



UBS SECURITIES LLC

FUTURES CLEARING MERCHANT FIRM DISCLOSURE DOCUMENT

The Commodity Futures Trading Commission ("CFTC") requires each futures commission merchant ("FCM"), including UBS Securities LLC ("UBS-S" or "Firm"), to provide the following information to a customer prior to the time the customer first enters into an account agreement with the FCM or deposits money or securities ("funds") with the FCM. Except as otherwise noted below, the information set out is current as of July 12, 2014. UBS-S will update this information annually and as necessary to take account of any material change to its business operations, financial condition or other factors that UBS-S believes may be material to a customer's decision to do business with UBS-S. Nonetheless, UBS-S' business activities and financial data are not static and will change in non-material ways frequently throughout any 12-month period.

By entering into an account agreement with UBS-S, 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-S' sole discretion. UBS-S will inform, on a good efforts basis, its customers of material changes to these disclosures, and a customer's receipt of such notice will be satisfied when posted to the UBS-S public website.

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

Background Information on the Firm and Its Principals

UBS-S is a premier FCM whose customers benefit from a global firm with a solid balance sheet and one of the highest Tier 1 capital ratios in the industry. UBS-S manages a significant volume of exchange traded derivative transactions daily, leveraging our global presence to guide customers toward optimal results. The FCM is part of UBS Global Financing Services; an umbrella group consisting of Global Prime Brokerage (Equities, Fixed Income and FX), Equity Finance, Global Clearing Services and Exchange Traded Derivatives Execution Services.

The Firm's goal is to deliver efficient front-to-back cross-asset class solutions. UBS-S' multi-asset class and global approach to the Financing Services business enables UBS-S to provide a client-centric clearing and financing proposition across all asset classes and regions. Within Global Financing Services, UBS-S is in a position to offer customers the benefits of prime brokerage-operational efficiency, risk and collateral management expertise, consolidated reporting-together with a choice of clearing a settlement solution.

Firm Contact Information

UBS Securities LLC
1285 Avenue of the Americas
New York, NY 10019
Phone: 212-713-2000

www.ubs.com/global/en/investment-bank/

Important note: Please do not email any confidential or account information or instructions (such as order to trade, to transfer funds or to change account information). UBS-S is not liable for any acts or failure to act as a result of your email.

Futures Designated Self-Regulatory Organization ("DSRO")¹

The Chicago Board of Trade
www.cmegroup.com

Firm Principals

Reinhardt Olsen

Chief Executive Officer and President
1285 Avenue of the Americas
New York, NY 10019

Mr. Olsen has over 24 years of investment banking experience, with expertise in derivatives, capital markets, hedge funds, fixed income and prime brokerage. He has held a number of local and international senior positions across sales and trading management. As a Managing Director within UBS

¹ DSRO means a self-regulatory organization that has been delegated the responsibility for monitoring and examining an FCM for compliance with the minimum financial and related reporting requirements of the self-regulatory organizations of which the FCM is a member, and for receiving the financial reports required by such minimum financial and related reporting requirements from such FCM.



AG, he is the Global Head of Prime Services and Americas Head of Financial Services. As CEO of UBS-S, Mr. Olsen is responsible for increasing collaboration and profitability across business divisions, ensuring regulatory compliance and representing the firm to the public-at-large. He is also responsible for ensuring that the FCM's strategies and direction is properly carried out and is effectively managed.

Patrick Canavan

Chief Financial Officer and Controller
677 Washington Blvd.
Stamford, CT 06901

Mr. Canavan has over 20 years of financial experience, with financial and audit expertise in capital markets, investment banking, fixed income, derivatives and equities. As a Managing Director within UBS AG, he is the Americas Accounting and Controlling Manager. As CFO of UBS-S, Mr. Canavan is responsible for managing the financial risks of the firm, as well as, providing financial regulatory reporting to the Board and securities and futures regulators.

