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Global financing services

Operating terms



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For more information visit www.ubs.com/gfsterns

Welcome.

Welcome to UBS global financing services. This document contains important information about our day-to-day operations. It describes the basics around our rehypothecation process, how we manage corporate actions, how you access our systems, how we communicate, and certain other details. These arrangements are subject to change.

1 Statements, Confirmations and Valuations

- (a) **Reporting via UBS Neo:** You can access our reporting through UBS Neo. From there you can produce an indicative NAV based on your positions with UBS. Broadly, our reporting will cover:
- (i) Daily account activity;
 - (ii) Custody holdings;
 - (iii) Cash account balances;
 - (iv) Margin;
 - (v) Indebtedness;
 - (vi) Our secured and unsecured funding charges;
 - (vii) Our use of your Transferred Securities;
 - (viii) Securities loans between us;
 - (ix) Your "over-borrows".
- (b) **Confirmations:** We will send all trade confirmations, statements of account, margin calls and any other notices to you.
- (c) **Reconciliation:** You must check your statements, valuations, EMIR delegated reporting data and confirmations on receipt against your own records and pricing proposal. You must notify us of any errors or discrepancies within 30 calendar days. We will not be liable for any error or discrepancy if you do not.
- (d) **Valuations:** Our valuations are prepared principally so we can calculate required margin. They are not firm bids or offers, are not official statements, and may not match others you obtain in the market.
- (e) **Non-resident:** If you usually reside outside the United Kingdom, we may retain statements required to be sent to you under the UK rules.

2 Communications, information and system access

- (a) **Risks:** When we send you information electronically, we do so at your risk. Please remember that electronic communications may not be encrypted. They may be corrupted, delayed, altered or intercepted, and transmission may fail altogether.
- (b) **Information:** Where you download information or ask us to send it to you via email, FTP, SFTP, or SWIFT you accept some disclaimers as would apply if you accessed it through UBS Neo.
- (c) **Access and users:** We will provide an up-to-date list of your accredited users and approved intermediaries on request. You must tell us immediately if:
- (i) any of your accredited users leave your organisation or should no longer have system access;
 - (ii) you appoint or terminate any intermediary.
- We will not be liable for any unauthorised access or losses if you do not.

3 Payments & authorised signatory lists

- (a) **Security standards:** To keep your data and assets safe, we continuously review our information security standards. On 1 January 2021 we have moved all client payment instructions

to secure, authenticated communication platforms. This represents a significant enhancement in the security of your payment activity: insecure communication methods such as email present a real security risk to you. As well as being safer, secure communication platforms are easy to use, reduce failure rates and provide better reporting.

- (b) **SSIs:** You must periodically review your standard settlement instructions to check they are accurate and delete those you no longer require. We may delete SSIs that have not been used for longer than 13 months.
- (c) **UBS NEO Cash Payments Blotter:** You can instruct and authorise cash payments and receipts for your accounts in the UBS Neo Cash Payments Blotter. This is integrated with the SWIFT interbank network.
- (d) **Electronic instructions:** You can instruct payments through UBS Neo or by using a third party administrator or technology platform which can transmit instructions to us via SWIFT. We may process manual payments instructions with appropriate written authorisation but we prefer you to use an authenticated electronic system to input your instructions.
- (e) **Authorised signatories:** You must maintain and validate your fund's authorised signatory list to ensure it remains accurate and reflects all the fund's service providers. You must tell us of any changes immediately. We will not be liable for losses should you do not. We will only contact and call back individuals on the authorised signatory list.
- (f) **Related FX transactions:** If you instruct us to carry out a foreign currency exchange transaction associated with your trading activity (a **Related FX Transaction**), we will send you an FX confirmation setting out the terms of the transaction. You are deemed to have accepted such FX confirmation if you do not respond, affirm or request a correction by close of business on the next business day after receipt. Any such exchange or deemed acceptance of the Related FX Transaction may take place through an electronic transmission, web-based communication, telex or fax.

4 Third party payments

We will only process third party payments associated with trading activity as set out below:

- (a) **Permitted third-party payments:** We will make the following payments on your behalf, from free balances in your UBS accounts:
- (i) **Settlements:** amounts due under transactions we settle for you;
 - (ii) **Costs:** market costs and charges incurred on your portfolio and our own fees and charges.
- (b) **Administrative payments:** In addition, with suitably authenticated instructions, we can effect rebalances between your accounts or disburse free balances to your administrator so it can settle any additional third-party payments for you. In such cases our normal AML policies will apply, and we may require approval from the fund's governing board.

