and that the trading desk had several reasons for the request to temporarily increase inventory to \$50 million.

51. Respondent denies the allegations contained in Paragraph 51, except refers the Court to the documents referenced for the contents thereof. Respondent otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

F. UBS PR DUMPED ITS CEF INVENTORY BY LOWERING SHARE PRICES TO UNDERCUT ITS CUSTOMERS' SELL ORDERS

i) UBSFS Orders UBS To Reduce Inventory

52. Respondent does not have, and is unable to obtain, sufficient information to admit or deny the allegations contained in Paragraph 52. To the extent that a response is required, Respondent denies the allegations contained in Paragraph 52.

53. Respondent denies the allegations contained in Paragraph 53, except admits that in order to help maintain an orderly market, the trading desk requested from the firm's risk department a temporary increase of the inventory limits to \$55 million to provide an additional source of liquidity to the market; and that amongst several reasons that the trading desk requested to temporarily increase inventory to \$55 million was to accommodate the purchase of reinvestment shares; and refers the Court to the document referenced for the contents thereof.

54. Respondent denies the allegations contained in Paragraph 54, except admits that UBSFS' Chief Risk Officer declined the trading desk's request to temporarily increase the inventory limits to \$55 million; that as part of a risk management decision UBSFS' Chief Risk Officer directed that the trading desk reduce inventory to the standing operating limit of \$30 million; and that Respondent, as well as the President and Chief Operating Officer of UBS PR,

did not agree with the risk management decision to reinstate the \$30 million inventory limit and believed that a \$50 million inventory limit was appropriate given the approximately \$5 billion market capitalization of the funds and the liquidity demands of the client base; and refers the Court to the document referenced for the contents thereof. Respondent does not have, and is unable to obtain, sufficient information to admit or deny the allegations contained in Paragraph 54 regarding the actions of “UBS PR executives,” and refers the Court to the document referenced for the contents thereof with respect to statements by UBS PR’s president.

55. Respondent does not have, and is unable to obtain, sufficient information to admit or deny the allegations contained in Paragraph 55 regarding discussions by UBSFS senior executives that did not involve Respondent, and refers the Court to the documents referenced for the contents thereof with respect to a review by UBSFS’ Risk Control Group and Compliance Department.

56. Respondent denies the allegations contained in Paragraph 56, except admits that the trading desk was directed by the firm’s risk department to reduce CEF inventory levels to a release limit target of \$12 million, and refers the Court to the document referenced for the contents thereof.

57. Respondent denies the allegations contained in Paragraph 57 and refers to the full presentation for a true and complete record of its contents. Respondent further refers the Court to the e-mail referenced for the contents thereof.

58. Respondent refers to his responses *infra* to the particular allegations summarized in Paragraph 58, and otherwise denies the allegations contained in Paragraph 58.

59. Respondent denies the allegations contained in Paragraph 59, except admits that, in accordance with an instruction by the firm’s risk department, the trading desk reduced CEF

inventory levels to a release limit target of \$12 million by July 31, 2009; that the price of one CEF declined by approximately 15 percent over the period March through September 2009; and that during an unprecedented period of local and global financial stress, during which there existed periodic order imbalances in the CEFs, customers may have waited varying periods of time to obtain execution of limit orders.

ii) *Ortiz and UBS PR Schemed To Dump The Firm's Inventory By Undercutting Pending Customer Sell Orders*

60. Respondent denies the allegations contained in Paragraph 60, except admits that the trading desk, in accordance with an instruction by the firm's risk department, reduced CEF inventory levels to a release limit target of \$12 million; and that the desk reduced inventory in accordance with applicable regulatory guidance and the order priority rules in the trading guidelines.

61. Respondent denies the allegations contained in Paragraph 61, except admits that a majority of sell orders during this time period were submitted as limit orders. Respondent does not have, and is unable to obtain, sufficient information to admit or deny the allegations contained in Paragraph 61 regarding customer knowledge, but avers that financial advisors are aware of the difference between market and limit orders.

62. Respondent denies the allegations contained in Paragraph 62, except admits that in order to reduce inventory in a manner consistent with applicable regulatory guidance and the order priority rules in the trading guidelines, the trading desk sold inventory shares at prices below those of open customer sale limit orders so as not to be in competition with pending customer orders.

63. Respondent denies the allegations contained in Paragraph 63, except admits that he sent an e-mail to the Head Trader on March 4, 2009 regarding pricing (not March 3, 2009) and refers the Court to that document for the contents thereof.