Bryan Murtagh

Chief Compliance Officer
677 Washington Blvd.
Stamford, CT 06901

Mr. Murtagh has over 24 years of substantial legal, regulatory and risk management experience in commercial and investment banking, as well as, broad-based knowledge of US banking, commodities and securities laws and regulations. As a Managing Director within UBS AG, Mr. Murtagh is the Regional Head of Investment Bank Compliance. As CCO of UBS-S, he has overall responsibility for planning, implementing and monitoring the compliance program.

Edward Pla

Global Head of FX Prime Brokerage & Clearing
1285 Avenue of the Americas
New York, NY 10019

Mr. Pla has over 20 years of substantial local and international trading, sales and clearing experience in derivatives, foreign exchange and hedge funds. As a Managing Director within UBS AG, he is the Global Head of Clearing and Execution. As Head of FX Prime Brokerage and Clearing, which includes futures, Mr. Pla oversees electronic trade execution, trade processing and clearing.

Kevin John Arnold

Americas Head of Rates, Credit & Financing Distribution
1285 Avenue of the Americas
New York, NY 10019

Mr. Arnold has over 26 years of trading and sales experience. As a Managing Director within UBS-S, his responsibilities include coordination and monitoring between the different product teams, and review of significant business initiatives with regard to financial, reputational and transactional risk.



David Andrew Bleustein

Head of Americas Equities Research
1285 Avenue of the Americas
New York, NY 10019

Mr. Bleustein has over 20 years of extensive research analyst and management experience. As a Managing Director within UBS-S, his primary responsibilities include the coordination of research and analysis activities, and the supervision of senior research managers.

Stephen Cummings

Americas Head of Corporate Client Solutions
1285 Avenue of the Americas
New York, NY 10019

Mr. Cummings has over 30 years of experience in the investment banking industry, beginning with corporate finance and subsequently serving in a number of different leadership roles, including mergers & acquisitions, investment banking and capital markets. As a Group Managing Director for UBS AG, Mr. Cummings holds the position of Chairman for the Investment Bank in the Americas. His areas of responsibility within UBS-S include advisory, capital markets, financing solution and execution for corporate, financial institutions and sponsor clients.

James Fuqua

General Counsel, Investment Bank Americas
153 West 51st Street
New York, NY 10019

Mr. Fuqua has over 21 years of industry experience. As a Managing Director within UBS-S, Mr. Fuqua is charged with ensuring the firm applies the highest legal, regulatory and ethical standards to its activities to protect, challenge and help the business to act with integrity and stay true to the firm's principles. Mr. Fuqua is responsible for the supervision of senior attorneys.

Christopher Leone

Head of Americas Equities Trading
1285 Avenue of the Americas
New York, NY 10019

Mr. Leone has over 18 years of equity derivatives trading, product development and structuring, and risk management experience. As a Managing Director within UBS-S, his responsibilities include risk-managed trading leadership (including execution and strategy) for equities trading.

Description of the Firm's Business

UBS-S is an indirect wholly-owned subsidiary of UBS AG. UBS-S is registered with the CFTC and National Futures Association ("NFA") as a clearing FCM, UBS-S provides execution and clearing services for all major US commodities exchanges, as well as, access to major global derivatives exchanges and markets. UBS-S is registered as a broker dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority and other principal US exchanges. UBS-S is also a primary dealer in US Government securities and provides a full range of investment banking services, including corporate finance, mergers and acquisitions, capital markets, trading and sales, fixed income, equity research and prime brokerage operations.

The focus of this document is primarily on the FCM related activities of UBS-S.