5 EU Shareholder Rights Directive and Voting

- (a) **Shareholding disclosure under SRD II:** As an intermediary under the EU's Shareholder Rights Directive (**SRD II**), we may

have to disclose to EEA share issuers the identity of clients for whom we hold shares, and in what proportions. Where requested by an issuer, we must disclose:

- (i) The shareholder's name address, and unique identifier;
- (ii) The number and class of shares held;
- (iii) The dates from which the shares have been held.

(b) **Shareholder reporting agent:** We have appointed Broadridge Group to make SRD II shareholding disclosures on our behalf. To comply with SRD II we will need to transfer information about your holdings to Broadridge.

(c) **Who is the "shareholder"?** Who counts as the "shareholder" under SRD II depends on the share issuer's jurisdiction:

- (i) Where local regulations treat the **beneficial** owner as shareholder, we will identify our clients as shareholder, according to our books and records.
- (ii) Where local regulations treat the **registered** owner as shareholder, we will identify the registered owner as shareholder, which will usually be our nominee. (If we have registered shares in a client's name, where we will identify that client).

(d) **Effectiveness:** These shareholding disclosure terms will apply from when SRD II's shareholder disclosure provisions come into force in a relevant EEA country. By continuing to use our services after these terms become effective you permit us to disclose your information to Broadridge and otherwise as is reasonably required under SRD II. The timeframes required by SRD II will apply only to issuers of EEA countries that have implemented SRD II.

(e) **Proxy voting service:** Broadridge operates a proxy voting service called ProxyEdge. We will provide you with access to ProxyEdge to view upcoming meetings, ballots and to place your voting instructions. We may disclose your information to Broadridge in order to on-board you to ProxyEdge.

(f) **Corporate actions:** We can only accept corporate action elections through the Prime Services Corporate Actions application in Neo.

(g) **Lock-up instructions:** If you wish to vote or participate in any type of corporate event on securities, or you otherwise do not wish for them to be rehypothecated, you may ask us to "lock up" those securities in your Custody Account, so that we do not reuse them. Subject to receiving sufficient notice of your request, considering the then prevailing market conditions and settlement risk, we will use our best efforts to recall any such securities that we have been reusing. If you do not make a "lock up" request with sufficient notice and we have reused those securities then it may not be possible for us to recall them, in which case you will not be able to vote on them or participate in the corporate event. You must input your voting or corporate event instructions before the deadline stipulated by UBS and/or Broadridge, which will be prior to the issuer deadline.

(h) **Impact on unsecured funding:** Locking up securities may impact your unsecured funding charges.

6 Transferred Securities and record dates

(a) In certain markets, you may ask us to transfer your Custody Securities into the Transfer Account over record date and "manufacture" a dividend to you. This may reduce your unsecured funding charges.

(b) We aim to transfer Securities whose distributions are not subject to withholding tax first.

(c) Where we use securities that are subject to withholding tax you will not receive tax credits relating to dividends received on those securities.

(d) We do not offer this service in all markets, and you may ask us to exclude specific markets or securities from this arrangement.

(e) While we will try to do so, we do not commit to using your Securities under this service. Whether we can do so will depend (among other things) on prevailing market and funding conditions. However, we will pay you the same cash amount regardless.

(f) You can still ask us to lock up specific securities by following the notice procedures described above.

7 Transfers between legal entities

(a) If you wish to transfer assets and cash between accounts of different legal entities, we will need a private transaction letter signed by both entities.

(b) Where any taxes are payable on securities transfers, you must cross the affected securities in the market. You are responsible for all unpaid taxes on any such transactions.

(c) Please let us know if you have any questions on the above or if we should take any action to update our records.

8 CASS Reporting of US securities

(a) **Intended settlement:** We currently report trades in US securities under CASS 9 on an intended settlement basis, as opposed to an actual settlement basis.

(b) **NSCC clearance:** We can settle US securities which clear through the National Securities Clearing Corporation bilaterally or via the "CNS" continuous net settlement tool.

(i) **Bilateral:** Where we settle trades bilaterally, we will adjust our CASS 9 reporting to "actual settlement".

(ii) Where we settle trades using continuous net settlement, we cannot attribute settlement failures to specific trades, and must therefore continue to report under CASS 9 on an intended settlement basis.

9 EMIR delegated reporting

(a) **Your responsibility:** Even where you have delegated your EMIR reporting obligation, you remain responsible for the accuracy and completeness of any data submitted on your behalf.

