UBS Part VII and Cross-Border Merger FAQs

These FAQs are important. They relate to the forthcoming transfer and merger of certain UBS Limited business into UBS Europe SE as part of UBS's Brexit preparations and are intended for clients and counterparties of UBS Limited. Please use the contact details listed in the "Contact Us" section below if you are in any doubt as to the meaning of, or have any concerns in relation to the contents of these FAQs or any of the other documents referred to in these FAQs.

These FAQs are not targeted at any specific clients or counterparties, however Part D (How the Part VII and Merger may affect UBS Limited clients) includes a description of certain issues which are specific to certain products or offerings of UBS Limited. In particular, please read:

- Question 19 if you have deposits with UBSL;
- Question 26 if you have a security interest with UBSL;
- Question 27 if you trade ETD products with UBSL;
- Question 28 if you trade with UBSL on the basis of any netting opinions e.g. ISDA, ICMA or ISLA opinions; and
- Question 29 if you trade any product that is subject to regulatory margining or clearing requirements e.g. OTC derivatives.

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Part A – Summary of UBS's Brexit strategy

1. What changes are being made to UBSL's business, and why?

As part of UBS's Brexit planning strategy in response to the decision of the United Kingdom ("UK") to leave the European Union ("EU") ("Brexit"), UBS Limited ("UBSL") is seeking to transfer certain business into UBS's German incorporated subsidiary UBS Europe SE ("UBS ESE") in advance of the UK's anticipated departure from the EU on 29 March 2019 (the "Brexit Date"). This is to ensure that UBS can continue to service existing investment bank customers, and continue to provide services, in certain EU jurisdictions after Brexit.

It is envisaged that the transfer will be carried out by means of a combined banking business transfer under Part VII of the UK Financial Services and Markets Act ("FSMA") (the "Part VII") and a cross-border merger under the European Cross Border Mergers Directive (the "Merger"). The Part VII and Merger are undertaken pursuant to separate court processes, although they will be undertaken in parallel, as outlined in Part C (Part VII and Merger) below.

2. What will UBSL do if transitional arrangements for Brexit emerge?

UBS is closely monitoring political developments and will consider these if they provide a more certain timeline and structure for the UK's future relationship with the EU. Until there are any developments which warrant a re-consideration of UBS's position, UBS continues to plan to proceed with the Part VII and Merger to ensure continuation of business in Europe following the Brexit Date.

Part B – About UBS Europe SE

3. What is UBS ESE?

UBS ESE is, like UBSL, a wholly owned subsidiary of UBS AG and is a Societas Europaea registered in Germany with registered number HRB 107046. It was established in 2016 as the result of the merging of several UBS subsidiaries across the European Economic Area (the "EEA") and is incorporated and headquartered in Germany. To date it has served as UBS's primary regional hub for our EEA wealth management business as well as housing certain investment bank and asset management business activities. UBS ESE is currently supervised by the German Federal Financial Supervisory Authority ("BaFin") as its primary regulator and is subject to EU and German laws and regulations and is expected to be regulated by the European Central Bank (the "ECB") following the Merger.

Following the Merger, UBS ESE will also become UBS's regional hub for our EEA investment bank business and will continue its existing wealth management and asset management activities.

4. Where is UBS ESE based?

UBS ESE has its registered office in Frankfurt am Main in Germany, with existing branches in Luxembourg, Italy, Spain, the Netherlands, Austria, Sweden and Denmark. At the Effective Date, UBS ESE will also have branches in Poland, Switzerland, France and the UK.
5. Does UBS ESE have a credit rating?

Moody, Standard & Poor, and Fitch assigned solicited ratings to UBS ESE on 26 June 2018, which were at the same rating level as each rating agency’s ratings for UBS Limited, and all ratings are unchanged as of 30 August 2018 (please see the table below). UBS ESE’s ratings reflect a combination of its core status to the UBS group, the expected merger of UBS Limited into UBS ESE, and its capitalisation.

<table>
<thead>
<tr>
<th>Rating Agency</th>
<th>UBSL Rating</th>
<th>UBS ESE Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moody’s (Long-term senior debt rating)</td>
<td>Aa3</td>
<td>(P)Aa3 (Provisional)</td>
</tr>
<tr>
<td>Standard &amp; Poor’s (Long-term counterparty credit rating)</td>
<td>A+</td>
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</tr>
<tr>
<td>Fitch (Long-term issuer default rating)</td>
<td>AA-</td>
<td>AA-</td>
</tr>
</tbody>
</table>


Part C – Part VII and Merger

6. Why is UBSL restructuring its business using a Part VII and Merger?

Subject to approval from the High Court of England and Wales ("High Court"), UBSL will use the Part VII and Merger to transfer, as part of the overall transfer, counterparty agreements to UBS ESE. This can generally be done without the need to seek formal consent from each counterparty, therefore minimising disruption for our counterparties.

The Part VII process will ensure that those contracts which transfer under the Part VII are suitably amended via the High Court process to ensure (i) compliance with laws and regulations applicable to UBS ESE and (ii) continue to operate effectively following the transfer. Please see question 17 for further detail.

The Merger is an EU process which is more widely recognised under international legal regimes (in particular for arrangements governed by local laws) and allows the residual business of UBSL that has not transferred under the Part VII to transfer to UBS ESE by operation of law and for UBSL to be absorbed into UBS ESE and dissolved, which, together with the Part VII, will provide continuity for counterparties.

7. What is a Part VII banking business transfer?

A Part VII banking business transfer is a business transfer process whereby the liabilities of one bank and corresponding assets are transferred to another bank by operation of law. The process that must be followed is stringent to ensure that sufficient protections for counterparties are achieved. To be effective, the Part VII is required to be sanctioned by the High Court.
In considering the Part VII, the High Court will take into account the views of the UK financial services regulators, the PRA and the FCA and any objections, or expressions of concern or dissatisfaction from affected parties such as counterparties, vendors and brokers.