Futures/Commodities Exchange and Swap Execution Facility Memberships

Exchange Memberships	SEF Memberships
Bourse de Montreal / Montreal Exchange	BGC Derivative Markets, L.P.
CBOE Futures LLC	Bloomberg SEF
Chicago Board of Trade (CBOT)	GFI Group
Chicago Futures Exchange (CFE)	ICAP SEF US
Chicago Mercantile Exchange Inc. (CME)	ICAP Global Derivatives Ltd.
Commodities Exchange Inc. (COMEX)	ICE OTC Credit
Dubai Mercantile Exchange (DME)	Javelin SEF
ICE Futures US Inc. (ICE)	MarketAxess
Minneapolis Grain Exchange Inc. (MGEX)	SwapEx
NASDAQ OMX Futures Inc. (NFX)	Tradeweb
New York Mercantile Exchange Inc.	TraditionSEF
OneChicago LLC	trueEX
	Tullett Prebon

Primary Clearinghouse Memberships

Clearing Organization	UBS-S a Member	UBS-S Affiliate a Member
ASX Clear		x
CME Clearing	x	
Eurex Clearing		x
ICE Clear US Inc.	x	
ICE Clear Europe		x
ICE Clear Credit LLC.	x	
LCH.Clearnet LLC	x	
LCH.Clearnet Limited	x	
Minneapolis Grain Exchange Clearing House	x	
Options Clearing Corporation	x	
Singapore Exchange Derivatives Clearing		x

Carrying Brokers Used

Carrying Brokers (US/Non-US)	UBS-S Affiliate (Y/N)
BMO Nesbitt Burns, Canada (Non-US)	N
UBS Limited, United Kingdom (Non-US)	Y
UBS AG, Australia (Non-US)	Y

FCM Customer Base

- Institutional (assets managers, insurance companies, banks) and Commercial (agricultural, energy) customers
- Local market access to financial, agricultural, energy, security futures, swaps products
- International market access to Canada, Mexico, Europe, Asia/Pacific, Brazil

Permitted Depositories and Counterparties

UBS-S has policies and procedures in place to address the choice of bank depositories and custodians, including counterparties to permitted transactions under CFTC Rule 1.25². 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.

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.

² CFTC Rule 1.25 authorizes an FCM to invest customer segregated funds, cleared swaps customer collateral and 30.7 customer funds in permitted investments. For more information please refer to the FIA Law and Compliance Division's "Guide to Customer Fund Protections - Frequently Asked Questions" website at www.futuresindustry.org



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Activity/Product Line	Percentage of Assets	Percentage of Capital
Financing (Resales, Borrows)	72%	3%
Inventory by Business Line ³ :		
FICC	8%	4%
Equities	3%	5%
Other Inventory	2%	2%
Goodwill and Tangible Assets	1%	3%
Receivable from Broker-Dealers and Customers	10%	3%
Investments in Subsidiaries and Receivable from Affiliates	Less than 1%	1%
Fixed and All Other Assets	4%	1%

³ UBS-S proprietary trading for broker-dealer related activity. UBS-S does not engage in proprietary futures trading.

Material Risks of the Firm

There are many risks associated with futures and securities trading. While this document does not address all of the risks, it does attempt to highlight significant risks that customers should be aware of.

Credit and Market Risk

- UBS-S is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, UBS-S may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Firm's policy to review, as necessary, the credit standing of each counterparty.
- UBS-S' customer activities involve the execution, settlement and financing of various securities transactions. In addition, UBS-S executes and clears customer and affiliated customer transactions for the purchase and sale of commodity futures contracts and options on futures contracts. These activities are transacted on either a cash or margin basis. In margin transactions, the Firm extends credit to the customer, subject to various regulatory and internal margin requirements, collateralized by 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, or contra brokers are unable to meet the terms of the contracted obligations.
- UBS-S enters into collateralized resale and repurchase agreements and securities borrowing and lending transactions that may result in credit exposure in the event the counterparty to the transaction is unable to fulfill its contractual obligations. The Firm minimizes credit risk associated with these activities by monitoring counterparty credit exposure and collateral values on a daily basis and requiring additional collateral to be deposited with or returned by UBS-S when deemed necessary. In addition, UBS-S manages credit risk by entering into netting agreements with counterparties.

