



DIVISION OF
CORPORATION FINANCE

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

May 10, 2012

Ms. Colleen Mahoney
Skadden, Arps, Slate, Meagher & Flom LLP
1440 New York Avenue, NW
Washington, DC 20005

Re: In the Matter of UBS Financial Services Inc. of Puerto Rico (FL-3491)
UBS AG – Waiver Request of Ineligible Issuer Status under Rule 405 of the Securities Act

Dear Ms. Mahoney:

This is in response to your letter dated April 24, 2012, written on behalf of UBS AG (Company) and its subsidiary, UBS Financial Services Inc. of Puerto Rico (UBS PR), and constituting an application for relief from the Company being considered an “ineligible issuer” under Rule 405(1)(vi) of the Securities Act of 1933 (Securities Act). The Company requests relief from being considered an “ineligible issuer” under Rule 405, due to the entry on May 1, 2012, of a Commission Order (Order) pursuant to Section 8A of the Securities Act, Sections 15(b) and 21C of the Securities Exchange Act of 1934 (Exchange Act), naming UBS PR as a respondent. The Order requires that, among other things, UBS PR cease and desist from committing or causing any violations and any future violations of Sections 17(a) of the Securities Act, Sections 10(b) and 15(c) of the Exchange Act, and Rule 10b-5 of the Exchange Act.

Based on the facts and representations in your letter, and assuming the Company and UBS PR comply with the Order, the Commission, pursuant to delegated authority has determined that the Company has made a showing of good cause under Rule 405(2) and that the Company will not be considered an ineligible issuer by reason of the entry of the Order. Accordingly, the relief described above from the Company being an ineligible issuer under Rule 405 of the Securities Act is hereby granted, and the effectiveness of such relief is as of the date of the entry of the Order. Any different facts from those represented or non-compliance with the Order might require us to reach a different conclusion.

Sincerely,

/s/

Mary Kosterlitz
Chief, Office of Enforcement Liaison
Division of Corporation Finance

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April 24, 2012

VIA EMAIL AND FEDERAL EXPRESS

Mary J. Kosterlitz, Esq.
Chief of the Office of Enforcement Liaison
Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-0310

RE: In the Matter of UBS Financial Services Inc. of Puerto Rico
(File No. FL-3491)

Dear Ms. Kosterlitz:

We submit this letter on behalf of UBS AG, a reporting company registered under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act") and indirect parent company of UBS Financial Services Inc. of Puerto Rico, the settling respondent in the above-captioned administrative proceeding.

We hereby request a determination by the Division of Corporation Finance, acting pursuant to authority duly delegated by the Securities and Exchange Commission (the "Commission"), that UBS AG should not be an "ineligible issuer" as defined under Rule 405 promulgated under the Securities Act of 1933 (the "Securities Act") as a result of the entry of an Order as to Respondent UBS Financial Services Inc. of Puerto Rico (the "Order"), which is described below. Relief from the ineligible issuer provisions is appropriate in the circumstances of this case for the reasons set forth below. It is also our understanding that the Staff of the Division of Enforcement (the "Staff") does not oppose the requested waiver. UBS AG requests that this determination be made effective upon the entry of the Order.

I. Background

The Staff has engaged in settlement discussions with UBS Financial Services Inc. of Puerto Rico (the "UBS PR") in connection with the above-captioned investigation. As a result of these discussions, UBS PR has submitted an Offer of Settlement (the "Offer") to be presented to the Commission.

In the Offer, solely for the purpose of proceedings brought by or on behalf of the Commission or in which the Commission is a party, UBS PR agreed to consent to the entry of the Order, without admitting or denying the findings contained therein (other than those relating to the jurisdiction of the Commission, which are admitted). The Offer concerns the secondary market for certain closed-end mutual funds (the "Funds") that were offered and sold by UBS PR to residents of Puerto Rico. In the Order the Commission will find that UBS PR made misrepresentations and omissions to investors involving secondary market prices and liquidity concerning 23 affiliated, non-exchange-traded closed-end funds in Puerto Rico.

Based on these findings, the Commission in its Order will censure UBS Financial Services Inc. of Puerto Rico and require it to cease and desist from committing or causing any violations and any future violations of Sections 17(a) of the Securities Act, Section 10(b) and Section 15(c) of the Securities Exchange Act of 1934, and Rules 10b-5 and 15c-1 thereunder, and pay a \$11,500,000.00 million in disgorgement, \$1.1 million in prejudgment interest and a \$14,000,000.00 civil penalty. UBS PR will also consent to certain undertakings, including a review by an independent consultant of UBS PR's disclosures and trading and pricing policies relating to the Funds, implementation of the independent consultant's recommendations, and annual follow-up reviews of the implementation for a period of three years. UBS PR also agreed to cooperate in the continuing investigation and any related litigation.

UBS AG is not a party to the proceeding.

II. Discussion

Effective December 1, 2005, the Commission reformed and revised the registration, communications, and offering procedures under the Securities Act (the "Securities Offering Reform").¹ As part of Securities Offering Reform, the Commission created a new category of issuer defined under Rule 405 as a well-known seasoned issuer ("WKSI"). A WKSI is eligible under the Securities Offering Reform, among other things, to register securities for offer and sale under an

¹ Securities Offering Reform, Securities Act Release No. 8591, Exchange Act Release No. 52,056, Investment Company Act Release No. 26,993, 70 Fed. Reg. 44,722 (Aug. 3, 2005).

