

# UBS FINANCIAL SERVICES INC.

## FUTURES COMMISSION MERCHANT DISCLOSURE DOCUMENT

The U.S. Commodity Futures Trading Commission ("CFTC") requires each futures commission merchant ("FCM"), including UBS Financial Services Inc. ("UBS Financial Services"), to provide the enclosed information to a customer prior to the time the customer first enters into an account agreement with the FCM or deposits money or securities with the FCM. Except as otherwise noted below, the information set out is current as of the publication date of this document. UBS Financial Services will update this information annually and as necessary to reflect any material change to its business operations, financial condition, or other factors that UBS Financial Services believes may be material to a customer's decision to do business with UBS Financial Services. UBS Financial Services' business activities and financial data are not static and may change in non-material ways frequently throughout any 12-month period.

The customer acknowledges that the disclosures contained within this document are not static and may be updated from time-to-time to reflect material changes in these disclosures, as determined in UBS Financial Services' sole discretion. UBS Financial Services will inform, on a good efforts basis, its customers of material changes to these disclosures, and the customer's receipt of such notice will be satisfied when posted to the UBS public website at [www.ubs.com/fcmdisclosure](http://www.ubs.com/fcmdisclosure). Continued use of the firm's execution and clearing services will serve as the customer's acknowledgement to such revised disclosures.

UBS Financial Services is a subsidiary of UBS Group AG. Information that may be material with respect to UBS Financial Services for purposes of the CFTC's disclosure requirements may not be material to UBS Group AG for purposes of applicable securities laws.

As of February 13<sup>th</sup>, 2024

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## Background Information on the Firm and its Principals

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UBS Financial Services Inc. ("UBS Financial Services" or the "Firm") operates as a wealth management business for high net worth and ultra-high net worth clients, and is positioned as the primary legal entity within Wealth Management USA ("WM-US"), which is the U.S.-aligned segment of the UBS Global Wealth Management business division of UBS Group AG (collectively, "UBS" or "UBS Group"). UBS Financial Services is registered with the U.S. Securities and Exchange Commission ("SEC") as a Broker-Dealer and as an Investment Adviser, and it is primarily engaged in activities under the SEC's jurisdiction. As part of a holistic approach to providing wealth management services, the Firm is also registered as an FCM with the CFTC and, pursuant to such, offers the trading of futures and options on futures to facilitate the investment needs of its clients. Pursuant to its registration status as an FCM with the CFTC and its affiliate relationship with a Swap Dealer, UBS Financial Services introduces customers to UBS AG for purposes of facilitating transactions in swaps and other OTC derivatives with those customers. UBS Financial Services is not a Swap Dealer and does not itself act as counterparty to any swaps transactions, rather it is registered as a Swaps Firm with NFA for purposes of conducting referral business. Accordingly, UBS Financial Services is also a member of the National Futures Association ("NFA"), the futures industry-wide self-regulatory organization ("SRO").

### *Firm Contact Information*

Name: UBS Financial Services Inc.  
Address: 1000 Harbor Boulevard  
Weehawken, NJ 07086  
Phone: (201) 352-3000  
Email: [comments@ubs.com](mailto:comments@ubs.com)

*Important note: Please do not e-mail any confidential or account information or instructions (such as orders to trade, to transfer funds or to change account information). UBS Financial Services Inc. is not liable for any acts or failures to act as a result of your e-mail.*

If you have any complaints, please contact Client Relations at (800) 354-9103 between 9:00 a.m. to 5:00 p.m. Eastern Time, Monday through Friday, or write us at:

UBS Financial Services Inc.  
Client Relations  
P.O. Box 766  
Union City, NJ 07087

### *Futures Designated Self-Regulatory Organization*

Name: National Futures Association (NFA)  
Website: [www.nfa.futures.org](http://www.nfa.futures.org)

Background Affiliation Status Information Center (BASIC): [www.nfa.futures.org/basicnet](http://www.nfa.futures.org/basicnet)

*BASIC contains CFTC registration and NFA membership information and futures-related regulatory and non-regulatory actions contributed by NFA, the CFTC, and the U.S. futures exchanges.*

## *Registered Principals of the Firm*

### **Elaine Sam**

Head of Unified Global Markets Americas  
1285 Avenue of the Americas  
New York, NY 10019

Elaine Sam joined UBS in August 2023 as a Managing Director and the Head of Unified Global Markets Americas Business. She is responsible for the Unified Global Markets Americas business, which includes Trading & Sales and Structured Products.

Prior to this role, Elaine was a Managing Director in the Investment Bank at Credit Suisse, based in New York. She was Head of Americas Sales for the Markets division in the Investment bank. She served on the Global Markets Management Committee and was the Chair of the Americas Distribution Governance Committee. Elaine joined Credit Suisse in October 2005. Prior to Credit Suisse, she worked in similar Sales and Structuring roles in Equity Derivatives at Deutsche Bank and Société Générale. She started her career as a portfolio analyst at AIG Investment Corp.

Elaine holds a Master's in Business Administration from Cornell and is a CFA charter holder.

### **Jaclyn Tholl Tolinski**

FCM Chief Compliance Officer and Head of BDFCM Governance, UBS Financial Services Inc.  
One North Wacker Drive  
Chicago, IL 60606

Jaclyn joined UBS in 2018 and is the FCM Chief Compliance Officer of UBS Financial Services Inc. and Head of Broker Dealer and FCM Governance, responsible for overseeing the WM-US governance program including the firm's FCM program specific to local business practices and CFTC regulations.

