

UNITED STATES OF AMERICA  
Before the  
SECURITIES AND EXCHANGE COMMISSION  
May 25, 2002



ADMINISTRATIVE PROCEEDING  
File No. 3-14862

In the Matter of

MIGUEL A. FERRER, and  
CARLOS J. ORTIZ,

Respondents.

ANSWER OF RESPONDENT  
MIGUEL A. FERRER

Respondent Miguel A. Ferrer ("Ferrer"), by and through his attorneys Stroock & Stroock & Lavan LLP, hereby answers the Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 ("Securities Act"), Sections 15(b) and 21C of the Securities Exchange Act of 1934 ("Exchange Act"), and Section 9(b) of the Investment Company Act of 1940 ("Investment Company Act") (the "Order") by the staff of the Division of Enforcement of the Securities and Exchange Commission ("Division") as follows:

A. SUMMARY

1. Ferrer denies the allegations in paragraph 1.
2. Ferrer denies the allegations in paragraph 2, except admits that, during certain of the relevant time period, Ferrer was Chief Executive Officer of UBS Financial Services Inc. of Puerto Rico ("UBS PR").
3. Ferrer denies the allegations in paragraph 3.

4. Ferrer denies the allegations in paragraph 4.

5. Ferrer denies the allegations in paragraph 5.

6. Ferrer denies the allegations in paragraph 6 to the extent that they relate to Ferrer and states that he does not have, and is unable to obtain, sufficient information to admit or deny the remaining allegations.

7. Ferrer denies the allegations in paragraph 7 to the extent that they relate to Ferrer and states that he does not have, and is unable to obtain, sufficient information to admit or deny the remaining allegations.

8. Ferrer denies the allegations in paragraph 8.

9. Ferrer denies the allegations in paragraph 9.

B. RESPONDENTS

10. Ferrer denies the allegations in paragraph 10 to the extent that they relate to him, except admits that Ferrer is 73, was Chief Executive Officer of UBS PR from 2003 to 2009, holds Series 1, 4, 5, 40 and 65 securities licenses and has no disciplinary history in the securities industry.

11. No response is required to paragraph 11 because the allegations therein are neither asserted against, nor related to, Ferrer.

C. RELEVANT ENTITIES

12. Ferrer denies the allegations in paragraph 12 to the extent that they are asserted against him except admits that UBS PR is a Puerto Rico corporation with its principal place of business in Hato Rey, Puerto Rico.

13. Ferrer denies the allegations in paragraph 13 to the extent that they are asserted against him except admits that UBS Trust Company of Puerto Rico is an affiliate of UBS PR. In

all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny the remaining allegations.

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

D. UBS PR’S MARKETING AND SALES OF CEFS

15. Ferrer denies the allegations in paragraph 15 to the extent that they are asserted against him except admits that there are 23 separately organized closed-end funds (“CEFs”) and that those CEFs are not traded on an exchange. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny the remaining allegations.

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

17. Ferrer denies the allegations in paragraph 17.

18. Ferrer denies the allegations in paragraph 18.

19. Ferrer denies the allegations in paragraph 19.

20. Ferrer denies the allegations contained in paragraph 20, except admits that the CEFs offered a dividend reinvestment option to investors, and otherwise refers the Chief Administrative Law Judge to Ferrer’s written communications for their complete and accurate contents.

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

21. Ferrer denies the allegations in paragraph 21 to the extent that they are asserted against him. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

22. Ferrer denies the allegations in paragraph 22.

23. Ferrer denies the allegations in paragraph 23.

24. Ferrer denies the allegations in paragraph 24, except admits that, for some period of time, CEF pricing information appeared in the Puerto Rico daily newspaper *El Vocero*.

25. Ferrer denies the allegations in paragraph 25.

26. Ferrer denies the allegations in paragraph 26.

27. Ferrer denies the allegations in paragraph 27.

28. No response is required to paragraph 28 because the allegations therein are neither asserted against, nor related to, Ferrer. However, to the extent any allegation therein is asserted against him, Ferrer denies such allegation.

29. Ferrer denies the allegations in paragraph 29 to the extent that they are asserted against him. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny the remaining allegations.

30. No response is required to paragraph 30 because the allegations therein are neither asserted against, nor related to, Ferrer. However, to the extent any allegation therein is asserted against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

31. No response is required to paragraph 31 because the allegations therein are neither asserted against, nor related to, Ferrer. However, to the extent any allegation therein is asserted

against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

32. No response is required to paragraph 32 because the allegations therein are neither asserted against, nor related to, Ferrer. However, to the extent any allegation therein is asserted against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

33. Ferrer denies the allegations in paragraph 33.

34. Ferrer denies the allegations in paragraph 34, except admits that he delivered opening remarks at a UBS PR Investor Conference in June 2008.

