



UBS SECURITIES LLC

FUTURES CLEARING MERCHANT FIRM DISCLOSURE DOCUMENT

The U.S. 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 March 31, 2020¹. 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 an indirect wholly owned subsidiary of UBS Group AG ("Parent"). UBS-S is owned by (i) UBS Americas Inc., holding 100% of the Class A Interests, 99% of the Class B Interests and 100% of the Preferred Interest; and (ii) UBS Americas Holding LLC (an intermediate holding company), holding 1% of the Class B Interests.² Information that may be material with respect to UBS-S for purposes of the CFTC's disclosure requirements may not be material to the Parent, UBS Americas Inc., or UBS Americas Holding LLC for purposes of applicable securities laws.

This disclosure document was first used on July 14, 2014.

¹ Amended

² Amended

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Background Information of 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 Execution and Clearing within Global Markets. The Global Markets business consists of Execution and Platform, Derivatives and Solutions, and Financing. Execution and Clearing allows the team to maximize synergies, optimize risk and resources, and create greater critical mass.

The Firm's goal is to deliver efficient front-to-back cross-asset class solutions. UBS-S's multi-asset class and global approach to execution and clearing enables UBS-S to provide a client-centric clearing and financing proposition across all asset classes and regions. 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 and settlement solution.

Firm Contact Information

UBS Securities LLC
1285 Avenue of the Americas
New York, NY 10019
Phone: 212-713-2000
comments@ubs.com

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.

If you have any futures related complaints, please contact the Chief Compliance Officer of the FCM at 312-525-6518 between 9:00am and 5:00pm (CST), Monday through Friday, or write us at:

UBS Securities LLC
Chief Compliance Officer of the FCM
1 North Wacker Drive, 31st Floor
Chicago, IL 60606

Futures Designated Self-Regulatory Organization ("DSRO")³

The Chicago Board of Trade
www.cmegroup.com

³ 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.



Firm Principals⁴

Patrick DiMarco

US Head of IB C&ORC Programs
Chief Compliance Officer of the FCM
1 North Wacker Drive
Chicago, IL 60606

Mr. DiMarco has extensive regulatory experience including roles at the Chicago Board of Trade, ABN AMRO Futures Inc. and UBS Securities LLC in the futures and OTC Cleared business. He began his career at the Chicago Board of Trade as a Staff Examiner and from there advanced in the roles of Senior Examiner and Business Analyst within the Office of Investigations and Audits. He previously worked for UBS-S as a Futures Compliance Officer and then joined ABN AMRO Inc. as Head of Futures Compliance. As a result of UBS' acquisition of ABN AMRO Inc.'s futures business, Mr. DiMarco became Head of Exchange Traded Derivatives Compliance, Americas.

In his current role as an Executive Director, Mr. DiMarco is responsible for overseeing the firm's US C&ORC Programs, including the FCM's compliance program with respect to local business practices and its compliance with CFTC regulations related to the futures commission merchants and swap dealers.

Lauren Munfa

Chief Compliance Officer
UBS Securities LLC
1285 Avenue of the Americas
New York NY 10019

Ms. Munfa has been in the financial services industry for over 20 years. Prior to joining UBS, Ms. Munfa was Head of Global Investments Research Division Compliance at Goldman Sachs. She held prior roles at Goldman during her 16 years at the firm that included product strategy development from 2010 through 2012 and served as the Chief of Staff for the Investment Management Division from 2008 through 2012. From 2001 through 2008 Ms. Munfa held roles in the Investment Banking Legal and Compliance Departments covering investment banking and securities.

As a Managing Director, Ms. Munfa is the Head of Investment Bank Americas Compliance and Operation Risk Control and a member of the UBS-S Board of Managers. As the Chief Compliance Officer of UBS-S, she is responsible for compliance with respect to regional business practices, policy and regulatory requirements. She held a prior role at UBS as the Head of Control Room, Corporate Clients Solutions, and Research Compliance for Americas Compliance and Operational Risk.

Mary Hurd

Americas Head of Investment Bank Operations
600 Washington Blvd
Stamford, CT 06901

Mary Hurd joined UBS in 2005. Prior to this time she worked at JPMorgan Chase for 18 years. Her career across both firms has been primarily focused in Operations. As a Managing Director, Ms. Hurd oversees the US based Operations for UBS' Investment Bank division. She is responsible for ensuring that Operations provides accurate, well controlled and timely operational processing support to clients and

⁴ Amended

business partners. As the Operations Principal for UBS-S she is also responsible for ensuring compliance with the rules that apply to clearing operations, as well as, maintenance of the firm's books and records.