If you have any questions or concerns about the Part VII please contact us using the contact details listed in the "Contact Us" section below.

8. What is a cross-border merger?

A merger in accordance with the Cross-Border Mergers Directive (2005/56/EU), as consolidated in Directive 2017/1132/EU (the "Cross Border Mergers Directive") involves the merger of companies based in different member states of the EEA, so that the assets and liabilities of the transferor company (in this case UBSL) become the assets and liabilities of the successor company (in this case UBS ESE) by operation of law.

The transferor company (in this case UBSL) is dissolved at the same time as the merger becomes effective.

If you have any questions or concerns about the Merger please contact us using the contact details listed in the "Contact Us" section below.

9. How will the Part VII and Merger be carried out and what are the key dates?

Both the Part VII and the Merger involve court processes with the High Court. There is a requirement in connection with the Part VII to notify customers, and other interested parties, of the transfer so that they are aware of the transaction and that they can be heard at the final court hearing in connection with the Part VII (the "Sanction Hearing").

Under the Part VII process and before the Sanction Hearing, an initial court hearing is required to formally approve UBSL's customer notifications process including the sending out of these FAQs (the "Directions Hearing"). The Directions Hearing was held on 15 October 2018.

The Sanction Hearing is currently scheduled for 5 February 2019. On the date of the Sanction Hearing we will confirm on our Brexit web page at www.ubs.com/brexit that the court hearing took place or any change to the date of the Sanction Hearing.

The High Court will consider the Merger in a separate hearing, currently scheduled for 24 January 2019 and, if the High Court is satisfied that the parties to the Merger have completed the required formalities, the High Court will issue a certificate to confirm this (the "Pre-Merger Certificate"). We will confirm on our Brexit web page at www.ubs.com/brexit when the Pre-Merger Certificate has been issued. Following the issue of the Pre-Merger Certificate and after the High Court has approved the Part VII at the Sanction Hearing, UBSL and UBS ESE will apply to the local commercial court of Frankfurt am Main in Germany to register and make the Merger effective.
The Part VII and the Merger are inter-conditional: it is intended that one cannot happen without the other. If the Part VII and Merger are approved by the High Court and the German registration requirements are complied with, both the Part VII and the Merger are expected to take effect on 1 March 2019 (the "Effective Date") upon the registration of the Merger (the time at which the Merger is registered being the "Effective Time").

On the Effective Date, UBSL will cease to exist and will cease to be authorised and regulated by the Prudential Regulation Authority (the "PRA") and regulated by the Financial Conduct Authority (the "FCA").

If the Effective Date changes for any reason, for example, if UBS elects to make use of any agreed transitional period, we will: (i) place a notice confirming the new date on the web page at www.ubs.com/brexit; and (ii) send an email to any counterparties who received these FAQs by email regarding the new date. For the avoidance of doubt, once the Pre-Merger Certificate has been issued by the High Court, the Effective Date may not take place any later than 6 months from the date the Pre-Merger Certificate was issued.

If you have any questions or concerns about the Part VII or the Merger please contact us using the contact details listed in the "Contact Us" section below.

10. What is the effect of the Part VII and Merger?

The Part VII and Merger will transfer UBSL's assets and liabilities, including its rights and obligations under existing contracts, to UBS ESE by operation of law (minimising any steps you need to take for the transfer to be legally effective, although please see question 17 below for certain operational steps which you may need to make to your systems to reflect the transfer).

UBSL will request that certain amendments are made to the terms and conditions in transferring contracts to become effective with the Part VII and Merger on the Effective Date. For more information on these changes see question 21 below.

As referred to above, on the Effective Date, UBSL will cease to exist and will cease to be authorised and regulated by the PRA and regulated by the FCA and your contract counterparty will become UBS ESE, an entity regulated and authorised by BaFin and expected to be regulated by the ECB.

From the Effective Date, the business transferring to UBS ESE under the Part VII and Merger will be booked to the head office of UBS ESE in Frankfurt am Main.

11. What if some business transfers under the Merger only, rather than the Part VII?

It is possible that some business will only transfer under the Merger, rather than under the Part VII. This may happen because e.g. courts in certain jurisdictions outside the UK may not recognise the Part VII in respect of contracts governed by local law but do recognise the Merger.

If this happens, the Scheme allows for such business to only transfer under the Merger, which becomes effective immediately following the Scheme (as defined below in question 16).
UBS is planning on transferring certain assets and liabilities in connection with UBSL’s branches, Taiwan FINI business and financial market infrastructure (“FMI”) memberships exclusively under the Merger rather than the Scheme. In connection with this, please note that no counterparties of UBSL contract directly with UBSL’s branches and the transfer of UBSL’s FMI memberships are subject to bilateral discussions with those FMIs, and so this should not impact transferring counterparties receiving these FAQs. In respect of counterparties which form part of UBSL’s Taiwan FINI Business who will transfer exclusively pursuant to the Merger we will have been in touch separately to discuss this transfer with you. In general, all transferring clients and counterparties that are excluded from the Part VII and that therefore transfer under the Merger will be contacted separately to discuss this.

12. Which regulators are considering the Part VII and Merger?

The PRA and FCA in the UK are being consulted in connection with the Part VII and the Merger. The PRA and the FCA will also have the opportunity to make representations regarding the Part VII at the Sanction Hearing.

UBS has also engaged with BaFin, the Deutsche Bundesbank (“Bundesbank”), the ECB and the Swiss Financial Market Supervisory Authority (“FINMA”) in connection with the Part VII and the Merger and BaFin will need to provide a certificate in connection with the Part VII as referred to in question 9 above.