Prior to joining UBS, Jaclyn was the Executive Vice President and Chief Compliance Officer of Straits Financial LLC for nearly 8 years, beginning in 2011. Jaclyn began her career at the NFA in 2007, the futures industry-wide self-regulatory organization. As a regulator, she supervised special investigations and compliance examinations. Jaclyn graduated from The University of Iowa with a Bachelor's degree in Business Administration and Finance, and is Series 3 licensed.

### **Jason Chandler**

Head of Wealth Management USA, Chair UBS US Wealth Management Forum  
1285 Avenue of the Americas  
New York, NY 10019

Jason is Head of Wealth Management USA. He is a Managing Director, Chair of the US Wealth Management Forum, member of the UBS Combined US Operations, and a member of the Global Wealth Management Team.

Jason leads and sets the strategic direction for the firm's 6,000 Financial Advisors in the U.S., Canada, and Puerto Rico. His goal is to help position UBS as the firm of choice for high net worth and ultra-high net worth clients by attracting and retaining the industry's most productive financial advisors, and providing the support and resources they need to grow their businesses and achieve their clients' wealth management objectives.

Jason has held a variety of senior leadership positions in his more than 25 years at UBS, responsible for businesses focused on individual, institutional and corporate clients. Previously, he was Co-Head of Global Investment Platforms and Solutions with locations including New York, London, Zurich, Hong Kong, and Singapore. In this role, Jason was responsible for the wealth management offering including advisory programs, alternative investments, capital markets, wealth planning and banking solutions. Throughout his career he has always worked closely with advisors and clients, including leading the US Wealth Management Advisor Group,

UBS Canada, and UBS International. Additionally, Jason led Private Wealth Management and served as Chairman, UBS Private Bank USA.

**Jonathan Slavin**

Managing Director, Head of Execution Hub Americas  
1285 Avenue of the Americas  
New York, NY 10019

Jonathan Slavin is Head of UBS Securities LLC Execution Hub, Americas and oversees UBS Financial Services, Inc's trading desks including futures, options, equity and fixed income. He joined UBS May of 2021 and previously held positions of Global Head of Equity Trading at Morgan Stanley Investment Management, Head of U.S. Equities, Cash and Derivatives Trading at PIMCO, and as a Senior Trader at George Weiss Associates. Mr. Slavin served in the United States Army as an infantry soldier from 1992-1996. He earned his Bachelor of Science degree in Economics cum laude from Franklin Pierce College in 1992, where he has also served as a Trustee. Mr. Slavin has served as a board member for CT Challenge/Mission, an organization promoting wellness and rehabilitation programs for cancer survivors. He has also mentored inner city students applying to college through his participation in Harlem Educational Activities Fund, and has Co-Founded GenUnion, a college mentor/mentee program for students with an interest in finance.

**Lisa Golia**

Managing Director, GWM US COO, UBS Global Wealth Management US  
1285 Avenue of the Americas  
New York, NY 10019

Lisa is a Managing Director and Chief Operating Officer of UBS Financial Services Inc. within GWM US. She serves as a member of the UBS Wealth Management Americas Management Forum and the UBS Wealth Management COO Forum.

In her role, Lisa is responsible for overseeing and optimizing the business operations and digital transformation in Wealth Management Americas. Lisa is focused on delivering an effective, efficient and scalable operating model enabling advisors, their teams and the Client Solutions Center, to dedicate more time to clients through front-to-back digitalization.

Lisa has more than 25 years of financial services experience. Prior to assuming the GWM US COO role in UBS, Lisa was the Head of Wealth Management Strategic Services, at Morgan Stanley, where she was focused on large-scale digital transformation initiatives that impacted more than 15,000 financial advisors and over 7,000 support staff across a national network of ~500 branches.

**Mark Boehme**

Head Global CIO Supervisory Analysts and Editors  
1285 Avenue of the Americas  
New York, NY 10019

Mark currently serves as Global Head, Supervisory Analysts for UBS Financial Services, a position he has held for the past 17 years. In that role, he oversees a team responsible for the review and approval process for research dedicated to the clients of UBS Global Wealth Management. Prior to joining UBS he worked in London for J.P. Morgan and later for Cazenove, where, following the formation of their joint venture, he designed and developed the research compliance function.

Over his 37 year career, he has worked in a number of roles in financial services including buy side equity analyst, portfolio manager, quantitative analyst and equity trader at Bank of Montreal, Commerzbank, Bankers Trust and Merrill Lynch. He has an MBA from Fordham University, a BA from Clark University and holds the Series 3, 7, 8, 16, 24, 53, 55 and 66 licenses.

**Mark W. Sanborn**

Member of UBS Financial Services Inc. Board of Directors  
1000 Harbor Boulevard  
Weehawken, NJ 07086

Mark W. Sanborn is a Member of the UBS Financial Services Inc. Board of Directors.

Mark joined UBS as the Chief Risk Officer (CRO) of the Investment Bank in April 2011 and was Head of Markets America for the Wealth Management Americas division from 2017-2023. Mark came from Beacon Financial Corp where he was Executive Vice President and CEO of Beacon Asset Management. Mark has over 20 years' experience in financial services, and prior to Beacon held a number of senior positions focused on trading and risk management. He was previously responsible for global equity trading at Lehman Brothers, and after departing Lehman in 2003, Mark ran two separate hedge funds that invested in equity and quantitative trading strategies.