Ralph Mattone

Chief Financial Officer and Controller
1285 Avenue of the Americas
New York, NY 10019

Mr. Mattone has been in the financial services industry for 33 years. Prior to joining UBS, Mr. Mattone has held various positions which included Head of US Regulatory and Financial Reporting at Nomura Securities for over 7 years. He held similar roles at Deutsche Bank and ABN AMRO. Prior to his financial services career, he was with the accounting firm Murphy, Hauser, O'Conner and Quinn in the Tax and Audit departments.

As a Managing Director, he is the Head of Americas Regional Controlling. He is also Controller of the Intermediate Holding Company, UBS Americas Inc. As Chief Financial Officer of UBS-S, Mr. Mattone is responsible for managing the financial accounting of the firm. He is also responsible for providing complete, correct and auditable reporting for all external regulatory and statutory bodies.

Sam Molinaro

President of UBS Americas Holding LLC and COO UBS Americas
600 Washington Boulevard
Stamford, CT 06901

Mr. Molinaro brings extensive industry experience from his years at Bear Stearns where he was Chief Financial Officer and later Chief Operating Officer. Before joining UBS, he worked in several advisory roles and was CEO and Chairman of Braver Stern Securities. Mr. Molinaro also has served as Director of Securities Industry and Financial Markets Association.

As a Managing Director, he is President of UBS Americas Holding LLC and his responsibilities include the enhancement of governance of UBS' US operations consistent with the Federal Reserve's Enhanced Prudential Standards requirements and regulatory expectations.

Chris Leone

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

Chris Leone is the Head of Global Markets, Americas based in New York. He is a member of the Global Markets Management Committee and chairs the Global Markets Americas Management Committee.

Chris joined UBS in November 2008 as the Head of Americas Derivatives Trading focusing on index/macro and correlation options trading. Over his tenure at UBS, Chris has held several roles including - Head of Americas Equities Trading, Head of Americas Equities and Co-Head of the Investment Bank's Diversity and Inclusion Council. Prior to UBS, Chris worked as a portfolio manager in equity derivatives at both Carlyle Blue Wave and Millennium Partners. He began his career at Deutsche Bank, which culminated in his role as Co-Head of Americas Equity Derivatives Trading. Chris attended Georgia Tech where he graduated with a major in Economics and minor in Finance.



James Van Tassel

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

Mr. Van Tassel joined UBS in 2015 and is currently the Head of Americas Research for UBS Securities LLC. Mr. Van Tassel is also a member of the UBS Securities LLC Board of Managers. Prior to joining UBS, Mr. Van Tassel worked at Alliance Bernstein for 13 years where he was a Managing Director.

James Ashley

Head of Execution and Clearing
1285 Avenue of the Americas
New York, NY 10019

Mr. Ashley is the head of Execution and Clearing for UBS Securities LLC and the business head for the UBS Securities LLC Futures Commission Merchant. Mr. Ashley joined UBS in 2018 as an Executive Director and held prior roles at Deutsche Bank, Barclays, Royal Bank of Scotland and HSBC with over 30 years of experience in futures trading.

Dylan Roy

Head of Foreign Exchange, Rates and Credit, Americas
1285 Avenue of the Americas
New York, NY 10019

Mr. Roy has over 20 years of substantial derivatives trading. Mr. Roy joined UBS London in 2010 as the Global Head of Vanilla Interest Rate Options. In 2012, he moved to New York and was subsequently appointed Head of US Rates Trading. Prior to joining UBS, he spent 14 years with Barclays Capital trading G3 interest rate derivatives in both London and New York.

As a Managing Director, his leadership role includes ensuring diligent local supervision and achieving focused coordination across businesses.

Description of the Firm's Business

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. The Firm is also a participant at several swap execution facilities. 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 equities and equity options 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	BATS Hotspot SEF LLC
CBOE Futures Exchange (CFE)	Bloomberg SEF LLC
Chicago Board of Trade (CBOT)	GFI Swaps Exchange LLC
Chicago Mercantile Exchange Inc. (CME)	GTX SEF LLC
Commodities Exchange Inc. (COMEX)	ICAP Global Derivatives Limited
Dubai Mercantile Exchange (DME)	ICAP SEF (US) LLC
Eris Exchange	ICE Swap Trade LLC
ICE Futures US Inc. (ICE)	MarketAxess SEF Corporation
ICE Futures Europe	SwapEX LLC
Minneapolis Grain Exchange Inc. (MGEX)	Thomson Reuters (SEF) LLC
NASDAQ OMX Futures Inc. (NFX)	tpSEF Inc.
New York Mercantile Exchange Inc.	Tradition SEF Inc.
Nodal Exchange	trueEX LLC
OneChicago LLC	TW SEF LLC
TrueEx LLC	