Insolvency Risk

Futures customers of UBS-S have different types of insolvency risks relating to their futures account. The four most obvious are: (1) those related to the risk that UBS-S will become insolvent (an FCM bankruptcy); (2) those related to risks for the insolvency of other UBS-S futures clients (especially in the case wherein a customer default threatens the solvency of the FCM); (3) depository insolvency risk; and (4) exchange clearinghouse default risk. The most relevant risk to a futures customer in the event of insolvency of another futures customer is the ability of UBS-S to meet the obligations caused by its customer's default.

- If in the unlikely event UBS-S is forced into bankruptcy as a result of a default by one or more of its futures customers, Chapter 7, Subchapter IV of the Bankruptcy Code, Section 20 of the Commodity Exchange Act and Part 190 of the CFTC regulations provide for a pro rata distribution of customer segregated funds among the public customer of UBS-S prior to all other claims except costs of administration. "Public customers" does not include UBS-S, with respect

to its own trading account and its officers, directors or other affiliates with respect to their personal trading accounts. For purposes of determining this pro rata distribution, all property segregated on behalf of or otherwise traceable to, a particular account class is to be allocated to that class in conformity with CFTC Regulation 190.08(c)(1). All other property is allocated among all account classes using a formula intended to equalize the percentage of each claim for each class of accounts. Specifically identifiable property may be returned or transferred on behalf of the customers, rather than liquidated, under certain circumstances, pursuant to CFTC Regulation 190.08(a)(1)(ii)(C). CFTC regulations require that, if funds in the public customers' segregated accounts are insufficient to fully satisfy all futures customer claims, UBS-S' remaining FCM assets will be used to satisfy these public customer claims. Any remaining assets of the FCM would then be available for distribution to the FCM's general creditors.

- While futures trading on US markets come with inherent risks, customers trading on foreign markets assume additional risks. Customers that engage in trading on foreign markets are subject to fellow customer risk in foreign jurisdictions where laws and regulations will vary depending on the foreign jurisdiction. Therefore in the event of bankruptcy by a foreign broker or foreign depository (this would include a UBS-S foreign affiliate), a customer that trades only in one country or in one foreign market is exposed to fellow customer risk from losses that may be incurred in other countries and other markets. If a foreign broker or foreign depository carrying UBS-S' customer assets fails, the foreign broker or foreign depository will be liquidated in accordance with the laws of the jurisdiction in which it is organized, which laws may differ significantly from the US Bankruptcy Code. Return of customer assets to the US will be delayed and likely will be subject to the costs of administration of the failed foreign broker or foreign depository 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 US customer's transactions on foreign markets.

UBS-S seeks to control the risk associated with these activities by requiring customers or brokers to maintain margin collateral in compliance with various regulatory and internal guidelines. The Firm monitors required margin levels daily and, pursuant to such guidelines, requires customers or brokers to deposit additional collateral or reduce positions, when necessary.

Affiliate Risk

UBS-S' primary foreign broker is UBS Limited. UBS Limited is a wholly-owned UK banking subsidiary of UBS AG. UBS Limited is authorized and regulated by the UK Financial Conduct Authority ("FCA"). FCA has established client money rules with respect to customer assets. The FCA rulebook can be found at <http://fshandbook.info/FS/html/handbook/CASS/>. Accordingly, customer cash required to be posted as margin is deposited with UBS-S in omnibus accounts that are appropriately designated as belong to the futures customers of UBS-S. While UBS Limited complies with the client money rules and customer cash held on behalf of UBS-S' customers are segregated from UBS Limited's assets, certain risks exist.

- In certain circumstances and in accordance with the client money rules, some overseas exchanges and their clearing houses (and consequently intermediate brokers) may not recognize the segregated status of customer cash.
- UBS Limited is required to exercise due skill, care and diligence in the selection of banks, settlement agents and intermediate brokers. However, provided that UBS Limited has made its selection in accordance with that duty, in the event of a default of a bank, exchange, clearing

house or intermediate broker holding client money in a segregated account, UBS Limited is not liable to make good any shortfalls in such client money.