“automatic shelf registration statement,” as so defined. A WKSI is also eligible for the benefits of a streamlined registration process, including the use of free-writing prospectuses in registered offerings pursuant to Rules 164 and 433 under the Securities Act. These benefits, however, are unavailable to issuers defined as “ineligible issuers” under Rule 405.

An issuer is an ineligible issuer for the purposes of Rule 405 if, among other things,

[w]ithin the past three years . . . the issuer or any entity that at the time was a subsidiary of the issuer was made the subject of any judicial or administrative decree or order arising out of a governmental action that:

(A) Prohibits certain conduct or activities regarding, including future violations of, the anti-fraud provisions of the federal securities laws;

(B) Requires that the person cease and desist from violating the anti-fraud provisions of the federal securities laws; or

(C) Determines that the person violated the anti-fraud provisions of the federal securities laws²

Notwithstanding, ineligible issuer status may be waived if “the Commission determines, upon a showing of good cause that it is not necessary under the circumstances that the issuer be considered an ineligible issuer.”³ The Commission has delegated to the Division of Corporation Finance the authority to grant or deny applications requesting that an issuer not be considered an ineligible issuer as defined in Rule 405.⁴

The Order might be deemed to render UBS AG an ineligible issuer for a period of three years after the Order is entered.⁵ This result would preclude UBS AG from qualifying as a WKSI and having the benefit of automatic shelf registration and other provisions of the Securities Offering Reform for a period of

² 17 C.F.R. § 230.405 (definition of “[i]neligible issuer,” paragraph (1)(vi)).

³ *Id.* (definition of “[i]neligible issuer,” paragraph (2)).

⁴ *See* Securities Offering Reform, 70 Fed. Reg. at 44,798-799 (codified at 17 C.F.R. § 200.30-1(a)(10)).

⁵ UBS Financial Services Inc. of Puerto Rico is a subsidiary of UBS Financial Services, Inc., which is a subsidiary of UBS Americas, which is a subsidiary of UBS AG.

three years. This would impose a significant burden on UBS AG. UBS AG is a frequent issuer of registered securities that offers and sells securities under a shelf registration statement in both one-off and ongoing debt and equity transactions. For UBS AG, the shelf registration process provides an important means of access to United States capital markets, which are an essential source of funding for the company's global operations. Consequently, the ability to avail itself of automatic shelf registration and the other benefits available to a WKSI is very important to UBS AG.

As set forth above, Rule 405 authorizes the Commission to determine for good cause that an issuer shall not be an ineligible issuer, notwithstanding that the issuer or a subsidiary of the issuer becomes subject to an otherwise disqualifying Commission order. UBS AG believes there is good cause to make such a determination here on the following grounds:

1. Designation of UBS AG as an ineligible issuer is not warranted, given the nature of the violations that are the basis of the Order. The alleged conduct does not relate to UBS AG's disclosures in its own filings with the Commission, nor does it allege fraud in connection with UBS AG's offering of its own securities.

2. Designation of UBS AG as an ineligible issuer would be unduly and disproportionately severe, given that the Order fully addresses the conduct described in the Order. Loss of or the possibility of preclusion from WKSI privileges and other adverse consequences thereof would impose an additional penalty beyond what the Order requires and is not necessary to achieve its remedial purposes.

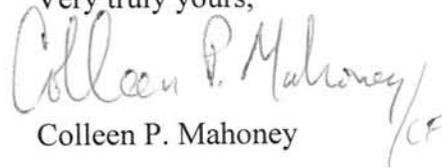
In light of the foregoing, subjecting UBS AG to ineligible issuer status is not necessary under the circumstances, either in the public interest or for the protection of investors, and good cause exists for the grant of the requested relief. Accordingly, we respectfully request that the Division of Corporate Finance, acting pursuant to authority duly delegated by the Commission and pursuant to paragraph (2) of the definition of "ineligible issuer" in Rule 405, determine that, under the circumstances, UBS AG will not be considered an "ineligible issuer" within the meaning of Rule 405 as a result of the Order.⁶ We further request that this determination be made (i) effective upon entry of the Order and (ii) for all purposes of the definition of "ineligible issuer," however it may now or hereafter be used under the federal securities laws and the rules thereunder.

⁶ We note that, in other cases involving Commission actions against broker-dealers for failure to make adequate disclosures in connection with a trading market, the Commission has granted relief under Rule 405 for similar reasons. *See, e.g., Raymond James Financial Services, Inc. and Raymond James & Associates, Inc.*, 2011 WL 2649718 (July 1, 2011); *Deutsche Bank AG*, 2009 WL 2389861 (July 16, 2009); *Royal Bank of Canada*, 2009 WL 2389863 (June 11, 2009).

Mary J. Kosterlitz, Esq.
April 24, 2012
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If you have any questions regarding this request, please contact me at
(202) 371-7900.

Very truly yours,

A handwritten signature in cursive script that reads "Colleen P. Mahoney". To the right of the signature, there are initials "CF" written in a similar cursive style.

Colleen P. Mahoney