Mark earned his bachelor's degree in science mechanical engineering from Syracuse University, and earned his Master's in Business Administration from the University of North Carolina.

**Naureen Hassan**

President UBS Americas, CEO of UBS Americas Holding LLC, Member of the Group Executive Board,  
Chair of UBS Financial Services Inc. Board of Directors  
1285 Avenue of the Americas  
New York, NY 10019

Naureen Hassan joined UBS in October 2022, as the President of UBS Americas, CEO of UBS Americas Holding LLC, a member of UBS AG Group Executive Board and Chair of UBS Financial Services Inc. Board of Directors. Naureen is responsible for driving client relationships, promoting cross-business collaboration, navigating the evolving public policy landscape, and ensuring sound regulatory and reputational risk governance. Naureen also leads the firm's strategic growth and digital initiatives in the Americas region.

Most recently, Naureen was First Vice President and Chief Operating Officer of the FRBNY, where she also served as an alternate voting member of the Federal Open Market Committee from 2021 - 2022. Prior to joining the FRBNY in 2021, Naureen was the Chief Digital Officer at Morgan Stanley Wealth Management, from 2016 - 2020 where she was responsible for the business' digital transformation. Before joining Morgan Stanley, Naureen spent 13 years at Charles Schwab Corporation from 2003 - 2016. She served as the Executive Vice President at Charles Schwab Corporation, leading Investor Services strategy, segments, and platforms during 2014 - 2016 and was also a member of the firm's Executive Committee. During 2003 - 2016, Naureen held various business transformation, strategy, and client experience leadership roles at Charles Schwab Corporation. Naureen began her career at McKinsey & Company in 1993 through 2003.

Naureen holds an MBA from Stanford University Graduate School of Business 1998 and a BA in Economics from Princeton University 1993.

**Ralph Mattone**

Chief Financial Officer, UBS Financial Services Inc.  
1285 Avenue of the Americas  
New York, NY 10019

Ralph is the Chief Financial Officer for UBS Securities LLC and UBS Financial Services Inc. In this role, Ralph is responsible for the financial reporting of the US part of the Global WM Business Division as well as regulatory reporting for UBS Financial Services Inc. and UBS Financial Services Inc. of Puerto Rico. He oversees the accounting and regulatory functions, and has responsibilities for Sarbanes-Oxley compliance.

Ralph Mattone is a Managing Director in the Finance Department of UBS America's. In this capacity, he serves as the Head of Financial Reporting for all entities in the U.S. and is responsible for regulatory reporting for the

U.S. Broker-dealers. Mattone joined UBS in October of 2016. Previously, he served at Nomura Securities from 2009 to 2016 as Managing Director of Regulatory and Financial Reporting. He held similar roles at Deutsche Bank, ABN AMRO and Barclays Capital from 1995 through 2009. Earlier in his career, Mattone was an auditor at a mid-sized accounting firm. Mattone is an active member of the SIFMA Capital Steering Committee and Financial Management Society which he held the title of President for two years. He received a B.S. in Accounting from Marquette University.

## Description of the Firm's Businesses

### *Business Activities of the Firm*

The FCM client base, while broad, is primarily made up of individuals, their personal holding companies or trusts, family offices, as well as commercial entities that engage in both speculative and hedging futures trading strategies. Futures customers of the firm have access to and regularly trade futures contracts across many market segments. Notwithstanding, the firm's customers primarily trade futures in the financial, currency, energy, and metals markets. UBS Financial Services may offer swaps and other OTC derivatives through another broker and does not clear swaps activity.

As part of its municipal securities business, UBS Financial Services holds an inventory of municipal bonds. Interest rate risk is one of the risks inherent to holding an inventory of municipal bonds. Interest rate risk is the risk that interest rates will increase or decrease and thus cause the value of the bonds held to fluctuate accordingly. In an attempt to hedge this risk, the firm engages in an array of hedges including options on interest rate futures, interest rate futures, and treasuries. Specifically, the firm will short these products, which move in opposition to, though not perfectly correlated to, the daily profit and loss of the municipal holdings. Firm policies require certain controls with respect to these trading activities and diligent reviews to ensure that any proprietary trading is done in-line with legitimate hedging practices and reconciles such activity daily.

### *Exchange and Clearing Organization Memberships*

UBS Financial Services is not a clearing member of any Derivatives Clearing Organization ("DCO"). While the firm is a member of the Options Clearing Corporation for purposes of clearing options on equities transactions, the firm does not self-clear any futures or options on futures transactions with this clearing organization.

<b>Derivatives Clearing Organization</b>	<b>Membership</b>
Chicago Mercantile Exchange Inc.	None
Eurex Clearing AG	None
ICE Clear US Inc.	None
ICE Clear Europe Limited	None
ICE Clear Credit LLC	None
LCH.Clearnet LLC	None
LCH Ltd.	None
LCH.Clearnet SA	None
Minneapolis Grain Exchange Clearing House	None
Options Clearing Corporation	Equities Only
Singapore Exchange Derivatives Clearing	None

In order to clear its transactions in futures and options on futures, UBS Financial Services utilizes the carrying broker services of R.J. O'Brien & Associates LLC and UBS AG, London Branch. Through an omnibus clearing arrangement with these carrying brokers, UBS Financial Services is capable of clearing with the above DCOs. With respect to clearing transactions on the London Metals Exchange ("LME") and Eurex, UBS Financial Services transacts through UBS AG, London Branch.