35. No response is required to paragraph 35 because the allegations therein are neither asserted against, nor related to, Ferrer. However, to the extent any allegation therein is asserted against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

36. Ferrer denies the allegations in paragraph 36, except admits that he attended a UBS PR Group Management Board meeting on August 12, 2008, and refers the Chief Administrative Law Judge to the minutes from that meeting.

37. Ferrer denies the allegations in paragraph 37, except admits that he sent an email to Carlos Ubiñas, then President of UBS PR, and Eugenio Belaval, then President of UBS Trust Company of Puerto Rico, on August 29, 2008, and refers the Chief Administrative Law Judge to the email for its complete and accurate terms.

38. Ferrer denies the allegations in paragraph 38, except admits that Ferrer sent an email to Carlos Ubiñas and Eugenio Belaval on August 29, 2008, and refers the Chief Administrative Law Judge to the email for its complete and accurate terms.

39. Ferrer denies the allegations in paragraph 39.
40. Ferrer denies the allegations in paragraph 40, except admits that Ferrer sent emails to UBS PR financial advisors on September 18, 2008, September 30, 2008, and October 9, 2008, and refers the Chief Administrative Law Judge to those emails for their complete and accurate terms.
41. Ferrer denies the allegations in paragraph 41.
42. Ferrer denies the allegations in paragraph 42, except admits that Puerto Rico Fixed Income Fund VI, Inc. and Puerto Rico AAA Portfolio Bond Fund II, Inc. were two UBS PR CEF offerings for which UBS PR acted as underwriter.
43. Ferrer denies the allegations in paragraph 43, except admits that he sent an email to UBS PR's financial advisors on September 10, 2008, and refers the Chief Administrative Law Judge to that email for its complete and accurate terms.
44. Ferrer denies the allegations in paragraph 44, except admits that Ferrer sent an email to certain UBS PR executives in September 2008, and refers the Chief Administrative Law Judge to that email for its complete and accurate terms.
45. Ferrer denies the allegations in paragraph 45.
46. Ferrer denies the allegations in paragraph 46, except admits that Ferrer sent emails to UBS PR's financial advisors in September 2008, and refers the Chief Administrative Law Judge to those emails for their complete and accurate terms.
47. Ferrer denies the allegations in paragraph 47.
48. No response is required to paragraph 48 because the allegations therein are neither asserted against, nor related to, Ferrer. However, to the extent any allegation therein is asserted

against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

49. Ferrer denies the allegations in paragraph 49 to the extent that they are asserted against him. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny the remaining allegations.

50. Ferrer denies the allegations in paragraph 50 to the extent that they are asserted against him. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny the remaining allegations.

51. Ferrer denies the allegations in paragraph 51 to the extent that they are asserted against him, except admits that he sent an email to Ortiz on January 15, 2009, and refers the Chief Administrative Law Judge to that email for its complete and accurate terms. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny the remaining allegations.

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

52. No response is required to paragraph 52 because the allegations therein are not asserted against Ferrer. However, to the extent any allegation therein is asserted against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

53. Ferrer denies the allegations in paragraph 53 to the extent that they are asserted against him, except admits that Ortiz wrote an email to a number of UBSFS executives seeking an increase of inventory levels, with a courtesy copy to Ferrer, and refers the Chief Administrative Law Judge to the email for its complete and accurate terms.

54. No response is required to paragraph 54 because the allegations therein are not asserted against Ferrer. However, to the extent any allegation therein is asserted against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

55. No response is required to paragraph 55 because the allegations therein are not asserted against Ferrer. However, to the extent any allegation therein is asserted against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

56. Ferrer denies the allegations in paragraph 56 to the extent that they are asserted against him. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny the remaining allegations, except admits that Ortiz forwarded an email to him on May 29, 2009 from UBSFS' Chief Risk Officer.

57. No response is required to paragraph 57 because the allegations therein are not asserted against Ferrer. However, to the extent any allegation therein is asserted against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations, except admits that Ortiz wrote an email on June 9, 2009, on which Ferrer was courtesy copied, and refers the Chief Administrative Law Judge to the email for its terms.

58. Ferrer denies the allegations in paragraph 58 to the extent that they are asserted against him. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny the remaining allegations.

59. No response is required to paragraph 59 because the allegations therein are not asserted against Ferrer. However, to the extent any allegation therein is asserted against him,



Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

60. No response is required to paragraph 60 because the allegations therein are not asserted against Ferrer. However, to the extent any allegation therein is asserted against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

61. No response is required to paragraph 61 because the allegations therein are not asserted against Ferrer. However, to the extent any allegation therein is asserted against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

62. No response is required to paragraph 62 because the allegations therein are not asserted against Ferrer. However, to the extent any allegation therein is asserted against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

63. No response is required to paragraph 63 because the allegations therein are not asserted against Ferrer. However, to the extent any allegation therein is asserted against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

64. No response is required to paragraph 64 because the allegations therein are not asserted against Ferrer. However, to the extent any allegation therein is asserted against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

65. Ferrer denies the allegations in paragraph 65.

66. Ferrer denies the allegations in paragraph 66 to the extent that they are asserted against him and, in all other respects, states that he does not have, and is unable to obtain, sufficient information to admit or deny the remaining allegations. Paragraph 66 also contains a legal conclusion to which no response is required, but to the extent one is required, Ferrer denies this allegation.

