



DIVISION OF
CORPORATION FINANCE

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

February 12, 2004

Harry J. Weiss, Esq.
Wilmer, Cutler & Pickering
2445 M Street, N.W.
Washington, D.C. 20037-1420

**Re: UBS Financial Services Inc.—Waiver Request under Regulation A
and Rule 505 of Regulation D**

Dear Mr. Weiss:

This is in response to your letter dated today, written on behalf of UBS Financial Services Inc. (the "Firm"), a registered broker-dealer, 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 arise by virtue of the entry today of a Commission order under Section 15(b) of the Securities Exchange Act of 1934 naming the Firm as the respondent (the "Order").

For purposes of this letter, we have assumed as facts the representations set forth in your letter. We also have assumed that the Firm will comply with the Order.

On the basis of your letter, the Commission, pursuant to delegated authority, has determined that you have made a showing of good cause under Rule 262 and Rule 505(b)(2)(iii)(C) that it is not necessary under the circumstances to deny the exemptions available under Regulation A and Rule 505 of Regulation D by reason of the entry of the Order. Accordingly, the relief described above from the disqualifying provisions of Regulation A and Rule 505 of Regulation D is hereby granted.

Sincerely,

Gerald J. Laporte
Chief, Office of Small Business Policy

WILMER CUTLER PICKERING LLP

2445 M STREET, N.W.

WASHINGTON, DC 20037-1420

TELEPHONE 1 202 663 6000

FACSIMILE 1 202 663 6363

WWW.WILMER.COM

HARRY J. WEISS
(202) 663-6993
HARRY.WEISS@WILMER.COM

399 PARK AVENUE
NEW YORK, NY 10022-4697
TELEPHONE 1 212 230 8800
FACSIMILE 1 212 230 8888

100 LIGHT STREET
BALTIMORE, MD 21202-1036
TELEPHONE 1 410 986 2800
FACSIMILE 1 410 986 2626

1600 TYSONS BOULEVARD
SUITE 1000
MCLEAN, VA 22102-4859
TELEPHONE 1 703 251 9700
FACSIMILE 1 703 251 9797

4 CARLTON GARDENS
LONDON SW1YSAA, ENGLAND
TELEPHONE 44 20 7872 1000
FACSIMILE 44 20 7839 3537

RUE DE LA LOI 18 WETSTRAAT
B-1040 BRUSSELS, BELGIUM
TELEPHONE 32 2 286 49 00
FACSIMILE 32 2 285 49 49

FRIEDRICHSTRASSE 95
D-10117 BERLIN, GERMANY
TELEPHONE 49 30 20 22 64 00
FACSIMILE 49 30 20 22 65 00

February 12, 2004

BY HAND

Gerald J. Laporte, Esquire
Chief, Office of Small Business Policy
Division of Corporation Finance
U.S. Securities and Exchange Commission
450 Fifth Street, N.W., Room 3501
Washington, D.C. 20549-0310

Re: In the Matter of Certain Mutual Fund Breakpoint Discounts (HO-9791)

Dear Mr. Laporte:

We submit this letter on behalf our client, UBS Financial Services Inc. ("UBS"), in connection with a settlement agreement (the "Settlement") arising out of an investigation by the Division of Enforcement of the Securities and Exchange Commission (the "Commission"). UBS below 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"), a waiver of any disqualification from exemptions under Regulation A and Rule 505 of Regulation D that may be applicable to UBS and any of its affiliates as a result of the entry of the Commission order described below. UBS also requests that these waivers be granted effective upon the entry of the Commission order. It is our understanding that the Division of Enforcement does not object to the grant of the requested waivers.

BACKGROUND

The staff of the Division of Enforcement engaged in settlement discussions with UBS in connection with the contemplated administrative proceedings arising out of the above-captioned investigation, which were brought pursuant to Section 8A of the Securities Act, and Sections 15(b)(4) and 21C of the Securities Exchange Act of 1934 ("Exchange Act"). As a result of these discussions, UBS submitted an offer of settlement. In the offer of settlement, solely for the purpose of proceedings brought by or on behalf of the Commission or in which the Commission is a party, UBS consented to the entry of an Order of the Commission (the "Order") without

admitting or denying the matters set forth therein (other than those relating to the jurisdiction of the Commission).

The Order states that during 2001 and 2002 (the "relevant period"), UBS, a registered broker-dealer, sold shares issued by mutual funds without providing certain customers with the reduction in the front-end loads, or sales charges, also known as "breakpoint" discounts, described in the prospectuses of the funds. According to the Order, UBS is estimated to have failed to give certain customers breakpoint discounts totaling approximately \$4,621,768 during the relevant period.

