ARTICLE 38(6) CSDR PARTICIPANT DISCLOSURE: U.S. LAW

UBS Securities LLC

1. Introduction

The purpose of this document is to describe the protection associated with the two different types of segregation that we can provide in respect of securities that we hold for clients with Central Securities Depositories located within the EEA and Switzerland (***European CSDs***), including a description of the main legal implications of the two types of segregation offered and information on the U.S. insolvency law applicable. This disclosure is required under Article 38(6) of the Central Securities Depositories Regulation (***CSDR***) and Article 73 of the Swiss Financial Markets Infrastructure Act (***FMIA***).

The European CSDs of which we are a direct participant (see glossary) have their own disclosure obligations under the CSDR and we include links to those disclosures in this document.

At the end of this document is a glossary explaining some of the technical terms used in the document.

This document is not intended to constitute legal or other advice and should not be relied upon as such. You should seek your own legal advice if you require any guidance on the matters discussed in this document.

2. Background

In our own books and records, we record each client's individual entitlement to securities that we hold for that client in a separate client account. To custody cash and securities for clients, we open accounts with European CSDs and other custodians and depositaries (***Segregated Accounts***). We are operationally able to establish two types of Segregated Accounts with European CSDs to custody clients' securities: Individual Client Segregated Accounts (***ISAs***) and Omnibus Client Segregated Accounts (***OSAs***). Proprietary securities cannot be held in ISAs, OSAs, or other Segregated Accounts.

An OSA is used to hold the securities of a number of clients on a collective basis.

An ISA is used to hold the securities of a single client and therefore the client's securities are held separately from the securities of other clients. Although each ISA may be named in a way that identifies the client for whom it is maintained, the client does not have any right or ability to give instructions to the European CSD with respect to any ISA maintained on its behalf or the securities maintained in that account, and so holding assets in an ISA does not give a client any operational rights with respect to those assets. Moreover, the Uniform Commercial Code does not recognize any special property interest in the assets maintained for a client in an ISA as opposed to an OSA or other Segregated Account.

3. Main legal implications of levels of segregation

Customer Protection

We are subject to Rule 15c3-3 under the Securities Exchange Act of 1934, commonly known as the Customer Protection Rule. The Customer Protection Rule requires us to segregate customer cash and securities from our own assets and sets requirements for the Segregated Accounts in which we hold customer assets. The Customer Protection Rule is designed so that a U.S. broker-dealer will hold sufficient property in Segregated Accounts to satisfy its customers' claims for the return of their assets, even if the broker-dealer becomes insolvent. As described more fully below, U.S. insolvency law complements this framework by requiring assets held in Segregated Accounts to be distributed to customers, and by allowing such assets to be distributed to other (non-customer) creditors only if all customer claims have been satisfied. Additionally, advances would be available from SIPC (see glossary) to augment distributions to customers and to facilitate account transfers to a financially sound broker-dealer. At present, SIPC advances are limited to $500,000 per customer (up to $250,000 of which can be used to satisfy a claim for cash). ***If you are uncertain whether you would be a "customer" for purposes of the Customer Protection Rule, SIPA, or the Dodd-Frank Orderly Liquidation Authority (see glossary), please obtain legal advice.***

Subject to strict limitations imposed by the Customer Protection Rule, we may use customer securities to facilitate financing for our customers, including pledging such securities to secure credit extended to us. Our use of customer securities is subject to limits based on the amount of credit extended to the individual customer, as well as aggregate limits based on the total amount of credit extended to all customers. Any securities that are eligible to be rehypothecated or otherwise used are not required to be held in a Segregated Account.

Securities held in Segregated Accounts as required by the Customer Protection Rule may be pledged to a European CSD or certain other permitted custodians to secure our obligation to pay custodial and administrative fees related to Segregated Accounts, but otherwise cannot be subjected to any lien or other encumbrance that would prevent a trustee or receiver from recovering such securities for distribution to customers in the event of our insolvency.

Pre-Insolvency Transfers; Insolvency

When a broker-dealer becomes insolvent or near-insolvent, U.S. regulators generally seek to transfer customer accounts to a financially sound broker-dealer. A broker-dealer that is in compliance with the Customer Protection Rule should have the assets necessary to move all customer accounts and related assets to the new broker-dealer. If there are customer accounts remaining at the time of the commencement of an insolvency proceeding, then the remaining customers would be subject to the provisions of U.S. insolvency law described below.

Were we to become insolvent, our insolvency proceedings would take place in the United States and be governed by U.S. law. Specifically, if we held customer assets at the time of our insolvency, then our insolvency proceedings would be governed by SIPA or by the Dodd-Frank Orderly Liquidation Authority (see glossary). In a SIPA proceeding, SIPC would appoint a trustee to liquidate our assets and distribute them to

customers and creditors under court supervision. In a proceeding under the Dodd-Frank Orderly Liquidation Authority, the FDIC (see glossary) and SIPC would liquidate our assets and distribute them to customers and creditors with limited court oversight.

Under both SIPA and the Dodd-Frank Orderly Liquidation Authority, clients that are "customers" are entitled to file customer claims for securities that we hold on their behalf. Securities that we hold in Segregated Accounts for customers (including securities held at a European CSD) form part of our estate and are distributed to customers in satisfaction of their customer claims. Securities held for customers can also be sold by the trustee or receiver to generate cash for distribution to customers. Property held in Segregated Accounts is not available for distribution to general creditors unless all customer claims have been satisfied. (If a Segregated Account is subject to a lien that is permitted under the Customer Protection Rule, such as the lien that European CSDs are permitted to impose for custodial and administrative fees arising in connection with Segregated Accounts, then the secured creditor is permitted to satisfy such lien before turning the remaining assets over to the trustee or liquidator for distribution to customers.)