64. Respondent denies the allegations contained in Paragraph 64, except refers the Court to the documents referenced for the contents thereof.

iii) *Ferrer and Ortiz Failed To Disclose UBS PR's Conflicts of Interest Associated With the Inventory Dump to New Or Existing CEF Investors*

65. Respondent denies the allegations contained in Paragraph 65. Respondent otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

66. Respondent denies the allegations contained in Paragraph 66. To the extent that Paragraph 66 states a legal conclusion, no response is required. Respondent otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

67. To the extent that Paragraph 67 states a legal conclusion, no response is required. To the extent that a response is required, Respondent denies the allegations contained in Paragraph 67, except admits that UBS PR is a primary source of secondary market liquidity for CEFs is done through the UBS PR trading desk. Respondent does not have, and is unable to obtain, sufficient information to admit or deny the allegations contained in Paragraph 67 regarding the characteristics of certain retail investors.

68. Respondent denies the allegations contained in Paragraph 68, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

iv) *While UBS PR Was Dumping Its Inventory, Ferrer and Ortiz Pushed Financial Advisors To Boost Demand For CEF Shares*

69. To the extent that Paragraph 69 states a legal conclusion, no response is required. To the extent that a response is required, Respondent denies the allegations contained in Paragraph 69.

70. Respondent denies the allegations contained in Paragraph 70, refers the Court to the document referenced for the contents thereof, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

71. Respondent denies the allegations contained in Paragraph 71, except admits that he made a brief presentation at the conference that provided an informational overview of the secondary market for local Puerto Rico municipal securities and the CEFs.

72. Paragraph 72 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

73. Paragraph 73 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

74. Paragraph 74 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

75. Paragraph 75 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

76. Respondent denies the allegations contained in Paragraph 76.

77. Paragraph 77 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

78. Respondent denies the allegations contained in Paragraph 78, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

79. Paragraph 79 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

80. Respondent denies the allegations contained in Paragraph 80.

81. Respondent denies the allegations contained in Paragraph 81.

82. Respondent denies the allegations contained in Paragraph 82, except admits that CEF inventory levels were reduced to below \$12 million by July 31, 2009.

G. THE FRAUDULENT CONDUCT HARMED CEF INVESTORS

83. Respondent denies the allegations contained in Paragraph 83, except admits that as part of a risk management decision, UBSFS' Chief Risk Officer directed that the trading desk

reduce CEF inventory from approximately \$50 million to the standing operating limit of \$30 million; that as part of a risk management decision, the trading desk was directed by the firm's risk department to reduce CEF inventory levels from approximately \$30 million to a release limit target of \$12 million; that the trading desk reduced CEF inventory levels to approximately \$12 million by July 31, 2009; and that the desk reduced inventory in accordance with applicable regulatory guidance and the order priority rules in the trading guidelines.

84. Paragraph 84 contains no factual allegations regarding the Respondent, and so no response is required. To the extent that a response is required, Respondent denies the allegations, and otherwise refers the Court to Respondent Miguel A. Ferrer's Answer to the Commission's Order Instituting Administrative and Cease-and-Desist Proceedings, dated May 25, 2012.

85. Respondent does not have, and is unable to obtain, sufficient information to admit or deny the allegations contained in Paragraph 85. To the extent that a response is required, Respondent denies the allegations contained in Paragraph 85, except admits that during an unprecedented period of local and global financial stress, during which there existed periodic order imbalances in the CEFs, customers may have waited varying periods of time to obtain execution of limit orders.

H. VIOLATIONS

86. To the extent that Paragraph 86 states a legal conclusion, no response is required. To the extent that a response is required, Respondent denies the allegations contained in Paragraph 86.

87. To the extent that Paragraph 87 states a legal conclusion, no response is required. To the extent that a response is required, Respondent denies the allegations contained in Paragraph 87.

AFFIRMATIVE DEFENSES

Respondent asserts the following affirmative defenses and reserves the right to amend this Answer to assert other and further defenses when and if, in the course of its investigation, discovery, or preparation for the hearing, it becomes appropriate.

FIRST DEFENSE

The allegations of the Division fail to state a claim upon which the Commission can take any disciplinary action.

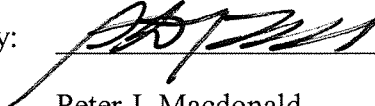
SECOND DEFENSE

The administrative proceeding deprives Respondent of his right to a jury trial under the Seventh Amendment.

Dated: New York, New York
May 25, 2012

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