UBS Financial Services holds equity shares of the Chicago Mercantile Exchange ("CME") and owns trading floor seats on the CME and the Chicago Board of Trade ("CBOT"), which are both part of CME Group. Accordingly, the firm is an Equity Member of the Chicago Board of Trade and is therefore entitled to reduced execution and clearing fees when transacting on this exchange.

### *Permitted Depositories and Counterparties*

UBS Financial Services has policies and procedures in place to address the selection of bank depositories and custodians. These entities are vetted in accordance with firm policy, which at a minimum takes into consideration:

- Creditworthiness
- Jurisdiction / counterparty type (credit counterparties are subject to credit analysis and internal ratings)
- Capital and credit risk exposure
- Operational reliability / industry expertise
- Type of services offered
- Access to liquidity
- Concentration of customer funds
- Know Your Client and Customer Identification Program checks

These entities are also subject to ongoing monitoring and periodic risk-based reviews.

The firm does not currently engage in any permitted investment transactions under CFTC Regulation §1.25 with respect to the investment of customer segregated and secured funds.

### *Other Business Activities*

The following table is a breakdown of the significant types of business activities and product lines engaged in by the firm, along with the approximate percentage of the firm's assets and capital that are used in each type of activity.

<b>Activity/Product Line</b>	<b>Percentage of Assets</b>	<b>Percentage of Capital</b>
Financing (Resales, Borrows)	10.85%	0.03%
Inventory by Business Line		
<i>US Govt. Securities, Corporate debt, CDs MBS, Municipals</i>	2.08%	0.41%
<i>Equities</i>	0.00%	0.01%
<i>Other Inventory (Mutual Funds, CEFs)</i>	1.97%	0.11%
Goodwill and Tangible Assets	3.14%	8.84%
Receivable from Broker-Dealers and Customers	43.97%	0.02%
Investments in Subsidiaries and Receivable from Affiliates	3.51%	0.22%
Fixed Assets	9.12%	17.09%



Cash & Segregated Cash	5.72%	0.00%
Other Assets, DTA, Financial Assets pledged as collateral	19.60%	52.19%
Other Receivables	0.05%	0.01%

## Material Risks

Engaging in brokerage services for futures and securities trading involves many risks that are complex in nature and, at times, may be significant. While this disclosure document attempts to highlight several significant risks that customers should be aware of, it does not identify or address all of the relevant risks.

### Credit Risk

UBS Financial Services engages in various trading, brokerage, and lending activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, UBS Financial Services may be exposed to risk. The risk of default is dependent upon the creditworthiness of the counterparty, and it is the policy of the firm to regularly review the credit standing of each counterparty as well as the firm's exposure to any particular counterparty.

The firm's brokerage activities are typically transacted on either a cash or margin basis. In margin transactions, which include futures and options on futures contracts, the firm extends a credit limit to the customer, subject to various regulatory and internal margin requirements, and collateralizes such with cash and securities in the customer's account. Such transactions may expose the firm to off-balance sheet risk in the event that margin requirements are not sufficient to fully cover losses that the customers incur. The most relevant risk to a futures customer is that UBS Financial Services becomes insolvent, caused by a customer default or series of customer defaults. UBS Financial Services seeks to control these risks by thoroughly reviewing the creditworthiness and financial condition of each customer prior to opening a futures account or other margin account. The firm also requires customers to maintain margin collateral and monitors these margin levels daily; when appropriate, the firm may require customers to deposit additional collateral or reduce positions.

### Creditworthiness of the FCM

UBS Financial Services is not a public entity and is indirectly held by UBS Americas Holding LLC and subsequently UBS AG<sup>1</sup>. As such, although UBS Financial Services is not assigned a credit rating by any agency, you may view the credit ratings of its indirect and ultimate holding companies within the Investor Relations section of the UBS website<sup>2</sup>.

### Market and Investment Risk

Pursuant to its activities as a Broker-Dealer, the firm maintains an inventory of securities and municipal bonds to assist with its dealing activities to securities customers. Consequently, holding an inventory of such securities exposes the firm to market risk. Market risk is the risk of loss from changes in market variables. There are two broad categories of changes: general market risk factors driven by macroeconomic, geopolitical and other market-wide considerations, and market risk factors that are specific to individual companies or entities. General market risk factors include interest rates, level of equity market indices, foreign currency exchange rates and other factors. Market risk factors that are specific to individual companies or entities cannot be explained by general market moves.

The firm uses Value-at-Risk and Stress Loss as its two primary portfolio measures to monitor market risk. These portfolio measures are complemented by concentration and other supplementary limits on portfolios, sub-portfolios or asset classes. The senior management of each relevant business area is responsible for reviewing

<sup>1</sup> An organization chart and holding company information can be found on the Investor Relations section of UBS' website ([https://www.ubs.com/global/en/about\\_ubs/investor\\_relations/disclosure-legal-entities.html](https://www.ubs.com/global/en/about_ubs/investor_relations/disclosure-legal-entities.html)).

