



# Conducting Business with UBS International Inc.: Guide to Investment Advisory and Broker- Dealer Services

At UBS International Inc., we offer wealth management based on building long-term personal relationships between each client and his or her Financial Advisor, which can include helping our clients manage their wealth throughout the entire life cycle. Our Financial Advisors take the time to understand clients' goals and circumstances and proactively propose and implement customized solutions. They focus on keeping clients informed on a periodic basis, and can review and update strategies as appropriate. With the resources of the world's largest wealth management firm, our Financial Advisors can help provide clients with access to a full range of brokerage, lending, estate planning and advisory services to help them pursue their goals.

As a firm providing wealth management services to clients, we are registered with the U.S. Securities and Exchange Commission (SEC) as a broker-dealer and an investment adviser, offering both investment advisory and brokerage services.<sup>1</sup>

Our clients work with their Financial Advisors to determine the services that are most appropriate given their goals and circumstances. Based on

the services you request, we can help fulfill your wealth management needs, be they investment advisory or brokerage in nature, or both. For example, we introduce clients to the estate, financial planning and trust services provided by the representatives of certain affiliates, such as UBS AG. Similarly, we may use tools developed by our other UBS affiliates to help you decide how to allocate your assets, determine your risk tolerance, make your investment decisions, or help provide you access to a financial plan. If you receive a financial plan prepared by either us or one of our affiliates, you can decide whether to implement the financial plan with us via brokerage accounts, advisory programs or a combination, depending on your needs and preferences. Our Financial Advisors are qualified and licensed to provide both brokerage as well as advisory services depending on the services a client has requested.

**It is important to understand that investment advisory and brokerage services are separate and distinct and each is governed by different laws and separate contracts with you. While there are similarities among the brokerage and advisory services made available to our clients, depending on the capacity in which we act, our contractual relationship and legal duties to you are subject to a number of important differences.**

**This guide is intended to inform you about the main distinctions between investment advisory and brokerage services and our respective duties and obligations. We encourage you to review it carefully and discuss it with your Financial Advisor.**

## **The Investment Advisory Relationship With You**

UBS International Inc. is a registered investment adviser, and a number of investment advisory programs are made available to clients, including discretionary account management, non-discretionary investment advisory programs, and advice on the selection of investment managers and mutual funds offered through our various investment advisory programs.

When we act as your investment adviser, we will enter into a written agreement with you expressly acknowledging our investment advisory relationship with you and describing our obligations to you. At the beginning of the advisory relationship, we will give you our Form ADV brochure(s) for the program(s) you selected that provide detailed information about, among other things, the advisory services we provide, applicable fees, our personnel, our other business activities and financial industry affiliations and conflicts between our or our affiliates' interests and your interests.

## **How We Charge for Investment Advisory Services**

Depending on the advisory product or service you choose, we will charge you fees determined as either:

- A percentage of the amount of assets held in your advisory account,
- A flat annual fee,
- A combination of asset based fee and commissions or
- Periodic fees.

Your Financial Advisor will receive part of the fees you pay us. *Note: Our basic financial planning services are currently available at no charge to you.*

## **Our Fiduciary Responsibilities as an Investment Adviser**

As an investment adviser, we are considered to have a fiduciary relationship with you and are held to legal standards under the Investment Advisers Act of 1940 and state laws, where applicable, that reflect this high standard. These standards include:

- Obligations to disclose to you all material conflicts between our interests and your interests.
- If we or our affiliates receive additional compensation from you or a third-party as a result of our relationship with you, we must disclose that to you.
- We must obtain your informed consent before engaging in transactions with you for our own account or that of an affiliate or another client when we act in an advisory capacity.
- We must treat you and our other advisory clients fairly and equitably and cannot unfairly advantage one client to the disadvantage of another.
- The investment decisions or recommendations made for you must be suitable and appropriate for you and consistent with your investment objectives and goals and any restrictions you have established.
- We must act in what we reasonably believe to be your best interests and in the event of a conflict of interest, we must place your interests before our own.

## **Our Services as a Broker-Dealer and Relationship With You**

As a full-service broker-dealer, our services are not limited to taking customer orders and executing securities transactions. As a broker-dealer, we provide a variety of services relating to investments in securities, including making investment research available to you, and, either

directly or through the resources of certain of our affiliates, executing trades and providing custody services.<sup>2</sup> We also make recommendations to our brokerage clients about whether to buy, sell or hold securities. We consider these recommendations to be part of our brokerage services and do not charge a separate fee for this advice. Our recommendations must be suitable for each client, in light of the client's particular financial circumstances, goals and tolerance for risk.