13. When and where is the High Court hearing to consider the Part VII?

The Sanction Hearing to consider the Part VII will take place at the Rolls Building, Fetter Lane, London EC4A 1NL on 5 February 2019. The Sanction Hearing date may change in which case the new date will be notified on the web page at www.ubs.com/brexit.

14. Can I vote on the Part VII and Merger?

There are no voting procedures in relation to a banking business transfer, and you are not required to take any action to give effect to the Part VII and Merger. If the Pre-Merger Certificate is issued and the Part VII is sanctioned by the High Court, once the German Commercial Court has registered the Merger, all affected contracts and assets and liabilities will automatically transfer to UBS ESE.

If you have any questions or concerns about, or objections to, the Part VII or Merger please see Part G (Further questions or concerns) below.

15. When will the Part VII and Merger take place and how will I know when it has happened?

The Effective Date is currently expected to be 1 March 2019, although this may be subject to change. If the Effective Date changes, this will be notified as described in question 13 above.
Part D - How the Part VII and Merger may affect UBS Limited clients

Please note that questions 16 to 26 are applicable regardless of the nature of any product you are trading with UBSL.

Please also read:
- Question 19 if you have deposits with UBSL;
- Question 26 if you have a security interest with UBSL;
- Question 27 if you trade ETD products with UBSL;
- Question 28 if you trade with UBSL on the basis of any netting opinions e.g. ISDA, ICMA or ISLA opinions; and
- Question 29 if you trade any product that is subject to regulatory margining or clearing requirements e.g. OTC derivatives.

16. Do I need to do anything connected with the Part VII or Merger?

Once you have considered the information in these FAQs, and the explanatory statement summarising the transfer scheme, (being the principal document setting out the terms of the transfer under the Part VII process (the "Scheme")) and should you have no further questions or concerns, you do not need to take further action at this stage in connection with the Part VII and the Merger.

If you have any questions or concerns about, or objections to, the Part VII or Merger please see Part G (Further questions or concerns) below.

If there is a change of the Effective Date this will be notified as described in question 13 above.

We recommend you see question 17 below which sets out certain operational changes which you may need to make to your systems and processes in anticipation of the Part VII and the Merger.

If you are acting as agent on behalf of a principal, we request that you share this communication, the FAQs and the summary of the Scheme with the principal as soon as practicable. Should you require assistance to communicate with your principal(s) please let us know using the contact details listed in the "Contact Us" section below.

17. Will I need to make any changes to my systems or operations to take into account the transfer?

You may need to make some changes to your systems to reflect the Part VII and the Merger as at the Effective Date, including but not limited to the following.

Following the Part VII and Merger, the standard settlement instructions ("SSI") for UBS ESE will need to be used, rather than those of UBSL. These will be communicated to you in due course.

Following the Part VII and Merger, the legal entity identifier ("LEI") for UBS ESE (5299007QVIQ7IO64NX37) will need to be used, rather than that of UBSL (REYPIEJN7XZHSUI0N355) in front to back systems.
Following the Part VII and Merger, a new bank identifier code ("BIC") for UBS ESE (UBSWDE24XXX) will need to be used.

These details are also included on the web page www.ubs.com/brexit for your reference. If there is any change to the Effective Date, from which date these changes will need to be in place, this will be notified as described in question 13 above.

You should determine for yourself any other changes that may need to be made by you given any laws and regulations you are subject to and your particular systems, set-up and internal processes.

18. How are my interests protected?

The legal and regulatory framework relating to the Part VII and Merger seeks to ensure that, among other things:

- The interests of UBSL's counterparties are safeguarded and will not be materially adversely affected.

- As part of the Part VII and Merger, UBSL's counterparties' interests, and the interests of other stakeholders, are being looked after by a thorough review process which includes:
  - close consultation by us with the PRA and FCA;
  - the approval of the Part VII and the Merger by the High Court;
  - a certificate from BaFin as to UBS ESE’s financial resources in light of the transfer; and
  - the ability for interested parties to raise any concerns in relation to the Part VII and Merger to UBS or to raise an objection to the Part VII, either to the High Court or to UBS, following which the concerns raised will be communicated to the PRA, the FCA and the High Court.

The High Court will only approve the Part VII if it considers it appropriate in the circumstances. The High Court will take into account any concerns raised or representations made by counterparties or interested parties affected by the Part VII, and the opinion of the PRA and FCA.

However, you should consider your own position in connection with the Part VII and the Merger, and contact us should you have any questions or concerns using the contact details listed in the "Contact Us" section below.

UBS has also engaged with BaFin, Bundesbank, the ECB and FINMA in connection with the Part VII and the Merger.

19. How will the proposed transfer impact my protection under statutory protection schemes? Will the proposed transfer impact my ability to access the Financial Services Compensation Scheme (FSCS)?

The FSCS is a UK statutory scheme funded by members of the UK financial services industry that provides monetary compensation to eligible depositors and which protects up to £85,000 of money
deposited with authorised deposit takers, including UBS, if the deposit taker is unable to repay money deposited with it. It also provides certain coverage in respect of investment business for up to £50,000.

Following the transfer, eligible depositors will no longer have access to the FSCS, and instead any deposits or investments they have will be covered by the equivalent German regime, being, in respect of UBS ESE, the Compensation Scheme of German Private Banks (Entschädigungseinrichtung deutscher Banken GmbH "EdB").

In respect of deposit protection, the level of compensation coverage under each scheme is currently similar (£85,000 in the UK compared to €100,000 in Germany) and under both schemes the deposits of certain financial institutions are not covered, such as deposits made by other banks, investment firms, insurance companies and funds. The FSCS in the UK provides that additional compensation, up to a maximum of £1,000,000, is payable to deposit-holders in respect of "temporary high balances" which is more generous than the equivalent protection set out under the EdB which is limited to EUR 500,000. However, "temporary high balances" are sums deposited in respect of matters such as the sale/purchase of residential property, payments under insurance policies and compensation for personal injury. UBS considers that its current deposit-holders are extremely unlikely to deposit such sums and as such UBS does not expect this differentiation between the two schemes to be material.