Clearinghouses Used

Clearing Organization	UBS-S Membership	UBS-S Affiliate Membership
ASX Clear (Futures)		√
CME Clearing	√	
Eurex Clearing		√
ICE Clear US Inc.	√	
ICE Clear Europe	√	
ICE Clear Credit LLC	√	
LCH.Clearnet LLC	√	
LCH.Clearnet Limited	√	
Minneapolis Grain Exchange Clearing House	√	
Options Clearing Corporation	√	
Singapore Exchange Derivatives Clearing		√

Carrying Brokers Used

Carrying Brokers (US/Non-US)	UBS-S Affiliate (Y/N)
BMO Nesbitt Burns, Canada (Non-US)	N
UBS AG Australia Branch (Non-US)	Y
UBS AG London Branch (Non-US) ⁵	Y
UBS Europe SE ⁶	Y

FCM Customer Base

- Institutional (assets managers, insurance companies, banks) and Commercial (agricultural, energy) customers⁷
- Local market access to financial, agricultural, energy, security futures, swaps products
- International market access to Canada, Mexico, Europe, Asia/Pacific, Brazil

⁵ UBS AG London Branch was added in Q1 2019. UBS Limited is no longer a carrying broker as of March 2019.

⁶ UBS Europe SE was added as a counterparty in Q1 2019.

⁷ UBS-S also maintains accounts for its affiliates and their customers.

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 1.25⁸. 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. UBS-S also has arrangements in place for a back-up bank depository as required by regulation.

Depositories Used ⁹

Depositories (US/Non-US)	UBS-S Affiliate (Y/N)
BMO Harris Bank, N.A., Chicago, IL (US)	N
Brown Brothers Harriman, New York, NY (US)	N
BNY Mellon, New York, NY (US)	N
Citibank N.A., London, UK (Non-US)	N
Citibank N.A., New York (US)	N

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.

Activity/Product Line	Percentage of Assets	Percentage of Capital
Financing (Resales, Borrows)	2%	12%
Inventory by Business Line:		
<i>US Govt. Securities, Corporate Debt, US Govt. Securities, CDs, MBS, Municipals</i>	9%	0%
Equities	4%	5%
Other Inventory (<i>Mutual Funds, CEFs</i>)	0%	0%
Goodwill and Tangible Assets	0%	0%

⁸ 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

⁹ As part of the UBS Brexit strategy, UBS AG Stamford Branch is no longer used by the FCM as a depository to hold its customers funds as of May 2019.



Receivable from Broker-Dealers and Customers	2%	11%
Investments in Subsidiaries and Receivable from Affiliates	0%	1%
Fixed and All Other Assets	2%	10%

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.
- Futures and forward contracts provide for the delayed delivery or purchase of financial instruments at a specified future date at a specified price or yield. Risks arise from the possible inability of counterparties to meet the terms of their contracts and from unfavorable changes in interest rates, foreign currency exchange rates or market values of the securities underlying the instruments. The credit risk associated with these contracts is typically limited to the cost of replacing all contracts on which the Firm has recorded an unrealized gain.

Insolvency Risk

Futures customers of UBS-S have different types of insolvency risks relating to their futures account. The five 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) those related to the risk that a UBS-S affiliate providing omnibus account services will become insolvent; (4) depository insolvency risk; and (5) exchange clearinghouse default risk. UBS-S is not responsible for losses of customer funds resulting from the failure of an affiliate, depository (including intermediate broker) or exchange clearing house. 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 is not responsible for losses of customer funds resulting from the failure of a foreign broker or foreign depository (including an exchange clearing house).

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 Risk¹⁰

UBS-S' primary foreign broker is UBS AG London Branch. UBS AG London Branch is authorized and regulated by the Financial Market Supervisory Authority in Switzerland. In the United Kingdom, it is authorized by the Prudential Regulation Authority and subject to certain UK Financial Conduct Authority ("FCA") rules. 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 AG London Branch in omnibus accounts that are appropriately designated as belonging to the futures customers of UBS-S. While UBS AG London Branch complies with the client money rules and customer cash held on behalf of UBS-S' customers is 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 AG London Branch is required to exercise due skill, care and diligence in the selection of banks, settlement agents and intermediate brokers. However, provided that UBS AG London Branch 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 AG London Branch 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 AG London'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 AG London Branch's estate in the event of its insolvency.

