

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 79754 / January 6, 2017**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-14863**

**In the Matter of**

**UBS FINANCIAL SERVICES INC.**  
**OF PUERTO RICO**

**Respondent.**

**NOTICE OF PROPOSED PLAN**  
**OF DISTRIBUTION AND**  
**OPPORTUNITY FOR COMMENT**

Notice is hereby given, pursuant to Rule 1103 of the United States Securities and Exchange Commission's ("Commission") Rules on Fair Fund and Disgorgement Plans, 17 C.F.R.

§ 201.1103, that the Division of Enforcement has submitted to the Commission a proposed Plan of Distribution (the "Plan") for the distribution of monies paid the UBS Financial Services Inc. of Puerto Rico ("Respondent") in the above-captioned matter.

On May 1, 2012, the Commission issued an Order Instituting Administrative and Cease-and-Desist Proceedings pursuant to Section 8A of the Securities Act of 1933 and Sections 15(b) and 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing Remedial Sanctions and a Cease-and-Desist Order ("Order")<sup>1</sup> against Respondent. The Order found that from May 15, 2008 through September 30, 2009, Respondent made misrepresentations and omissions of material facts to investors in Puerto Rico regarding the secondary market liquidity and pricing of the Funds.<sup>2</sup> For example, Respondent claimed that the Funds' prices were based on market forces such as supply and demand; however, Respondent did not disclose that the Funds' prices were set solely at the discretion of its trading desk. Moreover, although Respondent made certain disclosures about the Funds' liquidity on its website, it did not adequately disclose that as the dominant broker-dealer for the Funds, it controlled the secondary market for the Funds. Any secondary market sales investors wanted to make depended largely on Respondent's ability to solicit additional buyers or its willingness to purchase shares into its own inventory. In addition, the Commission found that from March 2009 through September 2009, Respondent effectively prevented investors from selling their Fund shares by failing to execute sell orders placed by the investors.

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<sup>1</sup> Securities Act Rel. No. 9318 (May 1, 2012).

<sup>2</sup> All capitalized terms used herein but not defined shall have the same meanings ascribed to them in the Plan.

The Order required Respondent to pay \$11,500,000 in disgorgement, \$1,109,739.94 in prejudgment interest, and \$14,000,000 in a civil money penalty and created a Fair Fund for the distribution to harmed investors pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, as amended. The Fair Fund is comprised of \$26,609,739.94 in disgorgement, prejudgment interest, and a civil money penalty paid by Respondent. The Fair Fund has been deposited into an interest bearing account with the United States Department of the Treasury's Bureau of the Fiscal Service.

## **OPPORTUNITY FOR COMMENT**

Pursuant to this Notice, all interested persons are advised that they may obtain a copy of the Plan from the Commission's public website at <http://www.sec.gov/litigation/fairfundlist.htm>. Interested persons may also obtain a written copy of the Plan by submitting a written request to: Susan Pecaro, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-5876. All persons who desire to comment on the Plan must submit their comments, in writing, no later than thirty (30) days from the date of this Notice:

1. to the Office of the Secretary, United States Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090;
2. by using the Commission's Internet comment form (<http://www.sec.gov/litigation/admin.shtml>); or
3. by sending an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov).

Comments submitted should include, "Administrative Proceeding File No. 3-14863" in the subject line. Comments received will be publicly available. Persons should submit only information that they wish to make publicly available.

## **THE PLAN**

The Net Fair Fund will be comprised of the \$26,609,739.94 in disgorgement, prejudgment interest, and a civil money penalty paid by Respondent, plus accumulated interest and earnings thereon, minus all taxes, fees, and other expenses of distributing the Fair Fund to investors who were harmed by the Respondent's misconduct described in the Order. The Plan establishes a process in which both data provided by Respondent and by claimants, through a claims process, will be used to identify potential claimants and to determine whether a potential claimant is eligible to receive a distribution payment.

By the Commission.

Brent J. Fields  
Secretary