There is a supplementary voluntary scheme in Germany for private banks, the Deposit Protection Fund for German private banks (Einlagensicherungsfonds; "ESF"). The UBS ESE is a member of this voluntary scheme. This scheme offers an additional layer of protection to eligible depositors under the voluntary scheme which is not available in the UK.

In respect of investor protection, the UK scheme protects 100% of protected claims up to £50,000 whereas the German scheme protects 90% of protected claims up to EUR 20,000. However, both the UK and German investor compensation schemes protect a more limited set of persons than the deposit protection schemes. Whilst the investor compensation schemes cover the claims of individuals and small businesses, they do not cover the claims of large corporates or financial institutions. Whilst it may be possible that some transferring counterparties fall within the scope of these investor protection schemes, UBS considers that the majority will not.

In the unlikely event of an insolvency of UBS ESE, unlike in the UK, UBS ESE could in certain situations be entitled to apply set off in respect of deposits, including the amount covered by statutory deposit protection. No special rules apply in Germany to protected deposits in an insolvency of UBS ESE with respect to set off, so set off is available in accordance with German insolvency law (requiring, amongst other things, that the claim against which set-off is applied is due and payable at that time). However, this does not affect the position that claims in respect of protected deposits rank senior to other creditors in an insolvency of UBS ESE.

UBS do not consider that there are differences which could be expected to be material for UBSL's deposit holders (or that the differences in investor protection will have a material effect in respect of its business), particularly as UBS ESE is anticipated to be: (i) at least as creditworthy following the Effective Time as it and UBSL were immediately prior to the Effective Time and; (ii) a well-capitalised entity holding capital in excess of its regulatory capital requirements.
However, if you are concerned about the impact of the Part VII on your cash deposits and the statutory protection available, please contact us using the contact details listed in the "Contact Us" section below to discuss your circumstances.

If you are a UBSL depositor currently eligible to receive FSCS protection, you will have a three month period following receipt of this set of FAQs by email within which you may withdraw, or transfer to another institution, without incurring any penalty, such part of your deposit, together with any accrued interest or other benefits, as may exceed the EdB coverage level.

If you are not sure whether you are eligible to receive FSCS protection currently, please either contact us using the contact details listed in the "Contact Us" section below, or visit www.fscs.org.uk which sets out the eligibility criteria for the FSCS regimes.

20. **Is there any impact on access to the Financial Ombudsman Service ("FOS")?**

FOS is generally only available to the following persons: (i) private individuals; and (ii) micro-enterprises that have an annual turnover of EUR2 million or less and have fewer than ten employees. UBSL believes that there is a very small number of eligible clients in-scope for the Part VII. If you believe that you fall within these criteria or otherwise have access to FOS in connection with your relationship with UBSL please contact us using the contact details listed in the "Contact Us" section below so that we can clarify this.

21. **Will there be any changes to any contract I currently have with UBSL?**

To ensure the effective operation after the Effective Date of your contract(s) which are transferring pursuant to the Part VII, we are requesting that the High Court grant certain orders to amend all transferring contracts (including your contracts).

These proposed amendments fall into two groups:

(i) amendments which are required in order to ensure compliance with law and regulations applicable to UBS ESE; and

(ii) amendments which are required to ensure the contracts continue to operate effectively following the Part VII and Merger.

Provided the High Court grants the relevant orders, these changes will be deemed incorporated into contracts which are transferring on the Effective Date under the Part VII.

**Contractual amendments**

**BRRD:**

- The UK and Germany are currently both subject to Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms which provides for certain
measures/tools to be available in Member States for the purpose of resolving credit institutions and investment firms (the “BRRD”).

- The BRRD ensures that any exercise of bail-in powers by a resolution authority will automatically be effective within the EU for contracts governed by an EU law. Article 55 of the BRRD requires EU firms and other in-scope entities to include a contractual recognition of bail-in clause in a very wide range of non-EU law governed contracts.

- Currently UBSL does not include Article 55 BRRD wording in contracts with EU counterparties or in those governed by EU law, as the BRRD ensures that any exercise of bail-in powers by the relevant UK resolution authority will automatically be effective within the EU.

- However, upon the Brexit Date (or at the end of any negotiated transitional period), the BRRD will no longer apply to English law governed contracts. This means that in order to comply with EU law (as implemented in Germany) following the Effective Date, if your contract(s) with us are governed by English law, Article 55 wording will need to be imported into them. UBS is requesting that the High Court grant an order to incorporate such wording into transferring Part VII contracts governed by English law to ensure you do not need to take any further actions to effect this change.

**Contractual Stays:**

- While the BRRD empowers national resolution authorities to impose temporary restrictions on early termination rights on UBSL’s counterparties (“Contractual Stays”), the BRRD does not impose a mandatory obligation on member states to implement contractual stay recognition requirements in respect of contracts governed by the laws of a non-EU member state. Germany has however implemented such recognition requirement and the German Recovery and Resolution Act (Sanierungs- und Abwicklungsgesetz) requires in-scope entities to include a recognition of Contractual Stays clause in their financial contracts governed by the laws of, or subject to the jurisdiction of a non-EU member state.

- Upon the Brexit Date, any in-scope contract(s) you have with us which are governed by English law, will be amended to include appropriate recognition of Contractual Stay wording in order to prevent a breach of a German legal requirement upon the Part VII and Merger and to ensure that UBS contractually recognises any contractual stay regimes applicable to you. UBS is requesting that the High Court grant an order to incorporate such wording into transferring Part VII contracts governed by English law to ensure you do not need to take any further actions to effect this change.