In the unlikely event of insolvency by UBS AG London Branch, UBS-S' futures customers would face a significant amount of risk, which may include loss of customer funds and liquidation of futures and options on futures contracts. Funds should however be segregated according to appropriate applicable rules. In addition, UBS-S would face a significant amount of operational risk, including the ability to continue transacting in futures and options on futures contracts.

Furthermore, UBS-S deposits cash belonging to its customers with UBS Europe SE¹¹. UBS Europe SE is a German entity regulated by the German Federal Financial Supervisory Authority. 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 either UBS Europe SE or UBS AG Australia Branch, UBS-S would continue to transact futures and options on futures contracts since its risk exposure to those two entities is not as significant as with UBS AG London Branch, however customer funds may still be at risk to the extent they were not returned in full or at all.

¹⁰ As part of the UBS Brexit planning strategy in response to the decision of the United Kingdom to leave the European Union, UBS AG London Branch has become the primary foreign broker for UBS-S. Customer assets held by UBS Limited were migrated in waves to UBS AG London Branch during Q1 of 2019.

¹¹ Effective as of Q1 2019.

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 Pricing and Risk Management 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 its 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:

- Customer Segregated Account (1.20) for customers that trade futures and options on futures listed on US futures exchanges;
- Secured Account (30.7) for customers that trade futures and options on futures listed on foreign boards of trade; and
- Cleared Swaps Customer Account (Part 22) 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 deposited by a futures customer or owed to a futures customer (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.

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 however does not exercise its rights under CFTC Rule 1.25 and does not invest any Customer Funds.**¹² UBS does however invest its Residual Interest (above any customers' aggregated undermargined amounts) and 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 obligations¹³);
- 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 its Residual Interest 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 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 its Residual Interest is the sole responsibility of UBS-S. As UBS-S does not invest Customer Funds, there will be no investment losses on such funds.

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.

¹² Effective 5-23-2016

¹³ 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.

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 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 years¹⁴:

- Auction Rate Securities. UBS-S and an affiliate have been named in several arbitration and litigation claims asserted by issuers of auction rates securities ("ARS") arising out of the February 2008 ARS market dislocation. As of December 31, 2017, all but one of the actions have been dismissed or resolved. The remaining claim (which is presently tolled pursuant to agreement) seeks damages based on allegations of violations of state and federal securities law.
- Residential Mortgage-backed Securities and Mortgages ("RMBS"). From 2002 through 2007, prior to the crisis in the US residential loan market, UBS-S was a substantial underwriter of US RMBS. UBS-S has been named as a defendant in lawsuits relating to its role as underwriter of RMBS. In April 2017, UBS-S reached a final settlement in a lawsuit brought in the US District Court for the District of Kansas by the National Credit Union Administration ("NCUA"), as conservator for certain failed credit unions, asserting misstatements and omissions in the offering document for \$1.15 billion in original principle balance of RMBS purchased by the credit unions. UBS-S and the NCUA settled this matter for \$445 million.

The Parent and UBS-S have also received and responded to subpoenas from the New York State Attorney General and other state attorneys relating to its RMBS business. UBS-S has also responded to inquiries from both the Special Inspector General for the Troubled Asset Relief

¹⁴ 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.

Program and the SEC relating to trading practices in connection with purchases and sales of mortgage-backed securities in the secondary market from 2009 through 2014. UBS-S is cooperating with the authorities in these matters.

