



1 settlement of the issues contained in this Order, UBS, without admitting or denying the findings of  
2 fact or conclusions of law contained in this Order, consents to the entry of this Order.

3 NOW, THEREFORE, the Administrator of the Oklahoma Department of Securities (the  
4 “Department”) hereby enters this Order:

5 I.

6 FINDINGS OF FACTS

7 1. UBS admits the jurisdiction of the Administrator of the Department in this matter.

8 Background on Client Service Associates

9 2. The CSAs function as sales assistants and typically provide administrative and sales  
10 support to one or more of UBS’s Financial Advisors (“FAs”). There are different titles within the  
11 CSA position, including Client Service Associate, Registered Client Service Associate, and Senior  
12 Registered Client Service Associate.

13 3. The responsibilities of CSAs specifically include, among other things:

- 14 a. Extending invitations to UBS-sponsored events;
- 15 b. Providing published quotations to clients, if asked;
- 16 c. Inquiring whether a current or prospective client wishes to discuss investments with  
17 a registered representative of UBS; and
- 18 d. Entering an order, provided the order was accepted by an appropriately registered  
19 individual in those instances where the CSA is not registered in the state in which  
20 the client is located.

21 4. In addition to the responsibilities described above, and of particular significance to this  
22 Order, some CSAs are permitted to accept orders from clients. As discussed below, UBS’s written  
23 policies and procedures require that any CSAs accepting client orders first obtain the necessary  
24 licenses and comply with self-regulatory organization and state registration requirements.

25 5. UBS issued a revised policy on registration requirements on March 28, 2007, which  
26 stated, *inter alia*, that managers are responsible for ensuring that all employees under their  
supervision are appropriately registered and licensed to perform the functions of their position.

1           6. During the period of 2004 to 2010, UBS employed, on average, approximately 2,277  
2 CSAs per year.

3 Registration Required

4           7. Section 1-402(A) of the Act makes it unlawful for an individual to transact business in  
5 this state as an agent unless the individual is registered under the Act as an agent or is exempt from  
6 registration as an agent.

7           8. Pursuant to the general prohibition under Section 1-402(A) of the Act, a person cannot  
8 accept unsolicited orders from clients residing in the state of Oklahoma without being registered as  
9 an agent.

10           9. Pursuant to Section 1-411(D)(9) of the Act, the Administrator of the Department may  
11 impose a civil penalty against a broker-dealer for selling securities in Oklahoma through  
12 unregistered agents.

13 UBS Requires Registration of Client Service Associates

14           10. UBS requires CSAs to become properly registered, licensed, and appointed with the  
15 necessary self-regulatory organizations, state regulators, and business entities before taking  
16 solicited or unsolicited transaction orders from clients in securities or other financial products,  
17 receiving transaction-related compensation, or otherwise engaging in the offer or sale of securities  
18 or other financial products.

19           11. UBS's policies and procedures state that CSAs engaging in securities activities must  
20 register in, at a minimum, the state from which they conduct business (*i.e.* home state).

- 21           12. Additionally, UBS also required CSAs to register in states in which a CSA anticipated:
- 22           a. Maintaining an additional place of business;
  - 23           b. Prospecting clients;
  - 24           c. Soliciting new accounts;
  - 25           d. Servicing existing accounts; or
  - 26           e. Effecting any securities transactions and/or receiving compensation as a result of  
such transactions.

1 Regulatory Investigation and Findings

2 13. In March 2010, state securities regulators initiated an investigation into the practices of  
3 UBS in connection with its CSA registrations.

4 14. The multi-state investigation focused on systemic issues with UBS's CSA registrations  
5 and related supervisory structure instead of attempting to identify each incidence of unregistered  
6 activity. Specifically, with respect to the order entry process, the investigation found:

- 7 a. After accepting a client order, UBS CSAs accessed UBS's automated Consolidated  
8 Order Entry System ("COE") to enter the order;
- 9 b. When entering an order through the COE, CSAs were asked by the system "Did  
10 another person receive this order?" If the question was answered "no," the order  
11 was processed. If the question was answered "yes," a free text field appeared for  
12 the CSA to enter the name or employee code of the person who accepted the order;
- 13 c. In some instances, when this question was answered "yes," CSAs did not include a  
14 name or code of the employee who accepted the order in the free text field. In other  
15 instances, the free text field did not contain accurate identifying information about  
16 the employee who accepted the trade;
- 17 d. Further, while UBS maintained a system to verify that the FA of record for a  
18 particular account was registered in the state where the client resided, UBS did not  
19 maintain a system to verify the registration status of the employee accepting a client  
20 order when that employee was not the FA for the account.

21 15. The multi-state investigation found that on certain occasions some UBS CSAs, while  
22 Series 7 registered and registered in one or more other states, accepted unsolicited orders to buy or  
23 sell securities from clients residing in the state of Oklahoma at times when the CSAs were not  
24 appropriately registered in Oklahoma.

1 UBS's Remedial Measure and Cooperation

2 16. In November 2010, after the initial inquiry by state securities regulators, UBS enhanced  
3 the COE System to automatically validate the registration of employees during the order entry  
4 process.

5 17. Specifically with respect to branch support staff (*i.e.* CSAs), employees are now  
6 required to indicate the person who directly accepted the order from a client by selecting "self" or  
7 "other" within the electronic ticket on the COE.

8 18. If a CSA selects "self", the COE validates whether the CSA who accepted the order is  
9 properly registered in the state where the client resides.