The above orders are not intended to materially change the contractual agreement between, or position of, you and UBSL. Currently the UK government has certain powers in respect of English law contracts in a resolution scenario of UBSL pursuant to the BRRD. The order will expressly confirm in your transferring contract to the extent it is governed by English law or the laws of any country which is not in the EU that the German authority will have similar powers to those of the English authority over your contract in the unlikely event of a resolution scenario of UBS ESE. In addition, the order expressly includes provisions to the effect that in certain situations, if you are subject to any similar
requirements to obtain contractual recognition in respect of bail-in provisions and contractual stay pursuant to the BRRD, UBS ESE will recognise those.

Amendments required to ensure contracts operate effectively after the Effective Date

UBS is requesting that the High Court grants an order so that:

- any reference to UBSL is to be read as a reference to UBS ESE, and that any reference to the current (or prior) addresses or registered office(s), telephone number(s) or fax number(s) of UBSL are read as references to the current telephone number, fax number, postal address or registered office of UBS ESE;

- any references to UBSL's SSIs, LEI or BIC codes are to be read as references to UBS ESE’s SSIs, LEI or BIC codes;

- any references to UBSL’s status, applicable membership or registration numbers or place of incorporation are to be read as references to UBS ESE’s status, applicable membership or registration numbers or place of incorporation.

- any references to UBSL’s regulators and current regulatory permissions are to be read as references to UBS ESE’s regulator(s) and current regulatory permissions.

- any references to the booking location of the contract being in London or the UK are to be read as references to Frankfurt, as applicable.

- any references to the cash account numbers allocated by UBSL to each transferring account are to be read as a reference to the cash account numbers allocated by UBS ESE after the Effective Date.

- any references to UBSL's rates, tariffs, scales of fees or terms and conditions are to be read as references to UBS ESE’s rates, tariffs, scales of fees or terms and conditions.

- any rate, charge, tariff or scales of fees or terms and conditions applicable to UBSL are to apply to UBS ESE and UBS ESE shall have the same right as UBSL had to publish, determine, vary or amend such rates, charges, tariffs, scales of fees, terms and conditions published, determined or ascertained.

- any reference to the board of directors or management committee of UBSL, or any officers, employees or agents of UBSL is to be read as a reference to the management board or supervisory board or any other officers, employees or agents of UBS ESE.

- any reference to legislation and regulations of the United Kingdom currently applicable to UBSL shall be read as equivalent legislation and regulations of Germany and applicable to UBS ESE, where such equivalent applicable legislation and regulations exist in Germany (please note, where there are no such equivalent legislation and regulations in Germany the reference will remain as a reference to the legislation and regulations currently applicable to UBSL).
references to the Parent Guarantee in Covered Agreements shall be deemed to be references to the New Parent Guarantee. For more information on this see question 23 below.

If the orders are granted, these changes would be incorporated into your transferring contract(s) to ensure that they reflect that you will be dealing with an entity incorporated, and with its head office, in Germany rather than England.

For full details of the orders please see the Scheme and explanatory statement referred to in question 37 below.

22. Will I get copies of my new contract?

UBS does not currently intend to send you new versions of your transferring contracts solely to reflect the changes which will be made as described in question 21 above. They will simply be included in your contract as of the Effective Date provided the High Court grants the orders.

23. Will this affect the Parent Guarantee?

Counterparties of UBSL currently benefit from a guarantee provided by UBS AG under English law (the "Parent Guarantee"). The Parent Guarantee guarantees the payment obligations of UBSL under any "Contract" entered by UBSL with any "Counterparty". The Parent Guarantee can be amended or terminated by UBS AG on 30 days' notice.

The Parent Guarantee provides that the counterparties to contracts entered into by UBSL that benefit from the Parent Guarantee ("Guaranteed Contracts") in respect of UBSL's liabilities incurred prior to any amendment or termination of the Parent Guarantee shall continue to benefit from the Parent Guarantee in its current form.

The Parent Guarantee is not an asset or liability of UBSL and therefore will not transfer under the Part VII or Merger. This means that while the Parent Guarantee will continue to apply to payment obligations incurred by UBSL before the Effective Time under Guaranteed Contracts, it will not apply to any payment obligations incurred by UBS ESE after the Effective Time under those same Guaranteed Contracts. Further, the Parent Guarantee will also not apply to any new agreements entered into by UBS ESE after the Effective Time.

The current Parent Guarantee will continue to apply to payment obligations incurred by the UBS ESE after the Effective Time under Guaranteed Contracts which contain a "single agreement" clause. Single agreement clauses contained in certain Guaranteed Contracts provide that all transactions entered into between the counterparty and the Transferor pursuant to that Guaranteed Contract constitute a single agreement. The UBS ESE's payment obligations incurred under future transactions entered into pursuant to such Guaranteed Contracts after the Effective Time will continue to be covered by the Parent Guarantee until such time as the Guarantee falls away (whether in accordance with its terms or through operation of law).

Additionally, UBS AG has agreed that it will provide a separate guarantee to UBS ESE's counterparties after the Effective Date in respect of master netting agreements which contain a "single agreement"
clause and which are contracts transferring under the Part VII or Merger or are entered into after the Effective Date by UBS ESE acting out of its investment bank division: essentially those covering over-the-counter ("OTC") derivatives, cleared derivatives, repurchase agreements ("Repos"), securities lending and exchange traded derivatives ("ETD") master agreements (the "Covered Agreements"). It is currently expected that this new parent guarantee will be executed by UBS AG by deed poll prior to the Sanction Hearing on the Part VII (the "New Parent Guarantee"). No double counting will be permitted under the two parent guarantees provided by UBS AG. Eligible counterparties will only be entitled to claim under the New Parent Guarantee to the extent they are not able to claim under the current Parent Guarantee. Like the current Parent Guarantee, the New Parent Guarantee will be governed by English law and can be amended or terminated by UBS AG on 30 days' notice.

