



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

August 6, 2013

Mr. Robert J. Giuffra, Jr
Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004

Re: In the Matter of UBS Securities LLC (NY-8553)
UBS AG – Waiver Request of Ineligible Issuer Status under Rule 405 of the Securities Act

Dear Mr. Giuffra:

This is in response to your letter dated July 2, 2013, written on behalf of UBS AG (Company) and its subsidiary, UBS Securities LLC (UBS Securities), 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 August 6, 2013, of a Commission Order (Order) pursuant to Section 8A of the Securities Act of 1933 (Securities Act), Section 15(b)(4) of the Securities Exchange Act of 1934, and Sections 203(e) and 203(k) of the Investment Advisers Act of 1940, naming UBS Securities as a respondent. The Order, among other things, requires that UBS Securities cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act.

Based on the facts and representations in your letter, and assuming the Company and UBS Securities 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 Company’s application for relief 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

SULLIVAN & CROMWELL LLP

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**CONFIDENTIAL TREATMENT REQUESTED
BY UBS SECURITIES LLC**

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Rule 405 of the Securities Act, 17 C.F.R. §230.405

July 2, 2013

By Federal Express and E-mail

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

Re: In the Matter of ACA ABS 2007-2 (File No. NY-8553)

Dear Ms. Kosterlitz:

I write on behalf of my clients, UBS Securities LLC (“UBS Securities”) and UBS AG. UBS Securities is an indirect, wholly owned subsidiary of UBS AG and the settling party in the above-captioned administrative proceeding (the “Proceeding”) brought by the U.S. Securities and Exchange Commission (the “Commission”). The Proceeding relates to alleged violations of the federal securities laws by UBS Securities in connection with the offer and sale of the ACA ABS 2007-2 collateralized debt obligation (the “CDO”) backed by residential mortgage-backed securities (“RMBS”).

UBS AG is a financial services company and foreign private issuer, under Rule 3b-4(c) under the Securities Exchange Act of 1934, that is publicly traded on the New York Stock Exchange. UBS AG qualifies as a well-known seasoned issuer. UBS AG hereby requests, pursuant to Rule 405 under the Securities Act of 1933 (the “Securities Act”), that the Division of Corporation Finance, on behalf of the Commission, determine that UBS AG shall not be considered an “ineligible issuer” as defined in Rule 405 as a result of the cease-and-desist order to be entered in the Proceeding, as described below. UBS AG requests that this determination be made effective upon entry of that order. It is our understanding that the Division of Enforcement supports our request for such a determination.

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BY UBS SECURITIES LLC**

Mary Kosterlitz, Esq.

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BACKGROUND

The conduct of UBS Securities alleged in the Order Instituting Proceedings (the “Order”) involved the offer and sale of the CDO to qualified institutional buyers in reliance on the exemption from registration under the Securities Act provided by Rule 144A thereunder, to accredited investors within the meaning of Rule 501(a) under the Securities Act and to non-U.S. persons in reliance on the safe harbor from registration provided by Regulation S under the Securities Act. Specifically, the alleged conduct relates to UBS Securities’ retention of certain upfront premiums in connection with credit default swaps on RMBS referenced as collateral in the CDO.

In connection with the Proceeding, UBS Securities and the Division of Enforcement have reached an agreement in principle to settle the Proceeding as described below, and UBS Securities has submitted to the Commission an offer of settlement in which, for the purpose of this Proceeding, it consents to the imposition of a cease-and-desist order (the “Order”) without admitting or denying the matters set forth in the Order (except as to the jurisdiction of the Commission).

In the Order, the Commission will order UBS Securities to cease and desist from violating Sections 17(a)(2) and 17(a)(3) of the Securities Act and Section 206(2) of the Investment Advisers Act of 1940. The Order will also order UBS Securities to (i) disgorge \$34,408,185, (ii) pay pre-judgment interest of \$9,719,002.24, and (iii) pay a civil penalty in the amount of \$5,655,000.