67. Ferrer denies the allegations in paragraph 67 to the extent that they are asserted against him and, in all other respects, states that he does not have, and is unable to obtain, sufficient information to admit or deny the remaining allegations.

68. Ferrer denies the allegations in paragraph 68.

69. No response is required to paragraph 69 because the allegations therein are not asserted against Ferrer. However, to the extent that any response is required, Ferrer denies the allegations in paragraph 69, except admits that a UBS PR investor conference was held on March 31, 2009.

70. Ferrer denies the allegations in paragraph 70 except admits that UBS PR purchased advertising for the investor conference and admits that, on March 26, 2009, he wrote an email to the UBS PR financial advisors, and refers the Chief Administrative Law Judge to the email for its complete and accurate terms.

71. Ferrer denies the allegations in paragraph 71 except admits that he delivered opening remarks at a UBS PR Investor conference on March 31, 2009.

72. Ferrer admits that, on April 1, 2009, he sent an email to the UBS PR financial advisors and refers the Chief Administrative Law Judge to the email for its complete and accurate terms.

73. Ferrer denies the allegations in paragraph 73.

74. Ferrer denies the allegations in paragraph 74, except admits that an article discussing the CEF market was published in *El Vocero* on April 24, 2009.

75. Ferrer denies the allegations in paragraph 75, except admits that on April 24, 2009, he sent an email with the subject "The Creation of Value..." to UBS PR financial advisors and executives, and refers the Chief Administrative Law Judge to the email for its complete and accurate terms.

76. No response is required to paragraph 76 because the allegations therein are not asserted against Ferrer. However, to the extent any allegation therein is asserted against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

77. Ferrer denies the allegations in paragraph 77, except admits that he sent an email to the UBS PR financial advisors in August 2009, and refers the Chief Administrative Law Judge to that email for its complete and accurate terms.

78. Ferrer denies the allegations in paragraph 78.

79. Ferrer denies the allegations in paragraph 79.

80. No response is required to paragraph 80 because the allegations therein are not asserted against Ferrer. However, to the extent any allegation therein is asserted against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

81. No response is required to paragraph 81 because the allegations therein are not asserted against Ferrer. However, to the extent any allegation therein is asserted against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

82. No response is required to paragraph 82 because the allegations therein are not asserted against Ferrer. However, to the extent any allegation therein is asserted against him, Ferrer denies such allegation. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny any remaining allegations.

G. THE FRAUDULENT CONDUCT HARMED CEF INVESTORS

83. Ferrer denies the allegations in paragraph 83 to the extent that they are asserted against him. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny the remaining allegations.

84. Ferrer denies the allegations in paragraph 84, except admits that in July 2009, he wrote an email to UBSFS' CEO and Head of WMAG, and refers the Chief Administrative Law Judge to the email for its complete and accurate terms.

85. Ferrer denies the allegations in paragraph 85 to the extent that they are asserted against him. In all other respects, Ferrer states that he does not have, and is unable to obtain, sufficient information to admit or deny the remaining allegations.

H. VIOLATIONS

86. The allegations contained in paragraph 86 state a legal conclusion to which no response is required, but to the extent that a response is required, Ferrer denies the allegations.

87. The allegations contained in paragraph 87 state a legal conclusion to which no response is required, but to the extent that a response is required, Ferrer denies the allegations.

**AFFIRMATIVE DEFENSES**

Ferrer 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 Ferrer of his right to a jury trial under the Seventh Amendment.

#### THIRD DEFENSE

In light of the vagueness of the allegations contained in the Order, it would be unconstitutional for the Commission to take any disciplinary action based thereon.

#### FOURTH DEFENSE

Ferrer had no involvement in the creation, shaping and/or distribution of the disclosures related to the closed-end funds at issue in the Division's allegations, and any disclosures Ferrer and UBS PR personnel were required to make would have been the responsibility of and product of others, including UBS compliance and legal personnel.

#### FIFTH DEFENSE

The Commission lacks subject matter jurisdiction over the administrative proceeding herein.

WHEREFORE, Ferrer requests dismissal of the Order Instituting Administrative and Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), Sections 15(b) and 21C of the Securities Exchange Act of 1934 (“Exchange Act”), and Section 9(b) of the Investment Company Act of 1940 (“Investment Company Act”), and such other and further relief as the Court deems just, proper and equitable.

Dated: New York, New York  
May 25, 2012

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