

# Securities Lending.

## An attractive way to enhance returns.

Today, securities lending forms part of a bank's standard product offering. It enables you as a bank to lend proprietary and client securities in return for a fee generating additional returns on existing securities positions without placing any restrictions on investment flexibility.

### Definition of securities lending

From a legal perspective securities lending is classified as a loan. The owner of a position temporarily lends securities to another party against a commission. Such a loan results in a transfer of title/ownership to the borrower who is obliged to return the same type and amount of securities at the end of a specified period.

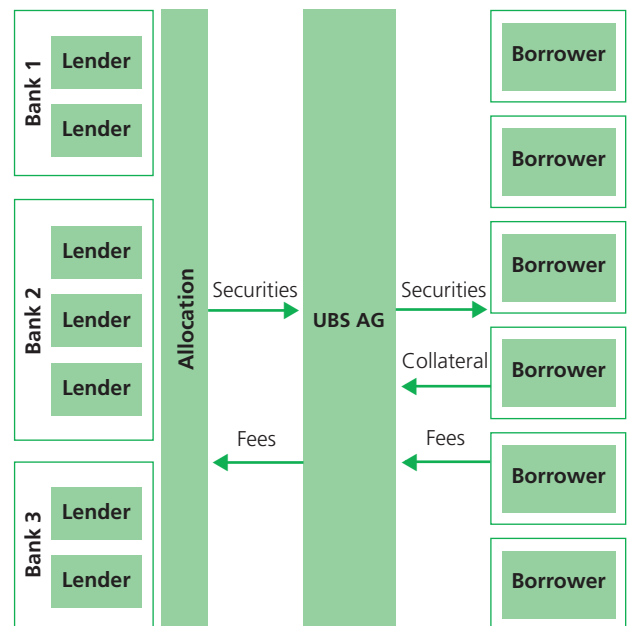
### Securities lending market

Critical mass is vital in this business:

- The costs of being in the business are increasingly driving people to outsource securities lending
- Smaller players are rapidly losing market share
- The entrance hurdles for newcomers are substantial
- Direct participation in the market requires vast investment in
  - Technology
  - Global Distribution Network
  - Credit & Collateral Management

### Securities lending at UBS

Securities lending can be a highly profitable business. The service at UBS enables you to outsource securities lending to us thereby creating/retaining the ability to generate securities lending revenues for your clients and enabling you to participate in those revenue streams without any additional cost.



UBS is one of the most renowned securities lending players in the world. You can benefit from this by putting UBS's 24 hour global distribution network to work for you, earning additional revenues without additional effort or substantial investment.

UBS's securities lending service includes:

- 24 hour distribution of lending availability
- Maximisation of returns for you and your clients
- Sophisticated risk and collateral management
- Counterparty default protection – with UBS acting as principal (AA)
- Fee accounting and collection
- State-of-the-art allocation fairness

- Flexible three stage account level fee split arrangement
- Legal support and documentation
- Electronic raw data for client reporting
- UBS leverages existing processes in your organisation

Securities lending at UBS means that you can offer your clients securities lending services without a fixed cost base or dedicated headcount. You can concentrate on your core competencies and can label all client correspondence with your own brand. Consequently, to your client the relationship is with yourselves. Your client signs the agreement directly with you. You in turn sign an agreement with UBS AG.

### You can choose from two basic approaches to outsourcing

Each approach has its own advantages, so you can choose the solution that best suits your requirements.

#### Omnibus approach

You provide UBS with aggregate availability for distribution. With this approach, you ensure the allocation of revenues to your clients. UBS provides you with omnibus level execution and revenue information only. This means that you have to handle the allocation process. For that you require:

- allocation logic to distribute accruals and to mark your client positions as "on loan"
- the ability to generate earning statements

#### Segregated approach

You provide UBS with anonymous client level information for distribution. With this approach, UBS puts its state-of-the-art fairness algorithm to work for you and provides you with allocation, execution and revenue information at client level. This means that you do not require:

- allocation and accruals logic
- the ability to generate earning statements

UBS recommends the segregated approach as it provides substantially more benefits to you, without the investments in infrastructure.

### Securities lending models

Take advantage of this revenue opportunity by choosing from the various models of securities lending at UBS:

- For Banks maintaining their own Custody network
- For Clients/Banks in UBS Custody
- For fund managers using non-UBS Custodians

The UBS state of the art allocation methodology ensures fair distribution of revenues amongst clients within the pool. You and your clients will receive full transparent reporting with the frequency and content tailored to your needs.

### Contacts

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