- Custody assets (non-cash) treatment is governed by FCA custody rules. The custody rules attempt to (i) prevent the use of custody assets belonging to a customer on UBS Limited's own account (except with the customer's expressed consent), and (ii) ensure that custody assets are, wherever possible, safe from claims of general creditors of UBS Limited's estate in the event of its insolvency.

UBS-S holds cash belonging to its customers in depository accounts at UBS AG, Stamford Branch. UBS AG, Stamford Branch operates as a subsidiary of UBS AG and falls under the supervision and regulation of the Federal Reserve Bank's Division of Banking Supervision and Regulation.

In the unlikely event of insolvency by UBS Limited and/or UBS AG, Stamford Branch, UBS-S would face a significant amount of risk, which may include the inability to continue transacting in futures and options on futures contracts.

Furthermore, UBS-S also deposits cash belonging to its customers with UBS AG, Australia Branch. UBS AG, Australia Branch is an authorized foreign Authorised Deposit-taking Institution under the Banking Act 1959 (Cth), and is supervised by the Australian Prudential Regulation Authority. In the unlikely event of insolvency by UBS AG, Australia Branch, UBS-S would continue to transact futures and options on futures contracts since its risk exposure to UBS AG, Australia Branch is not as significant as with the aforementioned UBS affiliates.

Current Risk Practices, Controls and Procedures

Prospective customers are evaluated through the UBS-S' on-boarding process. As part of the on-boarding process, relevant information will be requested from the prospective customer to assist in the evaluation by the UBS Credit Risk Control and Global Financing Services Risk departments. These standards, to name a few, will typically cover:

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

Further, due diligence calls may be conducted with the prospective customer 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-S applies these standards to any prospective customer including those being transferred from another FCM clearing member. Once a customer is on-boarded, UBS-S follows a comprehensive and independent internal risk management framework to calculate risk exposure on our customer portfolios on a daily basis, and monitor the differential between the Firm's internal stress-based calculation and the minimum exchange margin requirements. For any stress loss-taking observed on customer portfolios defined as the difference between UBS-S internal stress metric and the exchange margins, additional collateral may be requested to mitigate the counterparty risk exposure the Firm may face. The level of additional margin requirement is determined based on the dynamics of the portfolio, including the magnitude of price, liquidity, short options and basis risks, the credit quality of the counterparty, and the level of transparency provided by the customer.

UBS-S 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.

Customer Funds Segregation

Section 4d(a)(2) ("Customer Segregated Account") 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 trades on designated contract markets. Part 30 ("30.7 Account") of the CFTC regulations requires the 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. Section 4d(f) ("Cleared Swaps Customer Account") also provides that the FCM shall treat and deal with

all money, securities, and property of any swaps customer received to margin, guarantee, or secure a swap cleared by or through a Derivatives Clearing Organization ("DCO") (including money, securities, or property accruing to the swaps customer as a result of such a swap) as belonging to the swaps customer.

UBS-S maintains three different types of accounts for its futures customers, depending on the products a customer trades:

- a Customer Segregated Account for customers that trade futures and options on futures listed on US futures exchanges;
- a 30.7 Account for customers that trade futures and options on futures listed on foreign boards of trade; and
- a Cleared Swaps Customer Account for customers trading swaps that are cleared on a DCO registered with the CFTC.

The requirement to maintain these separate accounts reflect 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 Funds may not be commingled with the funds of UBS-S, nor be used to meet the obligations of the FCM or any other person, including another customer. CFTC regulations require the FCM to maintain at all times a sufficient amount of funds (based on type of account) to prevent the FCM from using the funds of one customer to margin or guarantee the account of another customer.