Under the terms of the Order, the Commission made findings, without admission or denial by UBS, that by failing to disclose to certain customers that they were not receiving the benefit of applicable breakpoint discounts, UBS violated Section 17(a)(2) of the Securities Act. Further, the Commission made findings, without admission or denial by UBS, that because UBS did not charge these customers the correct sales loads as set forth in the mutual funds' prospectuses, and also did not disclose in confirmations the remuneration UBS received from the sales loads charged to these customers, UBS violated Rule 10b-10 under the Exchange Act. Based on these findings, the Order censured UBS, required UBS to cease and desist from committing any violations and any future violations of Section 17(a)(2) of the Securities Act and Rule 10b-10 under the Exchange Act, required UBS to pay a civil penalty in the amount of \$2,310,884 to the United States Treasury, required UBS to pay disgorgement and prejudgment interest thereon, which obligation shall be satisfied by compliance with the customer refund program summarized in the Order, and required UBS's chief executive officer to certify in writing to the Commission staff not later than 6 months after the date of the Order that UBS has implemented procedures, and a system for applying such procedures, that can reasonably be expected to prevent and detect failures by UBS to provide appropriate breakpoint discounts for which customers are eligible on purchases of front-end load mutual funds, based on information reasonably ascertainable by UBS.

DISCUSSION

UBS understands that the entry of the Order could disqualify it and its affiliated entities 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 will cause UBS to be subject to an order of the Commission entered pursuant to Section 15(b) of the Exchange Act. The Commission has the authority to waive the Regulation A and Rule 505 of Regulation 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). UBS requests that the Commission waive any disqualifying effects that the Order may have under Regulation A and Rule 505 of Regulation D with respect to UBS or its affiliates on the following grounds:

1. UBS's conduct addressed in the Order does not relate to offerings under Regulation A or D.

2. UBS, pursuant to its Letter of Acceptance, Waiver and Consent ("AWC") submitted to the National Association of Securities Dealers, Inc. ("NASD") to resolve a related disciplinary action, has agreed to undertake certain remedial and corrective measures related to providing refunds to customers who did not receive appropriate breakpoint discounts. Such measures include: (a) providing written notification to each customer who purchased front-end load mutual fund shares through UBS, for the period specified by the AWC, that UBS experienced a problem delivering breakpoint discounts, and that, as a result, the customer may be entitled to a refund; (b) performing a trade-by-trade analysis of all front-end load mutual fund purchases of \$2,500 or more, for the period specified by the AWC, which review would encompass all other purchases during that same time period, regardless of dollar amount, by such customers; (c) undertaking vigorous efforts to locate each customer so identified as entitled to a refund and promptly making refunds to all customers who did not receive all applicable breakpoint discounts; and (d) providing a report on UBS's refund program to NASD.

3. The disqualification of UBS from the exemptions available under Regulation A and Rule 505 of Regulation D would, we believe, have an adverse impact on third parties that have retained or may retain UBS and its affiliates in connection with transactions that rely on these exemptions.

4. The disqualification of UBS and its affiliated entities from the exemptions available under Regulation A and Rule 505 of Regulation D would be unduly and disproportionately severe, given that: (i) the Order relates to activity which has already been addressed; and (ii) the Commission staff has negotiated a settlement with UBS and reached a satisfactory conclusion to this matter that will require UBS to pay a total penalty of \$4,621,768, one-half of which will be paid pursuant to NASD's order, in settlement of the matters addressed in the Order and to make the certification and comply with the customer refund program described above.

In light of the foregoing, we believe that disqualification is not necessary, in the public interest or for the protection of investors, and that UBS has shown good cause that relief should be granted. Accordingly, we respectfully urge the Commission, pursuant to Rule 262 of Regulation A and Rule 505(b)(2)(iii)(c) of Regulation D, to waive, effective upon entry of the Order, the disqualification provisions in Regulation A and Rule 505 of Regulation D to the extent they may be applicable to UBS and any of its affiliates as a result of the entry of the Order.¹

¹ 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.,* Citigroup Global Markets Inc., f/k/a/ Salomon Smith Barney Inc., S.E.C. No-Action Letter (Oct. 31, 2003); Morgan Stanley & Co. Incorporated, S.E.C. No-Action Letter

Gerald J. Laporte, Esq.
Chief, Office of Small Business Policy
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If you have any questions regarding this request, please contact Kevin McEnery of this office at 202/663-6596 or the undersigned at 202/663-6993.

Sincerely,



Harry J. Weiss

(Oct. 31, 2003); Bear, Stearns & Co. Inc., S.E.C. No-Action Letter (Oct. 31, 2003); Lehman Brothers Inc., S.E.C. No-Action Letter (Oct. 31, 2003); J.P. Morgan Securities Inc., S.E.C. No-Action Letter (Oct. 31, 2003); Merrill, Lynch, Pierce, Fenner & Smith, Incorporated, S.E.C. No-Action Letter (Oct. 31, 2003); Goldman, Sachs & Co., S.E.C. No-Action Letter (Oct. 31, 2003); U.S. Bancorp Piper Jaffray Inc., S.E.C. No-Action Letter (Oct. 31, 2003); Prudential Securities Incorporated, S.E.C. No-Action Letter (Oct. 31, 2003); Merrill Lynch & Co, Inc., S.E.C. No-Action Letter (Oct. 31, 2003); Prudential Securities Incorporated, S.E.C. No-Action Letter (pub. avail. July 10, 2003); Credit Suisse First Boston Corporation, S.E.C. No-Action Letter (pub. avail. Jan. 29, 2002); Dain Rauscher, Incorporated, S.E.C. No-Action Letter (pub. avail. Sept. 27, 2001); Legg Mason Wood Walker, Incorporated, S.E.C. No-Action Letter (pub. avail. June 11, 2001); Prudential Securities, Inc., S.E.C. No-Action Letter (pub. avail. Jan. 29, 2001).