Certain Covered Agreements contain reference to the Parent Guarantee as a credit support document. In order to reflect that the New Parent Guarantee will be put in place, UBSL is seeking that the court amends the Covered Agreements using its powers to ensure that references to the Parent Guarantee in Covered Agreements shall be deemed to be references to the New Parent Guarantee following the Effective Time.

24. Can I terminate my contract with UBSL before, or as a result of the Part VII and Merger?

You may terminate your contract in accordance with any pre-existing contractual right to terminate in your contract(s) with UBSL, provided applicable notice provisions, etc. are complied with.

However, as a result of the Part VII, if there are any contractual provisions in English law contracts which would be "triggered" by the transfer, these will be over-ridden as part of the High Court order. For example, if your contract contained consent or accession conditions whereby ordinarily the approval of other parties would be required, or notice would need to be given to allow the transfer, you would lose your right to terminate or claim for damages in respect of a breach of consent/accession/notice conditions as a result of the Part VII.

If you have any questions or concerns about the Part VII or the Merger, please contact us using the contact details listed in the "Contact Us" section below.

25. Will the same people be dealing with me after the Part VII and Merger?

In general, broadly the same UBS sales teams are expected to service clients and counterparties after the Effective Date, albeit that sales personnel may be based in Frankfurt or in a different UBS ESE branch location rather than the UK. UBS is not anticipating that there will be any material difference in the service levels you receive (including skills of sales team, response times, etc.) as a result of the Part VII or the Merger.

There may be some changes to the member of the sales team you deal with after the Effective Date. If there is such a change, you will be appropriately informed.

The range of products available to you will be substantially unchanged following the Effective Date (although there will be some changes, for example, regarding CASS services as described in question 27).
26. Will this affect the security I have with UBSL?

Where security arrangements you have with UBSL are governed by the laws of countries which recognise the Part VII and/or Merger, the security arrangements you have with UBSL will be transferred via the Part VII and/or Merger.

Where security is neither governed by English law, nor governed by the laws of jurisdictions which recognise the Part VII and/or Merger, further steps may be needed to transfer your security. It is anticipated that any required perfection steps will be taken in the relevant jurisdiction by UBSL to ensure the transfer of your security, and we will be in touch with you soon, if we have not contacted you already, to discuss the transfer or perfection of security.

Where you have provided security to UBSL, we may contact you or other parties to the relevant contractual arrangements such as an Agent or Trustee, about specific procedural steps that may be necessary to re-perfect the security in favour of UBS ESE.

27. Will the CASS Sourcebook of the FCA Handbook still apply after the Part VII and Merger?

In its ETD clearing and execution business, UBSL receives cash and assets as margin for ETD positions and provides certain clients ("ETD Clients") with protections under the FCA’s CASS 6 client asset rules and CASS 7 client money rules in the FCA’s CASS Sourcebook.

- CASS client money protection: Where UBSL provides CASS 7 client money protection ("CASS Client Money Protection") it deposits client cash margin in designated client trust accounts with a network of banks, intermediate brokers and central counterparties ("CCPs") ("Client Money Holders"). This means:
  - UBS insolvency: Upon UBSL’s insolvency, client money balances held by Client Money Holders will be held for the benefit of ETD Clients and will not be available to UBSL’s general creditors;
  - Client Money Holders' insolvency: If any Client Money Holder fails, as trustee for affected ETD Clients, UBSL will have only an unsecured claim against the Client Money Holder, which it will hold on trust for those affected ETD Clients.

- CASS safe custody protection: Where UBSL provides CASS 6 client asset protection ("CASS Safe Custody Protection") it holds ETD Client assets posted as margin as custodian, on trust subject to the CASS custody rules, holding the beneficial interest in those assets for ETD Clients, subject to any security interest over those assets granted to UBSL by the relevant ETD Clients. This means that upon UBSL’s insolvency, following settlement of the ETD Clients’ outstanding liabilities, assets held subject to CASS 6 will be held for the benefit of those ETD Clients and will not be available to UBSL’s general creditors.

The CASS rules do not apply in Germany and there are no directly equivalent regulatory provisions under German law. UBS ESE will not be able to offer CASS Client Money Protection or CASS Safe Custody Protection.
Custody Protection. However, UBS AG (London Branch) intends to offer CASS protection. Therefore, UBS proposes to split its ETD offering as follows:

- Where possible, UBS wishes to transfer ETD Clients from UBSL to UBS AG (London Branch) before the Merger. It is intended that such ETD Clients will continue to benefit from CASS Client Money Protection and CASS Safe Custody Protection under FCA rules (except for certain ETD Clients accessing certain markets where UBS does not currently offer CASS, who will be notified separately). We are working through our operational planning to seek to achieve this and anticipate that additional information and disclosures will be provided to clients transferring to UBS AG (London branch). Novating clients to UBS AG (London branch) requires the consent of each affected ETD Client to the transfer. For those ETD Clients who cannot transfer their ETD business to UBS AG (London Branch), or who do not wish to ("Residual ETD Clients"), UBS will offer ETD clearing and execution from UBS ESE.

- However, Residual ETD Clients must, before the Part VII and Merger, agree that CASS Client Money Protection and CASS Safe Custody Protection will no longer apply. UBS ESE will receive margin on a title transfer basis. In the unlikely event of an insolvency of UBS ESE, ETD clients will have an unsecured claim for any cash or non-cash margin due to be returned to them and the claim will rank pari passu with all other unsecured creditors. UBS ESE will not be able to continue to offer ETD clearing and execution services to Residual ETD Clients who do not agree to disapply CASS protection before the Part VII and Merger and would therefore need to terminate such ETD relationships in accordance with the terms of their contracts. Residual ETD Clients that agree to the disapplication of CASS protection will transfer to UBS ESE under the Part VII.