CFTC regulations permit Customer Funds to be commingled in a single account, i.e. a customer omnibus account, and held as follows:

- Customer Segregated Account – (i) a bank or trust company located in the US; (ii) a bank or trust company located outside of the US that has in excess of \$1 billion of regulatory capital; (iii) an FCM; or (iv) a DCO.
- 30.7 Account – (i) a bank or trust company located in the US; (ii) a bank or trust company located outside the US that has in excess of \$1 billion 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.
- Cleared Swaps Customer Account – (i) a bank or trust company located in the US; (ii) a bank or trust company located outside of the US that has in excess of \$1 billion of regulatory capital; (iii) a DCO; or (iv) another FCM.

The above accounts must each be specifically titled according to type and make clear that the funds belong to, and are being held for the benefit of the FCM's customers.

Number of Customers Based on Account Type⁴

Customer Segregated Account Relationships	30.7 Account Relationships	Cleared Swaps Customer Account Relationships
405	80	50

⁴ Numbers are approximate

Investment of Customer Funds

Customer Funds held in the above mentioned accounts are usually in excess and therefore, CFTC Rule 1.25 permits the FCM to invest the excess cash. UBS-S strictly adheres to the allowable investments and concentration limits under CFTC Rule 1.25. Permitted investments include:

- Obligations of the US and obligation fully guaranteed as to principal and interest by the US (US government securities);
- General obligations of any State or political subdivision thereof (municipal securities);
- Obligations of any US government corporation or enterprise sponsored by the US government (US agency obligations⁵);
- Certificates of deposit issued by a bank (certificates of deposit) as defined in Section 3(a)(6) of the Securities Exchange Act of 1934, or a domestic branch of a foreign bank that carries deposits insured by the Federal Insurance Corporation;
- Commercial paper fully guaranteed as to principal and interest by the US under the Temporary Liquidity Guarantee Program as administered by the Federal Deposit Insurance Corporation (corporate notes or bonds); and;
- Interests in money market mutual funds.

The duration of the securities in which an FCM invests Customer Funds cannot exceed, on average, two years.

An FCM may also engage in repurchase and reverse repurchase transactions with non-affiliated registered broker-dealers, provided such transaction 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 type (i.e., Customer Segregated Account, 30.7 Account or Cleared Swaps Customer Account.) Further, in accordance with the provisions of CFTC Rule 1.25, all such funds or collateral must be received in the appropriate customer account type on a delivery versus payment basis in immediately available funds.

UBS-S recognizes that any losses resulting from the investment of Customer Funds is the sole responsibility of UBS-S. Therefore UBS-S will not pass any investment losses to its clients.

No Securities Investor Protection ("SIPC")

Although UBS-S is a registered broker-dealer, it is important to understand that the funds you deposit with UBS-S for the purpose of trading futures and options on futures on either US or foreign markets or cleared swaps are not protected by SIPC.

Further, CFTC rules require UBS-S to hold funds deposited to margin futures and options on futures contracts traded on US designated contract markets in Customer Segregated Accounts. Similarly, UBS-S must hold funds deposited to margin cleared swaps and futures and options on futures contracts trade on foreign boards of trade in a Cleared Swaps Customer Account or a 30.7 Account, respectively. In computing its Customer Funds requirements under relevant CFTC rules, UBS-S may only consider those

⁵ Obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Association are permitted only while these entities operate under the conservatorship or receivership of the Federal Housing Finance Authority with capital support from the US.



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Customer Funds actually held in the applicable Customer Accounts and may not apply free funds in an account under identical ownership but of a different classification or account type (e.g., securities, 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 undermargined account.

For additional information on the protection of customer funds, please refer to the Futures Industry Association's "protection of Customer Funds Frequently Asked Questions" located at www.futuresindustry.org.