DISCUSSION

Under a number of Securities Act rules that became effective on December 1, 2005, a company that qualifies as a “well-known seasoned issuer” as defined in Rule 405 is eligible, among other things, to register securities for offer and sale under an “automatic shelf registration statement,” as so defined, and to have the benefits of a streamlined registration process under the Securities Act. Companies that qualify as well-known seasoned issuers are entitled to conduct registered offerings more easily and with substantially fewer restrictions, which facilitates the raising of capital by these issuers. Pursuant to Rule 405, however, a company cannot qualify as a well-known seasoned issuer if it is an “ineligible issuer.” Similarly, the Securities Act rules permit an issuer and other offering participants to communicate more freely during registered offerings by using free-writing prospectuses, but only if the issuer is not an “ineligible issuer.”¹

¹ Being an ineligible issuer will disqualify an issuer under the definition of “well-known seasoned issuer,” thereby preventing the issuer from using an automatic shelf registration statement (*see* Rule 405) and limiting its ability to communicate with the market prior to filing a registration statement (*see* Rule 163). In addition, being an ineligible issuer will disqualify an

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Mary Kosterlitz, Esq.

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Rule 405 under the Securities Act makes an issuer an “ineligible issuer” if, during 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, among other things, “(A) prohibits certain conduct or activities regarding, including future violations of, the anti-fraud provisions of the federal securities laws” or “(B) requires that the person cease and desist from violating the anti-fraud provisions of the federal securities laws.”² Rule 405 also authorizes the Commission to determine, “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 authority to the Division of Corporation Finance to grant waivers from any of the ineligibility provisions of this definition.⁴

The Order may be deemed to be an order arising out of government action of the kind that would result in UBS AG becoming an ineligible issuer for a period of three years after the Order is entered. This result would preclude UBS AG from qualifying as a well-known seasoned issuer and having the benefit of automatic shelf registration and other provisions of the new rules for three years. This would be a significant detriment for UBS AG. Being considered an ineligible issuer will preclude UBS AG from taking advantage of many of the benefits set forth in Rules 405 and 163 and will hinder necessary and periodic access to the capital markets through significantly increased time, labor and cost of such access. Consequently, automatic shelf registration and the other benefits available to a well-known seasoned issuer are significant for UBS AG.

As described above, Rule 405 authorizes the Commission to determine that a company shall not be an ineligible issuer, notwithstanding that the company becomes subject to an otherwise disqualifying order arising out of government action. UBS AG believes that there is good cause, in this case, for the Commission to make such a determination with respect to the Order on the following grounds:

The disqualification of UBS AG is not warranted given the nature of the alleged conduct described in 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.

* * * * *

issuer, whether or not it is a well-known seasoned issuer, under Rules 164 and 433 under the Securities Act, thereby preventing the issuer and other offering participants from using free-writing prospectuses during registered offerings of its securities.

² See 17 C.F.R. § 230.405.

³ *Id.*

⁴ See 17 C.F.R. § 200.30-1. See also note 215 in Release No. 33-8591 (July 19, 2005).

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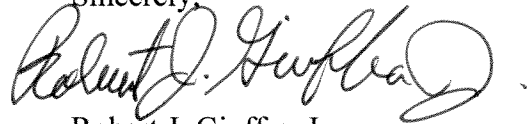
Mary Kosterlitz, Esq.

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In light of the foregoing, we believe that disqualification of UBS AG as an ineligible issuer is not necessary under the circumstances, either in the public interest or for the protection of investors, and that UBS AG has shown good cause for the requested relief to be granted. Accordingly, we respectfully request that the Division of Corporation Finance, on behalf of the Commission, pursuant to Rule 405, determine that it is not necessary under the circumstances that UBS AG be an “ineligible issuer” within the meaning of Rule 405 as a result of the Order.

If you have any questions regarding this request, please contact me at (212) 558-3121.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert J. Giuffra, Jr.", written in a cursive style.

Robert J. Giuffra, Jr.

cc: John W. Madison, Esq.
Rose Zukin, Esq.
Joshua Pater, Esq.
(U.S. Securities and Exchange Commission)