UBSL has considered whether it is possible to construct an equivalent to the UK CASS Client Money Protection and CASS Safe Custody Protection for Residual ETD Clients that transfer to UBS ESE. The UK regime has the benefit of a statutory trust backing the enforcement of the protections afforded to clients in relation to cash held as client money rather than as banker, and the general English law concept of a trust in relation to securities held as custodian under an English law custody agreement. To construct protections for a German entity would mean relying on the creation of separate contractual trust arrangements. The effectiveness of the arrangements would depend on the location of cash/assets and there would be a need to verify the enforceability of client protections on an ongoing basis. This model would be vulnerable to the results of the on-going due diligence needed to support a bespoke structure. UBSL would not be able to utilise its existing London CASS structure so these arrangements would need to be built separately and would require the consent of third party banks, CCPs and intermediate brokers. Without a fully validated bespoke structure and all third party consents being in place, the offering would be more operationally complex for clients as they would be likely to face two gross margin calls.

UBSL has concluded that attempting to replicate the CASS protections in a Germany legal entity has an uncertain outcome and is disproportionately complex and costly to pursue at this time. We note that there are also EMIR compliant (as defined below in question 29) individual segregated account offerings not subject to CASS 7 client money rules that provide enhanced protections and these are available to ETD clients both before and after the Part VII and Merger. In addition, if you are a
Residual ETD Client we will consult with you on whether you have a need for enhanced protections, which we may look to put in place after the Part VII and Merger.

We have already communicated with affected ETD Clients seeking their consent either to transfer their ETD business to UBS AG (London Branch), or to disapply CASS protection. If you believe you are affected but have not yet received such a communication, please contact us using the contact details listed in the "Contact Us" section below and we will discuss your circumstances with you.

28. Will there be any change to the netting opinions I can rely on after the Part VII and Merger?

UBS acknowledge that you may rely on certain industry standard netting opinions when contracting with UBSL and UBSL have considered the impact of the Part VII and the Merger on netting opinion coverage.

The International Swaps and Derivatives Association ("ISDA") opinion, which is used by counterparties to UBSL's OTC derivative transferring contracts has been extended to cover *societates europaeae* ("SEs"), meaning that it will be applicable to UBS ESE following the Effective Date. However, there are some differences in the types of security which are covered by the opinion. UBS have requested that these types of security are included the next time the opinion is updated. If the opinion is not updated to include these types of security, UBS will explore options to prevent material detriment arising for transferring counterparties.

The International Capital Markets Association ("ICMA") and International Securities Lending Association ("ISLA") opinions, currently used by the counterparties to UBSL's Repos and securities lending agreements do not currently cover SEs. UBSL has sought its own netting opinion to cover SEs registered in Germany which confirms that the netting opinions provided by ICMA and ISCA do also extend to UBS ESE. In light of this opinion, ICMA has indicated that it will extend its industry opinion to cover SEs.

UBS has also considered the differences between the ICMA and ISLA opinions which cover UK entities and the ICMA and ISLA opinions which cover German entities. Aside from the fact that SEs are not covered by the opinion (as set out above), the Core Provisions identified in the German law ICMA/ISLA opinion differ slightly from those identified in the English law opinion. Further, certain amendments relating to paragraph 10 of the standard form Repo, the ("GMRA") are identified in the German law opinion as being detrimental to the opinion.

UBS do not consider that it is likely that any counterparty contracts contain amendments to Core Provisions which are identified in the German law opinion as being detrimental to the opinion and as such do not think it likely that any counterparty transferring to UBS ESE will be detrimentally affected on this basis, although if you consider you may be affected by this issue, please contact us using the contact details listed in the "Contact Us" section below and we will discuss your circumstances with you.

29. Will I be required to margin or clear transactions after the Part VII and Merger?

You may be subject to local rules regarding clearing and margin which you should consider in the context of the Part VII and Merger. It may be that the transfer of derivative contracts pursuant to the
Scheme could have an impact upon clearing or regulatory margin requirements applicable to transferring trades.

UBS does not consider that the Part VII and Merger should trigger an obligation to clear or to margin existing trades under English law ISDA Master Agreements under the European Market Infrastructure Regulation (648/2012) ("EMIR"). However, you will need to make your own determination as to whether you believe you are affected by this under any relevant laws and regulations. If you feel you may be affected by increased EMIR obligations, please contact us using the contact details listed in the "Contact Us" section below to discuss this with us.

The Dodd-Frank Wall Street Reform and Consumer Protection Act 2010 ("Dodd-Frank") in the USA introduced rules regarding the margin requirements for new derivative trades (if they are not cleared at a clearing house). These include a minimum amount the Federal Reserve Bank requires a customer to have as a deposit, either in cash or in approved securities as collateral with their counterparty. The rules do not apply to trades outstanding before the legislation was enacted. However, this benefit may be lost as the Scheme could potentially trigger an event so that a customer’s existing derivative trades are brought into scope of the margin requirements. You should consider whether you feel this may apply to you.

If any other local clearing and margining rules apply to you, and you believe that as a result of the transfer you may be brought into scope of any margin or mandatory clearing requirements, please contact us using the contact details listed in the "Contact Us" section below to discuss this with us.

Part E – Trade reporting, tax and data processing

30. Will there be changes to my trade reporting?

No change is expected to any trade reporting, as the same systematic internalisers will continue to be used following the Part VII and Merger (however reports and other work-products received following the Effective Date will bear UBS ESE’s name).

31. Will the Part VII or Merger alter my tax obligations?

UBSL has sought to identify potential adverse tax implications of the Part VII and Merger for its counterparties. This exercise has not involved a full analysis of the potential tax consequences for each counterparty, but UBS has given consideration to what it and its advisors consider are the categories of potential tax consequence in the light of the nature of UBSL’s business and the location of its counterparties. The review has identified certain limited areas where a counterparty could, depending on their individual circumstances and certain other factors, experience negative tax impacts as a result of the Part VII and Merger.