Material Complaints or Actions

UBS-S operates in a legal and regulatory environment that exposes it to significant litigation risks. As a result, UBS-S makes certain public disclosures of legal and regulatory matters as per the applicable laws and regulations and also makes relevant filings, as appropriate, in accordance with applicable account standards in its audited accounts. The following material administrative, civil, enforcement or criminal complaints or actions have been filed against UBS-S during the last three years⁶:

- Initiated By - The Securities and Exchange Commission

Allegation - UBS-S violated certain provisions of the Federal Securities Laws in connection with the structuring and marketing of a largely synthetic collateralized deb obligation. UBS-S willfully violated Sections 17(A)(2) and 17(A)(3) of the Securities Act and negligently caused violations of Section 206(2) of the Advisers Act

Type – Censure, Civil Money Penalty, Disgorgement/Restitution, Cease and Desist/Injunction

Amount - \$5,655,000

Resolution Date – 08/06/2013

- Initiated By – The Securities and Exchange Commission

Allegation – UBS-S' documentation practices regarding "locates" to its customers to enable its customers to execute short sales, created an inaccurate records regarding the basis upon which locates had been granted and caused locates to be granted without the firm documenting a reasonable basis for locates. UBS-S violated Section 17(A) of the Exchange Act and Rule 203(B) of Regulation SHO.

Type – Censure, Civil Penalty

Amount - \$8,000,000

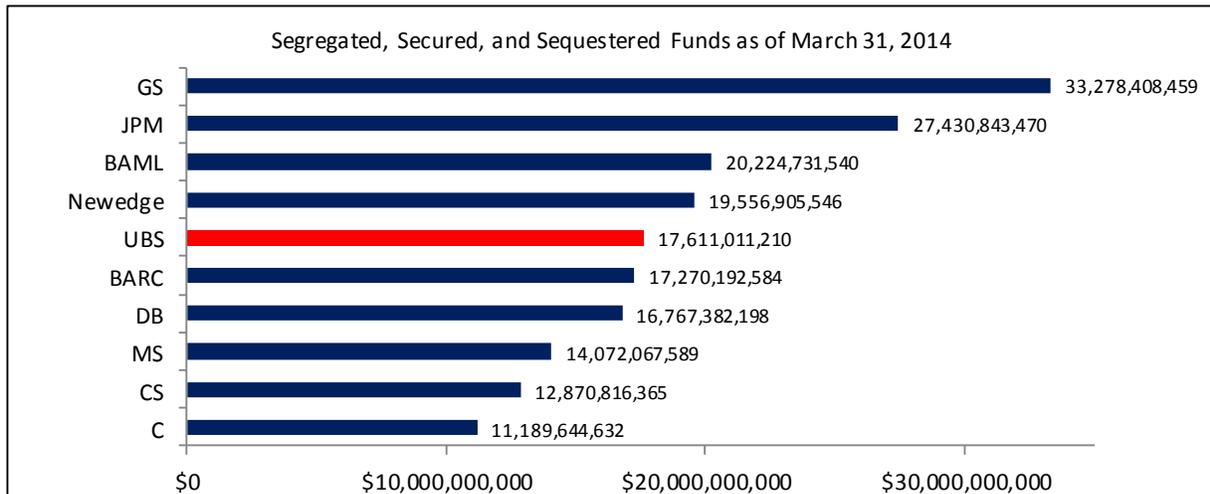
Resolution Date – 11/10/2011

⁶ Regulatory actions filed and settled against UBS-S for FCM related activity can be found on NFA's website at www.nfa.futures.org/basicnet/. Additionally, as a registered broker-dealer, UBS-S 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-S, its Parent and other material entities. The disclosures are publicly available on the BrokerCheck program operated by the Financial Industry Regulatory Authority at www.finra.org. SEC filings are publicly available via EDGAR at www.sec.gov and may also be obtained in the Investor Relations section of the UBS website at www.ubs.com.