10 19. If a CSA selects "other," the CSA must provide identifying information of the person  
11 who accepted the order. The COE system subsequently validates whether the identified person  
12 who accepted the order is properly registered in the state where the client resides.

13 20. If the identified person is not properly registered in the client's state of residence, the  
14 order is routed to branch management who must ensure that a properly registered person accepts or  
15 confirms the order before execution.

16 21. UBS provided timely responses and substantial cooperation in connection with this  
17 regulatory investigation.

18 **II.**

19 **CONCLUSIONS OF LAW**

20 1. The Administrator of the Department has jurisdiction over this matter pursuant to  
21 Section 1-610 of the Act.

22 2. UBS's failure to establish an adequate system to monitor the registration status of  
23 persons accepting client orders constitutes a failure to establish, maintain, and enforce reasonably  
24 designed supervisory procedures, in violation of 660:11-5-42(b)(22) of the Rules of the Oklahoma  
25 Securities Commission and the Administrator of the Department of Securities (the "Rules").

26 3. UBS's maintenance of order tickets which do not accurately identify the person who

1 accepted client orders constitutes a failure to maintain all required books and records, in violation  
2 of Section 1-410(C) and 660:11-5-41 of the Rules.

3 4. Pursuant to Section 1-402(D) of the Act, UBS's acceptance of orders for purchases  
4 and sales of securities from clients residing in Oklahoma through CSAs not registered in Oklahoma  
5 constitutes a violation of Section 1-402(D) of the Act.

6 5. Pursuant to Section 1-411(D)(9) of the Act, the violations described above  
7 constitute bases for the assessment of a civil penalty against UBS.

8 6. The Administrator of the Department finds the following relief appropriate and in  
9 the public interest.

10  
11 **III.**

12 **ORDER**

13 On the basis of the Findings of Facts, Conclusions of Law, and UBS's consent to the entry of  
14 this Order,

15 **IT IS HEREBY ORDERED:**

16 1. This Order concludes the investigation by the Department and any other action that the  
17 Administrator of the Department could commence against UBS and its officers, directors and present  
18 or former employees under applicable Oklahoma law as it relates to unregistered activity in Oklahoma  
19 by UBS's CSAs and UBS's supervision of CSA registrations during the period from January 1, 2004  
20 through December 31, 2010.

21 2. This Order is entered into solely for the purpose of resolving the referenced multi-  
22 state investigation, and is not intended to be used for any other purpose. For any person or entity  
23 not a party to the Order, this Order does not limit or create any private rights or remedies against  
24 UBS including, limit or create liability of UBS, or limit or create defenses of UBS, to any claims.

25 3. UBS is hereby ordered to cease and desist from engaging in the acceptance of orders  
26 for purchases and sales of securities in Oklahoma through persons not registered under the Act as  
agents of UBS.

1           4.       UBS is hereby ordered to pay the sum of Fifty Thousand Dollars (\$50,000) as a civil  
2 penalty and the sum of Fourteen Thousand Two Hundred Sixty-Five Dollars and Twenty-Five  
3 Cents (\$14,265.25) as an assessment for unpaid registration fees, for a total of Sixty-Four  
4 Thousand Two Hundred Sixty-Five Dollars and Twenty-Five Cents (\$64,265.25), to the  
5 Department within twenty (20) days of the date of this Order. Such sum shall be payable to the  
6 Oklahoma Department of Securities Investor Education Revolving Fund.

7           5.       This order is not intended by the Administrator of the Department to subject any  
8 Covered Person to any disqualifications under the laws of the United States, any state, the District  
9 of Columbia, Puerto Rico, or the U.S. Virgin Islands, or under the rules or regulations of any  
10 securities or commodities regulator or self-regulatory organization, including, without limitation,  
11 any disqualification from relying upon the state or federal registration exemptions or safe harbor  
12 provisions. "Covered Person," means UBS or any of its affiliates and their current or former  
13 officers, directors, employees, or other persons that could otherwise be disqualified as a result of  
14 the Orders (as defined below).

15           6.       This Order and the order of any other State in any proceeding related to UBS's  
16 agreement to resolve the above referenced multi-state investigation (collectively, the "Orders")  
17 shall not disqualify any Covered Person from any business that they otherwise are qualified,  
18 licensed or permitted to perform under applicable securities laws or regulations of the state of  
19 Oklahoma and any disqualifications from relying upon this state's registration exemptions or safe  
20 harbor provisions that arise from the Orders are hereby waived.

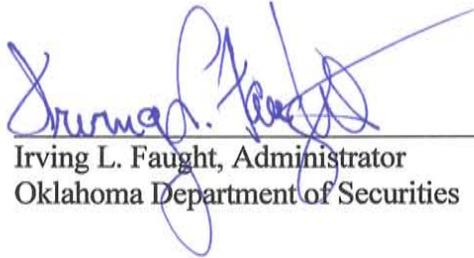
21           7.       This Order shall be binding upon UBS and its successors and assigns as well as to  
22 successors and assigns of relevant affiliates with respect to all conduct subject to the provisions  
23 above and all future obligations, responsibilities, undertakings, commitments, limitations,  
24 restrictions, events, and conditions.



Witness my Hand and the Official Seal of the Oklahoma Department of Securities this

26<sup>th</sup> day of June, 2014.

[Seal]



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Irving L. Faight, Administrator  
Oklahoma Department of Securities

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