

Qualified Intermediary (“QI”)

The Qualified Intermediary (“QI”) regime commenced in 2001 and was introduced by the United States (“US”) government to combat (i) tax fraud by US persons (especially those not residing in the US); and (ii) misuse of double tax treaties by non-eligible non-US persons. The QI regime seeks to achieve this by requiring the documentation of persons seeking to invest in US securities and only allowing the benefit of lower withholding tax rates to appropriately declared non-US persons. This is supported by the imposition of backup withholding to non-disclosed US persons, reporting requirements to the US Internal Revenue Service (“IRS”) and periodic audit of the QI to ensure it is fulfilling its obligations.

In 2011, UBS AG Taiwan Branch became a party to the QI Agreement that UBS AG and its subsidiaries have executed with the IRS. By continuing to provide appropriately completed documentation as required by the IRS, there should not be any direct impact on clients of UBS AG Taiwan Branch who are the beneficial owner of US securities merely as a result of UBS AG Taiwan Branch becoming a party to the QI Agreement. In addition, by becoming a QI, there is no longer a need for UBS AG Taiwan Branch to separately disclose information on direct clients who are non-US Persons to any upstream custodian or the IRS. Accordingly, for the year ending 31 December 2010, clients will no longer receive an individual copy of the Form 1042-S.

If you have any other concerns as to how UBS AG Taiwan Branch’s QI status may affect you or your investments held with UBS AG, UBS AG suggest that you seek independent, professional tax advice on how your investment in US securities held through a QI may affect you in your particular circumstances.