FCM Financial Health

UBS-S is fully capitalized on a standalone basis (its Parent UBS AG does not guarantee the obligation of UBS-S.) As of March 31, 2014, UBS-S held assets of \$17.6 billion in Customer Segregated, 30.7 and Cleared Swaps Customer Accounts, in addition to \$7.4 billion in excess net capital.⁷

Customer funds held by top FCMs



UBS-S' credit ratings – Standard & Poor's Ratings Services⁸

Issuer Credit Rating	Ratings
Foreign Long Term	A
Foreign Short Term	A-1
Local Long Term	A
Local Short Term	A-1

For information related to the items below, please refer to UBS-S' "Daily Segregation Calculation" and "Statement of Financial Condition" which can be found <http://www.ubs.com/global/en/investment-bank/ilc-financials.html>.

- Daily segregated, 30.7 and cleared swaps schedule for the most current 12-month period;
- A summary schedule of the adjusted net capital and excess net capital, and reflecting balances as of the month-end for the 12 most recent months;

⁷ Source: www.cftc.gov "Financial Data for FCMs"

⁸ Standard & Poor's Ratings Services is a leading provider of global credit benchmarks.

- The statement of financial condition, segregated, 30.7 and cleared swaps segregation schedules and all related footnotes contained in UBS-S' most recent certified report;
- Leverage, equity, regulatory capital and net work

Liabilities and Other Commitments

- Futures and 30.7 customer write-offs have been immaterial (less than one percent). To date, there has been no cleared swaps customer uncollected receivables.
- UBS-S has revolving subordinated loan agreement with UBS Americas Inc.⁹ This agreement provides revolving credit line of \$11,600,000 through December 31, 2014, with full maturity at December 31, 2014. As of December 31, 2013, UBS-S has drawn down \$2,800,000 of the \$11,600,000.
- Loans with UBS Americas Inc. bear interest at rates that reset at variable intervals as determined by UBS AG, based upon similar fund costs charged by UBS AG, which approximated the one month LIBOR at December 31, 2013.
- Information pertaining to UBS-S' liquidity, principal liabilities, balance sheet leverage and other lines of business, equity, regulatory capital and net worth (computed in accordance with US Generally Accepted Accounting Principles and CFTC Rule 1.17) are also contained in the "Statement of Financial Condition".
- UBS-S does not provide financing for futures, 30.7 or cleared swaps customer transactions involving illiquid financial products for which it is difficult to obtain timely and accurate prices.

It should be noted that while UBS-S engages in proprietary trading on the broker dealer side, it does not hold inventory for liquidity purposes.

Industry Resources for Financial Information

All FCMs must file certain monthly financial reports with the CFTC. Information related to those reports is available on the CFTC's website at www.cftc.gov/MarketReports/FinancialDataforFCMs/index.htm

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. Information for a twelve-month period is also available on the website.

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 Commission Rule 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.

⁹ UBS Americas Inc. is a direct wholly owned subsidiary of UBS AG. UBS Americas Inc., together with UBS AG, owns UBS Securities LLC.



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The report shows the most recent semi-monthly information, but the public will also have the ability to see information for the most recent twelve-month period (eleven months preceding the last month-end). A 30.7 Customer Funds report and a Customer Cleared Swaps Collateral report provides the same information with respect to the 30.7 Account and the Cleared Swaps Customer Account.

The above financial information reports can be found by conducting a search for a specific FCM in NFA's BASIC System at www.nfa.futures.org/basicnet/ and then clicking on "View Financial Information" on the FCM's BASIC Details page.

Filing a Complaint

The following options may be used to file tips or complaints concerning UBS-S' futures related activities:

- CFTC's Whistleblower Program
www.cftc.gov/ConsumerProtection/WhistleblowerProgram/index.htm
- CFTC Division of Enforcement
Toll Free (866) 366-2382
www.cftc.gov/ConsumerProtection/FileaTiporComplaint/index.htm
- CME Group
Attn: CME Audit
20 South Wacker Drive
Chicago, IL 60606
(312) 930-3230
- National Futures Association
www.nfa.futures.org/basicnet/Complaint.aspx

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