- *Government Bonds*. Putative class actions have been filed in US federal courts against UBS-S, the Parent and other banks on behalf of persons who participated in markets for US treasury securities since 2007. The complaints generally allege that the banks colluded with respect to and manipulated prices of treasury securities sold at auction. They assert claims under the antitrust laws and the Commodity Exchange Act and for unjust enrichment. The cases have been consolidated in the Southern District of New York. Following filing of these complaints, UBS-S, the Parent and reportedly other banks have received requests for information from various authorities regarding US treasury securities and government bond trading practices. As a result of its review to date, UBS-S has taken appropriate action and is cooperating with the authorities.
- *Interest Rates Swaps and CDS Matters*. In 2016, putative class action plaintiffs filed consolidated amended complaints in the Southern District of New York against numerous financial institutions and others, including UBS-S and the Parent, alleging violations of the US Sherman Antitrust Act and common law. Plaintiffs allege that the defendants unlawfully conspired to restrain competition in the market for Interest Rate Swap ("IRS") trading in over-the-counter market. Plaintiffs assert claims on behalf of all purchasers and sellers of IRS that transacted directly with any of the dealer defendants since January 1, 2008, and seek unspecified trebled compensatory damages and other relief. The operators of two swap execution facilities ("SEF's") have also filed complaints raising similar allegations. In July 2017, the court granted in part and denied in part defendants' motions to dismiss, limiting the claims to the time period 2013-2016, and dismissing certain state-law claims and claims against certain other defendants. In June 2017, one of the two SEF plaintiffs filed a complaint raising allegations similar to those in the IRS litigation with respect to trading of credit default swaps.
- *Stock Lending Matters*. In 2017, a purported class action antitrust complaint was filed in the Southern District of New York against six stock lending prime broker defendants, including UBS-S, its Parent and affiliates, as well as EquiLend, a trading platform and purveyor of posttrade services. The named plaintiffs purport to represent a class of all persons or entities that entered into stock loan transactions in the United States with one of the prime broker defendants since January 7, 2009. Plaintiffs allege violations of Section 1 of the Sherman Act and New York State law and seek unspecified treble damages, fees and costs.

Additional information pertaining to legal matters can be found in the UBS Securities Statement of Financial Condition under "Legal Proceedings" at www.ubs.com/global/en/investment-bank/.

FCM Financial Health

UBS-S is fully capitalized on a standalone basis (its Parent does not guarantee the obligation of UBS-S.) As of May 30, 2019¹⁵, UBS-S held assets of \$8.198 billion in Customer Segregated, 30.7 and Cleared Swaps Customer Accounts, in addition to \$1.766 billion in excess net capital.

¹⁵ Updated

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

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

Relevant Financial Data

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

The following table¹⁶ represents certain financial information for UBS-S, computed in accordance with U.S. Generally Accepted Accounting Principles and CFTC Regulation 1.17, as of December 31, 2019¹⁷:

Total Assets:	49,352,445,904
Ownership Equity:	3,564,152,109
Regulatory Capital:	8,439,152,109
Leverage Ratio:	5.388

UBS-S engages in proprietary futures related trading in the broker dealer. However it does not hold the inventory for liquidity purposes. The proprietary margin requirement, as of December 31, 2019¹⁸, was less than 1% of the aggregated margin requirements for segregated, 30.7 and cleared swap customers.

The number of segregated customers, 30.7 customers and cleared swap customers that comprise 50% of the FCM's total funds held for such customers, respectively;

Type	Number
Segregated	2
30.7	2
Cleared Swap	2

¹⁷ Updated

¹⁸ Updated

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 subordinated borrowings with UBS Americas Holding LLC, consisting of term loans of \$800 million maturing on May 30, 2022; \$825 million maturing on November 30, 2022; \$800 million maturing on May 30, 2023; \$825 million maturing on November 30, 2023; \$800 million maturing on May 30, 2024; and \$825 million maturing on November 30, 2024.
- During 2018 UBS-S repaid the existing \$2,525 million of outstanding subordinated debt with UBS America's Holding LLC and repaid the \$2,350 million Revolver with UBS Americas, Inc. UBS-S replaced the existing Subordinated Debt and Revolver with the same amount of Subordinated debt with only UBS Americas Holding LLC. There was no net capital impact.¹⁹
- Loans with UBS Americas Inc. bear interest at rates that reset at variable intervals as determined by the Parent, based upon similar fund costs charged by the Parent, which approximated one month LIBOR at December 31, 2019.
- UBS-S enters into unsecured short-term lending agreements with UBS Americas Holding LLC. Short-term borrowings are due on demand and bear interest based on variable rates ranging from 2.00% to 3.20% as of December 31, 2019.²⁰
- 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.

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 <http://www.cftc.gov/MarketReports/financialfcmdata/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 (if FCM is exercising such rights). 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.

¹⁹ Amended

²⁰ Amended



UBS Securities LLC
FCM Specific Disclosure Document
For Public Distribution

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.

Additional Regulatory Information

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 Financial and Regulatory Surveillance²¹
20 South Wacker Drive
Chicago, IL 60606
(312) 930-3230
Toll Free (US Only) 1-866-716-7274
- National Futures Association
www.nfa.futures.org/basicnet/Complaint.aspx

²¹ Amended



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