<sup>2</sup> [https://www.ubs.com/global/en/about\\_ubs/investor\\_relations/debt/ratings.html](https://www.ubs.com/global/en/about_ubs/investor_relations/debt/ratings.html)

positions, exposures, profits and losses, and strategies. The firm also has a risk control group which reviews the overall risk profile and independently monitors development in portfolios according to established limits. The risk control group also reviews positions and economic hedging strategies, performs market risk modeling, and aids in setting the firm's risk policies.

### **Negative Contract Prices**

When trading in the futures markets, there are risks if the market moves against your futures positions. These risks may be particularly acute in those instances in which a futures contract settles at a negative price. The circumstances that lead a futures contract to settle at a negative price may vary. One example of when a futures contract with a physical commodity as the underlying asset may settle at a negative price is when the supply of the commodity faces physical constraints in distribution or storage to such an extent that some suppliers are prepared to pay others to physically take away the commodity. Futures contracts across other asset classes may also settle at negative prices for any number of reasons. Regardless of whether prices are positive or negative, you should keep in mind that if the market moves against your futures positions:

- You may sustain a total loss of the funds that you have deposited to establish or maintain your positions and may incur additional losses beyond these amounts;
- You may be called upon to deposit additional margin funds, on short notice;
- If you do not provide the additional funds within the time we require, your positions may be liquidated at a loss; and
- You will be liable for any resulting deficit in your account.

### **Affiliate Risk**

UBS Financial Services may hold funds belonging to its customers in depository accounts at UBS AG, which is the parent company of UBS Financial Services and is licensed to engage in banking activities within the U.S. Furthermore, as described above, UBS Financial Services also utilizes the clearing services of UBS AG, London Branch, for futures, options on futures, and transactions on the LME and Eurex. Customer funds required to be posted as margin are deposited with the affiliated entity in omnibus accounts that are appropriately designated as belonging to futures customers of UBS Financial Services. Consequently, customers of UBS Financial Services should consider that in the unlikely event these affiliated entities fail, UBS Financial Services would face a significant amount of risk, which may include the inability to continue transacting in futures and options on futures contracts. In an attempt to reduce this risk, UBS Financial Services has also established banking relationships with other depositories that are unaffiliated with the firm.

### **Other Material Risks**

Information pertaining to the firm's liquidity, investments, principal liabilities, balance sheet leverage, and equity is discussed within applicable financial information sections within this document and is also contained within the Statement of Financial Condition as well as the Notes thereto. The most recent annual Audited Financial Statements for UBS Financial Services may be found online at [www.ubs.com/financials](http://www.ubs.com/financials).

## *Risk Management Practices*

Prospective futures clients are evaluated through UBS Financial Services' rigorous on-boarding process. As part of this process, relevant information will be requested from the prospective client to assist in the evaluation by the UBS Credit Risk Control and Supervisory Personnel. These standards include, but are not limited to:

- Analysis of financial statements
- Review of client underlying business and organizational set-up
- Understanding how and why the client uses futures and options
- Evaluation of sample portfolio and associated risk exposures
- Sales/Business case for account opening

Further, due diligence calls may be conducted with a prospective client to obtain additional insight into:

- Key metrics such as leverage, capital, fund size, financing capabilities and performance
- Trading/hedging strategy, frequency of trading, internal risk management

- Non-standard documentation issues (if any)

UBS Financial Services applies these standards to any prospective futures client including those being transferred from another FCM. Once a client is on-boarded and approved for futures trading, UBS Financial Services follows a comprehensive and independent internal risk management framework to calculate risk exposure on client portfolios, establishes maximum margin limits for each account, and monitors adherence to these limits as well as clients' profit and loss amounts in their futures accounts.

UBS Financial Services maintains a comprehensive compliance program. Group Risk Control is an independent advisory and risk control function that includes the Compliance Department and Operational Risk Control ("CORC"). CORC responsibilities include ensuring the necessary risk frameworks are appropriately designed and operating effectively across the full operational risk taxonomy, pro-actively identifying and analyzing risk and providing constructive challenge to achieve an appropriate balance between risk and return.

### *Material Complaints or Actions*

As a registered Broker-Dealer, UBS Financial Services is required to make disclosure of disciplinary actions in its Form BD, the Uniform Application for Broker-Dealer Registration. Disciplinary disclosures in the Form BD cover matters involving UBS Financial Services, its Parent and other material entities. The disclosures are made publicly available via FINRA's BrokerCheck system at <http://brokercheck.finra.org/Firm/>. During the last three years, the following material administrative, civil, enforcement or criminal complaints or actions have been filed against UBS Financial Services Inc. and have not concluded or were enforcement complaints or actions filed against the FCM registrant:

### **Communications Recordkeeping**

The SEC and CFTC conducted investigations of UBS Financial Services Inc., certain affiliates, and other financial institutions regarding compliance with records preservation requirements relating to business communications sent over unapproved electronic messaging channels. The Firm and certain affiliates cooperated with the investigations, and, in September 2022, all named UBS entities agreed to pay civil monetary penalties of USD 125 million to the SEC and USD 75 million to the CFTC to resolve these matters.