It is necessary for customers to make a claim in our insolvency in respect of securities held by us. Such claims would be satisfied pro rata from the pool of available cash and securities held in Segregated Accounts regardless of whether such property is held in an OSA, an ISA or another Segregated Account. Because the treatment of securities held in ISAs is identical to the treatment of securities held in OSAs under U.S. insolvency law, there is no legal benefit under U.S. insolvency law to a customer's securities being in ISAs, as opposed to OSAs. The distribution of the securities in practice on an insolvency would depend on a number of factors, the most relevant of which are discussed below.

Shortfalls

As described above, the Customer Protection Rule is designed to ensure that in the event of our insolvency there would be enough cash and securities in Segregated Accounts to make our customers whole. SIPA and the Dodd-Frank Orderly Liquidation Authority provide for such assets to be distributed to customers and not to be subject to general creditor claims until customer claims are satisfied in full. SIPC advances are also available to reduce or eliminate any shortfall. SIPC advances are presently limited to $500,000 per customer (up to $250,000 of which can be used to satisfy a claim for cash). However, advances are not available for broker-dealers, banks, individuals who are officers or directors of, or who otherwise can exert control over, the broker-dealer, and individuals or entities who have an ownership interest in the broker-dealer or who have subordinated their claims against the broker-dealer.

If, notwithstanding the Customer Protection Rule, there were a shortfall between the amount of cash and securities that we are obliged to deliver to clients and the amount of cash and securities that we hold on their behalf in Segregated Accounts (including Segregated Accounts that are not maintained by European CSDs), plus any applicable SIPC advances, this could result in fewer securities than clients are entitled to being returned to them on our insolvency. Under SIPA and the Dodd-Frank Orderly Liquidation Authority, securities held in ISAs would be treated in the same fashion as securities held in OSAs.

In the case of any shortfall of customer property, whether in an ISA, an OSA, or another Segregated Account, the shortfall would be shared among all clients proportionately to their customer claims. Therefore, a client may be exposed to a shortfall even where securities have been lost in circumstances which are completely unrelated to that client. Moreover, a shortfall in cash could affect customers with claims to securities, and a shortfall in one security could affect customers with claims to a different security, because the aim of SIPA is to impose any losses pro rata among customers.

Even if a particular customer could "trace" or otherwise identify securities corresponding to its customer claim, this would not entitle such a customer to receive those securities—the customer would be subject to the same losses as all other customers, and the customer's claim could be satisfied with cash instead of securities. This logic applies with equal force to ISAs: The fact that securities are held in an ISA that is identifiable to a particular customer does not give that customer any special claim to receive those securities under SIPA or the Dodd-Frank Orderly Liquidation Authority. All customers must share losses (if any) equally, in an amount that is proportionate to their customer claims.

The same result would apply to losses caused by a permitted lien asserted by a European CSD or other custodian. As described above, we are permitted to pledge the assets in Segregated Accounts to secure custodial and administrative fees owed to the European CSD in respect of Segregated Accounts. Because such a lien would have to be satisfied before customer property could be distributed to customers, it could theoretically result in a shortfall in customer property. However, any such shortfall would be subject to the general rule described above. The shortfall would be borne by all customers proportionately to their customer claims, so that a lien might affect all customers collectively, but a given customer would be indifferent to whether its particular securities were subject to the lien. As a result, the possibility that such a security interest will be asserted against customer property has no bearing on the choice between an OSA or an ISA.

If we were to become insolvent during a time when there is a shortfall of assets held in Segregated Accounts, clients could be treated as general unsecured creditors for any amounts that remain unsatisfied after the distribution of all customer property from Segregated Accounts and the disbursement of all SIPC advances. Clients would therefore be exposed to the risks of our insolvency, including the risk that they may not be able to recover all or part of any amounts claimed.

4. European CSD disclosures

Set out below are links to the disclosures made by the European CSDs in which we are participants:

[Insert links]

These disclosures have been provided by the relevant European CSDs. We do not accept any responsibility for the content of these disclosures.

GLOSSARY

Central Securities Depository or ***European CSD*** is an entity based in the EEA or in Switzerland which records legal entitlements to dematerialised securities and operates a system for the settlement of transactions in those securities. The great majority of securities issued in the EEA or Switzerland that we hold for clients are held with Central Securities Depositories.

Central Securities Depositories Regulation or ***CSDR*** refers to EU Regulation 909/2014 which sets out rules applicable to EEA CSDs and their participants.

direct participant means an entity that holds securities in an account with a European CSD and is responsible for settling transactions in securities that take place within a European CSD. A direct participant should be distinguished from an indirect participant, which is an entity, such as a global custodian, which appoints a direct participant to hold securities for it with a European CSD.

Dodd-Frank Orderly Liquidation Authority refers to Title II of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act.

FDIC refers to the U.S. Federal Deposit Insurance Corporation.

Financial Markets Infrastructure Act or ***FMIA*** refers to [FinfraG] which sets out rules applicable to Swiss CSDs and their participants.

SIPA refers to the U.S. Securities Investor Protection Act of 1970.

SIPC refers to the U.S. Securities Investor Protection Corporation.