(b) **Access:** You can access the data that we have reported on your behalf by logging onto the DTCC website using credentials supplied by the DTCC. We recommend that you do this, and download your DTCC reports, each day.

(c) **Direct updates:** You can update common data directly via the DTCC interface. Please advise us of any corrections you make (to ol-emir-reporting@ubs.com) so we can ensure our subsequent reporting is correct.

(d) **Account changes:** You may change any accounts or LEIs and add new funds which require delegated reporting by emailing ubs-emir-programme@ubs.com.

(e) **Direct corrections:** You can correct any Valuation Data by using the standard message templates available on the DTCC website. There is more information on this process in the DTCC user guide.

(f) **Negative affirmation:** We will no longer request positive affirmation from you on any data we are submitting on your behalf. You must reconcile reporting data with your own records, ensure that the data set is correct and notify us of any errors. If you do not respond, affirm or request a correction within 30 calendar days, you are deemed to have accepted that the reporting data is accurate.

10 **Over-borrows**

- (a) At times you may borrow more securities than you need to cover your short positions. We report your "over-borrowed" positions daily.
- (b) We recommend you check the report each day so you can unwind over-borrows promptly, avoid unnecessary borrowing costs and comply with short selling regulations.

11 **Thinking of restructuring operations?**

- (a) If you are planning significant changes to your business – especially where they involve new legal entities, but even changes in strategy – you should let us know in plenty of time. We may need to conduct know-your-client checks and other risk assessments and you may need to execute fresh legal documents. With the best will in the world, this takes time.
- (b) Remember you may have to tell us if key individuals join or leave the firm.

EU short selling notices

These terms apply when you ask us to provide a locate approval notice for any Liquid Shares, Illiquid Shares or Sovereign Debt for the purposes of the Short Selling Regulations.

1 Liquid Shares

- (a) **Confirmation:** Any Liquid Shares Notice we issue to you will be confirmation by us that:
- (i) We consider that we can make up to the Maximum Quantity of the specified Liquid Shares available to you for settlement in the Standard Settlement Time; and
 - (ii) Taking into account Market Conditions, such Liquid Shares are easy to borrow or purchase in the relevant quantity.

2 Illiquid Shares

- (a) **Commitment:** Any Illiquid Shares Notice we issue to you will be a commitment by us to lend you up to the Maximum Quantity of the specified Illiquid Shares on the terms set out below.
- (b) **Undertaking:** As long as you have submitted to us before 11:59 pm London time (or such other time as is specified in the Illiquid Shares Notice) (the **Trade File Cut-off Time**) a trade file specifying the relevant sale transactions (the **Trade File**), we undertake to lend you for settlement at such time as is specified in the Trade File (being no earlier than the Standard Settlement Time) a number (the **Actual Number**) of Illiquid Shares equal to the lesser of:
- (i) The number of Illiquid Shares specified in the Illiquid Shares Notice; and
 - (ii) The number of Illiquid Shares specified in the Trade File.
- (c) Following the Trade File Cut-off Time we will have no further commitment to you in respect of any Illiquid Shares other than those specified in the Trade File.
- (d) **Revocation or amendment:** We may at any time by notice to you revoke or reduce our commitment or specify a different Cut-off Time. Such notice will not affect our commitment to lend to you in accordance with these terms any Illiquid Shares that you have sold before such notice is given and that are specified in a Trade File submitted to us (whether before or after your receipt of such notice) before the Trade File Cut-off Time.
- (e) **Conditions:** Our obligation to lend Illiquid Shares to you is conditional upon your continued compliance with all material obligations under the Agreement between us (including as to the maintenance of margin and the absence of events of default or potential events of default).
- (f) **Acceptance:** By entering into a short sale of Illiquid Shares in the quantity and of the type specified in an Illiquid Shares Notice in reliance on these terms you will be deemed to accept them.

3 Sovereign Debt

- (a) **Confirmation:** Any Sovereign Debt Notice we issue to you will be confirmation by us that we consider that we can make Sovereign Debt of the description and up to the Maximum Quantity available to you for settlement in the Standard Settlement Time.

4 General terms

- (a) **Your responsibility:** You are solely responsible for complying with the Short Selling Regulations. We will not be

liable for your failure to do so, and we do not represent that any arrangements we enter into comply with the Short Selling Regulations.

