UBS

Risk information

Consequences of categorization as professional client in terms of § 67 para. 6 Securities Trading Act

UBS Europe SE in Germany (subsequently "UBS") provides securities services for both retail and professionally classified clients. We provide this document as a clear written warning of the protections and investor compensation rights you may lose by being categorized as a professional client as opposed to a retail client. The overview is not exhaustive, but focuses on the differences in client protection. The current version of the risk information can be accessed through https://www.ubs.com/de/en/ubs-germany/regulatory.html.

1. Information

Communication with clients:
A firm must ensure that its communications with all clients are fair, clear and not misleading. However, the way in which a firm may communicate with professional clients (about itself, its services and products, and its remuneration) may be different from the way in which the firm communicates with retail clients. A firm's obligation in respect of the level of detail, medium and timing of the provision of information are different depending on whether the client is a retail or professional client. The information provided to retail clients is subject to higher requirements than information provided to professional clients. This concerns in particular the balance of presenting information as well as the comprehensiveness of clients.

Product information sheets:
For protection of retail clients, UBS must hand out product information sheets if it provides investment advice (i.e. product information sheets for equities or for structured products). These documents contain in particular a presentation of the corresponding opportunities and risks of a financial instrument in an understandable way. The provision of the corresponding documents to professional client is not necessary; however these can be handed over to the client upon request.

Description of the nature and risks of packaged investments:
A firm that offers an investment service with another service or product or as part of a package or as a condition of the same agreement or package with a retail client, must inform retail clients if the risks resulting from the agreement or package are likely to be different from the risks associated with the components when taken separately. It must provide retail clients with an adequate description of the different components of the agreement or package and the way in which its interaction modifies the risks. The above requirements do not apply in respect of professional clients.

Information about a financial instrument in respect of which a prospectus is available:
Where a firm provides retail clients with information about a financial instrument that is the subject of a current offer to the public and a prospectus has been published in connection with that offer, it must inform such retail clients where that prospectus is made available to the public; and do so in good time before the provision of investment services or ancillary services. The above requirements do not apply in respect of professional clients.

Information about currency fluctuations:
Where a firm provides a retail client with information which contains an indication of the past performance of a financial instrument, a financial index or an investment service, and the indication relies on figures denominated in a currency other than that of the Member State in which that retail client is resident, the firm must state the relevant currency and provide enhanced warnings that returns may increase or decrease as a result of currency fluctuations. This requirement does not apply in respect of professional clients.

2. Target market and product intervention

Financial instruments differ significantly in their risk content. Therefore, issuers of a financial instrument are required to define a target market for the financial instrument. In the target market, a distinction is made between a positive and a negative target market. With the negative target market, an issuer can determine that a target group (e.g. retail clients) should not have access to a product. This is usually due to the complexity of a product or the inherent risk.
In addition, the regulator has the option of restricting or prohibiting the sale of some financial instruments. These restrictions and prohibitions regularly apply exclusively to the sale of financial instruments to retail clients. Both the negative target market and sales restrictions imposed by the regulator serve to protect retail clients. The aim is to prevent private

clients from investing in financial instruments that are unsuitable for this target group due to their complexity or risk (especially in the case of margin calls). This protection does not apply to a client classified as professional.

3. Order execution policy

Order execution policy summary:
A firm must provide a retail client with a summary of its order execution policy (focused on the total cost the client incurs). This summary must provide a link to the most recent execution quality data for each execution venue listed in the policy. Firms are not obliged to provide a summary that complies with these specific requirements to professional clients.

4. Best execution

A firm must take all sufficient steps to obtain the best possible results for its clients when executing orders. The application of and the relative importance of the relevant execution factors will vary depending on whether the client is a retail or professional client even if UBS does apply the same execution factors for both client classifications.

Retail clients:
Where orders are executed on behalf of a retail client, total consideration must be the overriding factor in determining best execution. A firm must determine the best possible result in terms of the total consideration, representing the price of the financial instrument and the costs related to execution, which must include all expenses incurred by the retail client which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order. A firm should take into consideration all factors that will allow it to deliver the best possible result in terms of the total consideration, representing the price of the financial instrument and the costs related to execution. Speed, likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs may be given precedence over the immediate price and cost consideration only insofar as they are instrumental in delivering the best possible result in terms of the total consideration to the retail client.