### **Matters related to Puerto Rico Activities**

Declines since 2013 in the market prices of Puerto Rico municipal bonds and of closed-end funds (Funds) that are sole-managed and co-managed by UBS Trust Company of Puerto Rico ("UBS Trust of PR") and distributed by UBS Financial Services Incorporated of Puerto Rico ("UBS PR") led to multiple regulatory inquiries, which in 2014 and 2015, led to settlements with the Office of the Commissioner of Financial Institutions for the Commonwealth of Puerto Rico, the US Securities and Exchange Commission (SEC) and the Financial Industry Regulatory Authority.

Since then, UBS customers in Puerto Rico who own the funds or Puerto Rico municipal bonds and/or who used their UBS account assets as collateral for UBS non-purpose loans filed customer complaints and arbitration demands seeking aggregate damages of \$3.43 billion of which \$3.40 billion have been resolved through settlements, arbitration or withdrawal of claims. Allegations include fraud, misrepresentation, and unsuitability of the funds and of the loans. A shareholder derivative action was filed in 2014 against various UBS entities and current and certain former directors of the funds, alleging hundreds of millions of US dollars in losses in the funds. In 2021, the parties reached an agreement to settle this matter for \$15 million, subject to court approval.

In 2011, a purported derivative action was filed on behalf of the Employee Retirement System of the Commonwealth of Puerto Rico (System) against over 40 defendants, including UBS PR, which was named in connection with its underwriting and consulting services. Plaintiffs alleged that defendants violated their purported fiduciary duties and contractual obligations in connection with the issuance and underwriting of \$3 billion of bonds by the System in 2008 and sought damages of over \$800 million. In 2016, the court granted the System's request to join the action as a plaintiff. In 2022, a federal district court enjoined the plaintiffs

from proceeding with the action on the grounds it impermissibly conflicted with Puerto Rico's approved Plan of Adjustment.

Beginning in 2015, certain agencies and public corporations of the Commonwealth of Puerto Rico (Commonwealth) defaulted on certain interest payments on Puerto Rico bonds. In 2016, US federal legislation created an oversight board with power to oversee Puerto Rico's finances and to restructure its debt. The oversight board has imposed a stay on the exercise of certain creditors' rights. In 2017, the oversight board placed certain of the bonds into a bankruptcy-like proceeding under the supervision of a Federal District Judge.

In May 2019, the oversight board filed complaints in Puerto Rico federal district court bringing claims against financial, legal and accounting firms that had participated in Puerto Rico municipal bond offerings, including UBS, seeking a return of underwriting and swap fees paid in connection with those offerings. UBS estimates that it received approximately \$125 million in fees in the relevant offerings.

In August 2019, and February and November 2020, four US insurance companies that insured issues of Puerto Rico municipal bonds sued UBS and several other underwriters of Puerto Rico municipal bonds in three separate cases. The actions collectively seek recovery of an aggregate of \$955 million in damages from the defendants. The plaintiffs in these cases claim that defendants failed to reasonably investigate financial statements in the offering materials for the insured Puerto Rico bonds issued between 2002 and 2007, which plaintiffs argue they relied upon in agreeing to insure the bonds notwithstanding that they had no contractual relationship with the underwriters. Defendants' motions to dismiss have been granted in all three cases.

### **Yield Enhancement Strategy Matters**

Customers of UBS Financial Services have commenced arbitration proceedings seeking to recover losses incurred in the Yield Enhancement Strategy ("YES"), a managed options investment strategy. As of January 31, 2024, pending arbitrations seeking claimed damages in these proceedings were approximately \$25 million." In addition, UBS Financial Services has received regulatory inquiries from the SEC and FINRA, as well as certain state securities regulators, concerning YES. In June 2022, the SEC entered an order finding that UBS Financial Services violated provisions of the Investment Advisers Act of 1940. As a result, UBS Financial Services was ordered to pay disgorgement, prejudgment interest, and a civil monetary penalty totaling \$24.6 million. This amount was partially set off by \$7.2 million that was previously paid to investors by UBS.

### *Financial Data*

The most recent annual Audited Financial Statements for UBS Financial Services may be found online at [www.ubs.com/financials](http://www.ubs.com/financials). Additional Information pertaining to the firm's liquidity, principal liabilities, balance sheet leverage, and equity is contained within the Statement of Financial Condition as well as the Notes thereto.

The following table represents financial information for UBS Financial Services, computed in accordance with U.S. Generally Accepted Accounting Principles and CFTC Regulation §1.17, as of December 31, 2023.

<i>Total Assets:</i>	\$17.7 Billion
<i>Ownership Equity (i.e. Net Worth):</i>	\$5.7 Billion

<i>Regulatory Capital:</i>	\$6.3 Billion
<i>Percentage of firm's proprietary futures margin requirement as compared to the aggregate firm margin requirements for futures:</i>	3.72%
<i>Fewest number of futures customers that comprise 50% of the firm's total funds held for Segregated and 30.7 Accounts, respectively:</i>	Segregated Funds Customers: 6 Customers  30.7 Accounts: The amount required to be held for all customers is less than 50% of the funds held in 30.7 Accounts.
<i>Aggregate notional value of all non-hedged, principal OTC transactions which the Firm has entered into:</i>	None
<i>Leverage Ratio<sup>3</sup></i>	2.52
<i>Aggregate amount of financing the firm provides for customer transactions involving illiquid financial products:</i>	Immaterial
<i>Percentage of futures customer receivable balances that the firm had to write-off in the past 12 months:</i>	None

UBS Financial Services has subordinated borrowings totaling \$550 million from UBS Americas Holding LLC and UBS Americas Inc. These loans are subordinated to claims of general creditors, are covered by agreements approved by FINRA and other regulatory authorities, and are included by the Company for purposes of computing net capital under the SEC Uniform Net Capital Rule. To the extent that such borrowings are required for the Company's continued compliance with minimum net capital requirements, these loans may not be repaid unless first approved by FINRA. The loans with UBS Americas Holding LLC bear interest either at a rate equal to SOFR (1 month daily average in arrears) plus a spread.