Our Financial Advisors can assist clients in identifying overall investment needs and goals and creating investment strategies that are designed to pursue those investment goals. The advice and service we provide to our clients with respect to their brokerage accounts are an integral part of our services offered as a broker-dealer.

In our capacity as broker-dealer, we do not make investment decisions for clients or manage their accounts on a discretionary basis. We will only buy or sell securities for brokerage clients based on specific directions from you.

### **How We Charge for Brokerage Services**

If you choose to establish a brokerage account with us, you may elect to:

- Pay us for our brokerage services each time we execute a transaction for your account in an International Resource Management Account or Resource Management Account. If you choose to pay on a transaction-by-transaction basis, we can act as your agent or "broker," and UBS Financial Services Inc., our affiliate through which we clear transactions in securities, may act as a "dealer."
  - Operating as your agent or broker, we will charge you a commission each time we buy or sell a security for you.

- In addition, we may act as a principal for your account by buying and selling securities on a “riskless principal” basis through our affiliate, UBS Financial Services Inc., acting as a dealer (or principal) as well. When we will buy a security from or sell a security to you on a principal basis (riskless or otherwise), we may seek to make a profit on the trade by charging you a “mark up,” “mark-down” or “spread” on the price of the security.
- Pay an annual asset-based fee in lieu of commissions on each individual trade in your InsightOne fee-based brokerage accounts. Clients with an InsightOne account pay an annual asset-based fee in lieu of commissions on each individual trade. This annual fee is computed as a percentage of your account assets and covers only the costs of trades that we execute as your broker or agent; you still will pay us a mark-up or mark-down on principal trades, as outlined above.

We pay our Financial Advisors a portion of commissions, profits on principal trades, asset-based fees, and other charges.

### **Our Responsibilities to You as a Broker-Dealer**

When we act as your broker, we are held to the legal standards of the Securities Exchange Act of 1934, the Securities Act of 1933, the rules of self-regulatory organizations such as the National Association of Securities Dealers (NASD) and state laws, where applicable.

- As your broker-dealer, we have a duty to deal fairly with you. Consistent with our duty of fairness, we are obligated to make sure that the prices you receive when we execute transactions for you are reasonable and fair in light of prevailing market conditions and that

the commissions and other fees we charge you are not excessive.

- We must have a reasonable basis for believing that any securities recommendations we make to you are suitable and appropriate for you, given your individual financial circumstances, needs and goals.
- We are permitted to trade with you for our own account or for an affiliate or another client and may earn a profit on those trades. When we engage in these trades, we disclose the capacity in which we acted on your confirmation, though we are not required to communicate this or obtain your consent in advance, or to inform you of the profit earned on the trades.
- *It is important to note that when we act as your broker-dealer, we do not enter into a fiduciary relationship with you, regardless of the fee structure you select. Absent special circumstances, we are not held to the same legal standards that apply when we have a fiduciary relationship with you, as we do when providing investment advisory services.* Our legal obligations to disclose detailed information to you about the nature and scope of our business, personnel, fees, conflicts between our interests and your interests and other matters are more limited than when we have fiduciary duties with you.

### **For More Information**

Understanding the ways in which we can conduct business under applicable laws and regulations is essential to the relationship between You and Us. The investment advisory programs and brokerage accounts we offer differ in other ways than those summarized above. It is important that you carefully read the agreements and disclosures that we provide to you with respect to the products or services under consideration.

While we strive to make sure the nature of our services is clear in the materials we publish, if at any time you would like clarification on the nature of your accounts or the services you are receiving, please speak with your Financial Advisor or call toll-free from within the U.S. at 800-874-0912, option 3, or call collect from outside the U.S. at 201-272-7383, option 3.

In the near future, you may find additional information and clarification regarding the manner and capacity in which we conduct business with our clients at [www.ubs.com/international](http://www.ubs.com/international).

<sup>1</sup> Examples of our advisory programs and services that may be available to our clients include the ACCESS, PMP and Managed Accounts Consulting programs, as well as certain financial planning services, such as Financial Goal Analysis. Examples of our brokerage accounts available to our clients include our InsightOne, International Resource Management Account and Resource Management Account.

<sup>2</sup> Our affiliate, UBS Financial Services Inc., a registered broker-dealer, acts as our clearing firm and also provides certain operational and administrative support.

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