- (b) **Where your Investment Manager also acts for other parties:** If we issue any notice or Trade File under these terms to an Investment Manager who also acts on behalf of other parties, the Maximum Quantity specified in the relevant notice will be aggregate amount of securities that we consider we can make available for settlement to all parties (including you) for whom such Investment Manager is acting.
- (c) **Confirmation:** We confirm that as part of our business we participate in the borrowing and purchasing of Sovereign Debt and Liquid Shares.
- (d) **Hierarchy:** These terms are supplemental to the Agreement between us. If there is a conflict between them, these terms will prevail with respect to any locate approval notice provided under these terms.
- (e) **Liability:** Our liability to you under these terms is subject to the limitations of liability and force majeure provisions in the Agreement between us. However, in the case of Illiquid Shares, any such provision will be construed to exclude our liability for failure but not terminate our obligation to transfer Illiquid Shares to you.
- (f) **Duration of confirmation:** Our confirmation (or commitment) in respect of any notice issued under these terms will be valid in respect of sales entered until the Cut-Off Time.
- (g) **Confirmations are not commitments:** Neither a Liquid Shares Notice nor a Sovereign Debt Notice is an undertaking to lend securities to you.

5 Definitions

In these terms the following definitions apply:

- (a) **Agreement:** The securities lending agreement between us governing any relevant transaction.
- (b) **Cut-Off Time:** If not otherwise specified in a notice, the close of business on the date of that notice for the EEA market on which the relevant securities trade.
- (c) **Illiquid Shares Notice:** Any locate approval notice that we issue to you in relation to Illiquid Shares.
- (d) **Illiquid Shares:** Shares to which the Short Selling Regulations apply that are not referred to in Article 6(4) of the Implementing Regulation.
- (e) **Implementing Regulation:** Commission Implementing Regulation (EU) No 827/2012
- (f) **Investment Manager:** Any investment manager, adviser or other agent who is acting on your behalf.
- (g) **Liquid Shares Notice:** Any locate approval notice that we issue to you in relation to Liquid Shares.
- (h) **Liquid Shares:** Shares to which the Short Selling Regulations apply which either
- (i) meet the liquidity requirements set out in Article 22 of Commission Regulation (EC) No 1287/2006, or
 - (ii) are included in the main national equity index as identified by the relevant competent authority of a member state and are the underlying financial instrument for a derivative contract admitted to trading

- on a trading venue (as set out under Article 6(4) of the Implementing Regulation).
- (i) **Market Conditions:** For any securities specified in any notice, prevailing market conditions and such other information as is available to us concerning the supply of the relevant securities
 - (j) **Maximum Quantity:** In relation to any notice issued under these terms, the maximum quantity of securities specified that notice.
 - (k) **Short Selling Regulations:** EU Regulation No 236/2012 on short selling and certain aspects of credit default swaps.
 - (l) **Sovereign Debt Notice:** Any locate approval notice that we issue to you in relation to Sovereign Debt.
 - (m) **Sovereign Debt:** Sovereign debt instruments to which the Regulation applies.
 - (n) **Standard Settlement Time:** The standard settlement time for the relevant securities following the time of the relevant trade taking into account the Maximum Quantity specified in the Liquid Shares Notice and Market Conditions.

South Korean short selling restrictions

In early 2021, the South Korean government introduced rules restricting short sellers from participating in rights issues launched in South Korea. The details are set out in a [press release on the Korean Financial Services Commission's website](#). **You must monitor your own holdings for corporate events to ensure you comply with Korean regulations.**

1 General rule

- (a) An investor who shorts a South Korean company's stock during the pricing of an announced rights issue cannot participate in that rights issue unless its short selling is deemed to have "no unjust effects" on the issuing price, such that an exemption applies from the restriction.
- (b) The restriction period starts on the day following a rights issue's announcement and ends on the day it is finally priced, all as set out in its official public announcement.
- (c) The rules cover physical short sales as well as short sales through derivative contracts.

2 Exemption

- (a) A rightsholder who sells short during the restriction period may still be able to participate if, once it stops short selling, it

then buys back, during the restriction period, at least the total number of shares it sold short. (Note that shares it buys during the restriction period but before it stops short selling do not count).

- (b) This exemption is complicated and you should consult the [KFSC's press release](#), or seek legal advice, for further details.

3 Participation

- (a) If you wish to participate in any South Korean rights issue you must affirm that in doing so you comply with all applicable laws and regulations.

4 Communication

- (a) While we will try to notify you of restrictions as soon as we can, operational constraints mean we may not tell you before a restriction period starts.