Currently, the firm holds its Customer Segregated Funds and Customer Secured 30.7 Funds in cash, and does not invest any excess funds in permitted investments under CFTC Regulation §1.25. In order to assure that the firm is in compliance with its regulatory capital requirements and that it has sufficient liquidity to meet its ongoing business obligations, UBS Financial Services holds a significant amount of its assets in cash.

As required by CFTC Regulations, UBS Financial Services also makes public a daily schedule reflecting the firm's statement of segregation and secured 30.7 requirements and corresponding amounts held for the past 12 months, as well as a summary schedule of the firm's adjusted net capital and excess net capital month-end balances for the most recent 12 months. This information can be found online at: [www.ubs.com/fcmdisclosure](http://www.ubs.com/fcmdisclosure).

<sup>3</sup> Leverage, as defined by NFA Financial Requirements Section 16, is an amount that is intended to reflect the leverage ratio of the firm's balance sheet. Specifically, this calculation reflects the total balance sheet assets, less any instruments guaranteed by the U.S. Government and held as an asset to collateralize an asset (e.g., reverse repo) divided by total capital (the sum of stockholder's equity and subordinated debt). The CFTC and NFA believe that an FCM's leverage ratio may provide important information for assessing an FCM's financial condition and risk.

Customers should be aware that the NFA publishes on its website certain financial information with respect to each FCM. The FCM Capital Report provides each FCM's most recent month-end adjusted net capital, required net capital, and excess net capital. In addition, NFA publishes twice-monthly a Customer Segregated Funds report, which shows for each FCM: (i) total funds held in Customer Segregated Accounts; (ii) total funds required to be held in Customer Segregated Accounts; and (iii) excess segregated funds (*i.e.* the FCM's Residual Interest). This report also shows the percentage of Customer Segregated Funds that are held in cash and each of the permitted investments under CFTC Regulation §1.25. Finally, the report indicates whether the FCM held any Customer Segregated Funds during that month at a depository that is an affiliate of the FCM. Similar information is provided regarding Customer Secured 30.7 funds. This financial information can be found by conducting a search for a specific FCM in NFA's BASIC system, and then clicking on "View Financial Information" on the FCM's BASIC Details page: <http://www.nfa.futures.org/basicnet/>.

Additional financial information on all registered FCMs is also available on the CFTC's website at: <http://www.cftc.gov/MarketReports/FinancialDataforFCMs/index.htm>.

## Customer Funds in Segregation

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Section 4d(a)(2) of the Commodity Exchange Act ("Act") requires each FCM to segregate from its own assets all money, securities, and other property deposited by futures customers to margin, secure, or guarantee futures contracts and options on futures contracts traded on designated contract markets ("Customer Segregated Account"). Section 4(b) of the Act and Part 30 of the CFTC's regulations requires each FCM to set aside from its own assets all money, securities, and other property deposited by futures customers to margin, guarantee, or secure foreign futures and foreign options transactions, and all funds accruing to those customers as a result of such foreign futures and foreign options transactions ("30.7 Account").

The requirement to maintain these separate accounts reflects the different risks posed by the different products. Cash, securities, and other collateral (collectively, "Customer Funds") required to be held in one type of account, *e.g.*, the Customer Segregated Account, may not be commingled with funds required to be held in another type of account, *e.g.*, the 30.7 Account, except as the CFTC may permit by order.

### *Customer Segregated Account*

Funds that customers deposit with an FCM, or that are otherwise required to be held for the benefit of customers, to margin futures and options on futures contracts traded on futures exchanges located in the U.S. (*i.e.* designated contract markets), are held in a Customer Segregated Account in accordance with section 4d(a)(2) of the Act and CFTC Regulation §1.20. Customer Segregated Funds held in the Customer Segregated Account may not be used to meet the obligations of the FCM or any other person, including another customer.

All Customer Segregated Funds may be commingled single account (*i.e.* a customer omnibus account), and held with: (i) a bank or trust company located in the U.S.; (ii) a bank or trust company located outside of the U.S. that has in excess of \$1 billion of regulatory capital; (iii) an FCM; or (iv) a DCO. Such an account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's customers.

An FCM must hold sufficient U.S. dollars in the U.S. to meet all U.S. dollar obligations and sufficient funds in each other currency to meet obligations in that currency. Unless a customer provides instructions to the contrary, an FCM may only hold Customer Segregated Funds: (i) in the U.S.; (ii) in a money center country<sup>4</sup>; or (iii) in the country of origin of the currency.

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<sup>4</sup> "Money center country" means Canada, France, Italy, Germany, Japan, and the United Kingdom.