While UBSL has undertaken this high-level analysis, UBS does not provide tax advice to its counterparties or to any other person. If you are unsure of the tax consequences which may arise to you in connection with the Part VII or the Merger you should seek independent tax advice regarding
your position. Following receipt of such advice, if you consider you may be detrimentally affected by
the transfer, please contact us using the contact details listed in the "Contact Us" section below.

32. Would the Part VII and Merger affect the processing of information relating to my contract?

The transfer of your contract(s) pursuant to the Part VII and Merger will mean that the company
which controls the processing of information (the "Data Controller") will change from UBSL to UBS
ESE. UBS’s use of information will otherwise remain unchanged and UBS will continue to protect it.
This is a link to the UBS UK privacy notice: https://www.ubs.com/global/en/legalinfo2/uk/data-
privacy-notice.html.

Part F – Who should be receiving these FAQs

These FAQs are intended for clients and counterparties of UBSL.

33. I do not believe I have a contract with UBSL so why have I received this?

Please get in contact with us using the contact details listed in the "Contact Us" section below to
discuss this with us.

34. I am acting on behalf of another party (e.g. I am an Investment Manager) – do I need to do anything
further?

If you are acting on behalf of another party, we request that you share this communication, the FAQs
and the summary of the Scheme with that party as soon as practicable. Should you require assistance
to communicate with them please let us know using the contact details listed in the "Contact Us"
section below.

35. Why have I also been contacted telling me my contract will move to UBS AG?

You may have received a communication already regarding certain business which is transferring to
UBS AG (London Branch). This is happening as part of a separate process (the “AGLB Transfer”). The
AGLB Transfer involves the transfer of certain business with clients in certain European jurisdictions as
well as non-EEA clients, and the transfer of the operation of the UBS MTF pursuant to the existing
terms and conditions of client contracts, or with client consent, where required.

The AGLB Transfer is due to be completed in January 2019 before the Part VII and the Merger.

You have received this communication as well as the communication in respect of the AGLB Transfer
as you have: (i) certain contract(s) which are in-scope to transfer to UBS AG (London Branch); and (ii)
certain contract(s) which are in-scope to transfer to UBS ESE under the Part VII and the Merger.

36. If the Part VII and Merger automatically transfer contracts to UBS ESE, why have some counterparties
also been separately contacted regarding a contract that will be moving to UBS ESE?
The Part VII and Merger will be used wherever possible to transfer agreements to UBS ESE. However, some agreements are not appropriate for transfer through the Part VII and the Merger and instead will need to be transferred individually, with counterparty consent. This generally applies to certain limited types of contracts governed by the laws of jurisdictions outside the UK. Affected counterparties have been notified separately.

Part G – Further questions or concerns

37. Where can I find out more information?

You can contact us using the contact details listed in the "Contact Us" section below. Alternatively, you can speak to your usual contact at UBS. If you wish to object to the Part VII and Merger or raise any concerns or make representations please see question 38 below.

The following documents have been uploaded to web page www.ubs.com/Brexit and are capable of download free of charge:

- the Scheme which sets out the terms of the Part VII transfer;
- an explanatory statement summarising the terms of the Scheme;
- these FAQs;
- a copy of the draft terms of merger in connection with the Merger; and
- the UBS Europe SE Know Your Client (KYC) and Anti-Money Laundering (AML) due diligence pack.

The web page content will include the FAQs; an overview of key dates in the High Court processes; High Court details relating to the Part VII and the Merger; information on how to raise questions, concerns or objections to the Part VII and Merger, and applicable contact details.

Hard copies of the above documents will be made available upon request and are also available for inspection at the address listed in the "Contact Us" section below.

38. How can I object to the Part VII and Merger, or raise any concerns or make representations?

If you have any questions or concerns in relation to the Part VII or Merger, including the changes to your terms and conditions, please contact us using the details listed in the "Contact Us" section below, or contact your usual UBS contact.

If you believe you may be adversely affected, you also have the right to formally object to the Part VII and attend the Sanction Hearing to present your views. You can contact us using the contact details listed in the "Contact Us" section below even if you are not going to appear at the Sanction Hearing and we will ensure that your objections are presented at the Sanction Hearing. You can also instruct a solicitor advocate or barrister, at your own cost, to appear at the Sanction Hearing and make representations on your behalf. When considering whether to give its approval to the Part VII, the High Court will amongst other things take into account whether the Part VII adversely affects you or anyone else.
We request that you notify us of your intention to object to the Part VII, providing us with details of your objection and your written representation or details of your intention to attend or be represented at the High Court hearing. Please provide these details in writing to the email address or the address listed in the "Contact Us" section below stating your reasons and preferably by 31 December 2018. This will enable UBS to provide notification of your objection to the PRA, FCA and the High Court and, if possible, to address any concerns raised in advance of the Sanction Hearing. UBS will provide copies of objections received to the PRA, FCA and the High Court, regardless of whether or not you intend to attend the Sanction Hearing.

The Sanction Hearing is due to occur in the Rolls Building, Fetter Lane, London EC4A 1NL on 5 February 2019. The Sanction Hearing date may change in which case the new date will be notified via our web page at www.ubs.com/brexit.

A failure to give written notice in advance does not prevent any person who so wishes from attending the Sanction Hearing.

If you have any questions or concerns about the Part VII or the Merger please contact us using the contact details listed in the "Contact Us" section below.

39. Contact Us

If you want to contact us in relation to the Part VII and the Merger, please use the contact details set out below, or alternatively please contact your usual UBS contact:

ubs-ib-brexit@ubs.com

Brexit Client Outreach Team
Mailbox E25,
5 Broadgate London, EC2M 2QS.

Telephone
If you have telephone contact details for your usual UBS contact you may use these.

For all normal enquiries please contact your UBS contact in the usual way.
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