Professional clients:
Where orders are executed on behalf of a professional client a range of factors may be considered in determining best execution. A firm's execution policy should determine the relative importance of each of the execution factors or establish a process by which the firm will determine the relative importance of the execution factors. The relative importance that the firm gives to those execution factors must be designed to obtain the best possible result for the execution of its professional clients' orders. The characteristics of the client (including the categorization of the client as retail or professional) will have a bearing on the firm's determination of the various factors' relative importance. Ordinarily, the regulation expects that price will merit a relative importance in obtaining the best possible result for professional clients. However, in some circumstances for some professional clients, orders, financial instruments or markets, the policy may appropriately determine that other execution factors are more important than price in obtaining the best possible result.

5. Custody

Use of safe custody assets:
MiFID II expects firms that use retail clients' assets only to do so for the purposes of entering into securities financing transactions. Firms may use the assets of clients on terms agreed between such clients and the firm in accordance with the MiFID II regime.
Where a firm enters into arrangements for securities financing transactions in respect of safe custody assets held by it on behalf of any client or otherwise uses such safe custody assets for its own account or the account of another client of the firm the regulation requires that:

– the firm ensures that relevant collateral is provided by the borrower in favor of the client;
– the current realizable value of the safe custody asset and of the relevant collateral is monitored daily; and
– the firm provides relevant collateral to make up the difference where the current realizable value of the collateral falls below that of the safe custody asset, unless otherwise agreed in writing by the retail client.

6. Title transfer collateral arrangements

Firms may not enter into title transfer collateral arrangements in respect of assets belonging to retail clients. This ban does not apply to assets belonging to a professional client.

7. Depreciations in value reporting

A firm that holds a retail client account that includes positions in leveraged financial instruments or contingent liability transactions must inform the retail client, where the initial value of each instrument depreciates by 10 per cent and thereafter at multiples of 10 per cent no later than the end of the business day in which the threshold is exceeded or, in a case where the threshold is exceeded on a non-business day, the close of the next business day. These requirements do not apply in respect of professional client accounts.

8. Suitability and appropriateness

Suitability:
If a firm makes a personal recommendation or manages investments for a client, it is required to obtain and consider the following information in relation to the client:

– client's knowledge and experience in the investment field relevant to the specific type of investment or service;
– financial situation of the client;
– client's investment objectives.

However, when making a personal recommendation or managing investments to or on behalf of a professional client, a firm is entitled to assume that, in relation to the products, transactions and services for which the professional client is so classified, the client has the necessary level of experience and knowledge in order to understand the risks involved in the transaction or in the management of his portfolio. This

assumption cannot be made for a retail client and firms must assess this information separately.
A firm, when making a personal recommendation to a per se professional client, may also assume that the client is able financially to bear any related investment risks consistent with his investment objectives. However, as this assumption is limited to per se professional clients, a firm cannot make this assumption for either retail or elective professional clients and firms must assess this information separately.
Where a firm makes personal recommendations to a retail client the firm is required to provide retail clients with a suitability report but it is not required to provide such a report to professional clients.

Appropriateness:
When assessing appropriateness for non-advised services (i.e. where we do not make personal recommendations or carry on portfolio management), a firm may be required to determine whether the client has the necessary experience and knowledge in order to understand the risks involved in relation to the product or service offered or demanded.
Where such an appropriateness assessment requirement applies in respect of a client, the firm may assume that a professional client has the necessary experience and knowledge in order to understand the risks involved in relation to those particular investment services or transactions, or types of transaction or product, for which the client is classified as a professional client. A firm may not make such an assumption for a retail client and must determine that a retail client does have the necessary level of experience and knowledge.

9. Share trading obligation

There is a requirement in certain circumstances for shares to be traded on certain venues. This obligation can be disapplied where trades in such shares are carried out for professional clients in certain circumstances but not for retail clients.

10. Compensation

The bank is a member of the deposit protection fund of the Bundesverband deutscher Banken e.V. According to its statute – subject to the exceptions stipulated therein – the deposit protection fund protects deposits, i.e. account balances resulting from funds remaining in an account as part of banking transactions, or from intermediate balances, and which are to be repaid by the bank under currently applicable conditions. Circumstances of the claim; compensation is only available for certain types of claimants and claims in respect of certain types of business. Eligibility for compensation from the scheme is determined under the rules applicable to the scheme and your rights (if any) to make a claim are unlikely to be directly affected by your categorization as a professional client. Reference is also made to the General Business Terms..