### *Secured 30.7 Account*

Funds that customers deposit with an FCM, or that are otherwise required to be held for the benefit of customers, to margin futures and options on futures contracts traded on foreign boards of trade (*i.e.* 30.7 Customer Funds), and sometimes referred to as the foreign futures and foreign options secured amount, are held in a 30.7 Account in accordance with CFTC Regulation §30.7.

Funds required to be held in the 30.7 Account for or on behalf of customers may be commingled in a 30.7 customer omnibus account and held with: (i) a bank or trust company located in the U.S.; (ii) a bank or trust company located outside the U.S. that has in excess of \$1 billion in regulatory capital; (iii) an FCM; (iv) a DCO; (v) the clearing organization of any foreign board of trade; (vi) a foreign broker; or (vii) such clearing organization's or foreign broker's designated depositories. Such an account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's customers.

Customers trading on foreign markets assume additional risks. Laws or regulations will vary depending on the foreign jurisdiction in which the transaction occurs, and funds held in a 30.7 Account outside of the U.S. may not receive the same level of protection as Customer Segregated Funds. If the foreign broker carrying 30.7 customer positions fails, the broker will be liquidated in accordance with the laws of the jurisdiction in which it is organized, which may differ significantly from the U.S. Bankruptcy Code. The return of 30.7 customer funds to the U.S. will be delayed and will likely be subject to the costs of administration of the failed foreign broker in accordance with the law of the applicable jurisdiction, as well as possible other intervening foreign brokers, if multiple foreign brokers were used to process the U.S. customers' transactions on foreign markets.

If the foreign broker does not fail but the 30.7 Customers' U.S.-based FCM fails, the foreign broker may want to assure that appropriate authorization has been obtained before returning the funds to the FCM's trustee, which may delay their return. If both the foreign broker and the U.S. FCM were to fail, potential differences between the trustee for the U.S. FCM and the administrator for the foreign broker, each with independent fiduciary obligations under applicable law, may result in significant delays and additional administrative expenses. Use of other intervening foreign brokers by the U.S. FCM to process the trades of 30.7 customers on foreign markets may cause additional delays and administrative expenses.

### *Investment of Customer Funds*

CFTC Regulation §1.25 authorizes FCMs to invest Customer Segregated Funds and 30.7 Customer Funds in certain permitted instruments. The regulation further provides that the FCM may retain all gains earned and is responsible for investment losses incurred in connection with the investment of Customer Funds. However, the FCM and customer may agree that the FCM will pay the customer interest on the funds deposited.

Section 4d(a)(2) of the Act authorizes FCMs to invest Customer Segregated Funds in obligations of the U.S., in general obligations of any State or of any political subdivision thereof, and in obligations fully guaranteed as to principal and interest by the U.S. An FCM may also engage in repurchase and reverse repurchase transactions with non-affiliated registered Broker-Dealers, provided such transactions are made on a delivery versus payment basis and involve only permitted investments. All funds or securities received in repurchase and reverse repurchase transactions with Customer Funds must be held in the appropriate Customer Account (*i.e.* Customer Segregated Account or 30.7 Account).

As previously mentioned, the firm does not currently engage in any permitted investment transactions under CFTC Regulation §1.25 with respect to the investment of customer segregated and secured funds.

## *No Securities Investor Protection*

Although UBS Financial Services is a registered Broker-Dealer, it is important to understand that the funds you deposit with the firm for trading futures and options on futures contracts on either U.S. or foreign markets are not protected by the Securities Investor Protection Corporation ("SIPC").

Further, CFTC regulations require UBS Financial Services to hold funds deposited to margin futures and options on futures contracts traded on U.S. designated contract markets in Customer Segregated Accounts. Similarly, the firm must hold funds deposited to margin futures and options on futures contracts traded on foreign boards of trade in a 30.7 Account. In computing its Customer Funds requirements under relevant CFTC requirements, the firm may only consider those Customer Funds actually held in the applicable Customer Accounts and may not apply available funds in an account under identical ownership but of a different classification or account type (e.g. securities brokerage account, Customer Segregated, 30.7) to an account's margin deficiency. In order to be used for margin purposes, the funds must actually transfer to the identically-owned under-margined futures account.

For additional information on the protection of customer funds, please see the Futures Industry Association's "Protection of Customer Funds Frequently Asked Questions" located at [https://secure.fia.org/downloads/PCF\\_questions.pdf](https://secure.fia.org/downloads/PCF_questions.pdf).

## Filing a Complaint

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A customer that wishes to file a futures-related complaint with the NFA about UBS Financial Services or one of its employees may do so via one of the following methods:

- Electronically complete the online "File-A-Complaint" Form located at <http://www.nfa.futures.org/basicnet/Complaint.aspx>
- Fax or mail the printable Complaint Form located at <https://www.nfa.futures.org/complaintnet/FileAComplaint.aspx>
- Call NFA directly at (800) 621-3570

A customer that has information about a violation of the Commodity Exchange Act or CFTC regulations, may either file a tip or complaint under the CFTC's Whistleblower Program, or report such violations or other suspicious activities or transactions to the CFTC Division of Enforcement. Persons with complaints about a futures industry professional may also file a complaint under the CFTC's Reparations Program. A customer may contact the CFTC by phone at (866) 366-2382, or submit such information to the CFTC via the following link: <http://www.cftc.gov/ConsumerProtection/FileaTiporComplaint/index.htm>.