



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

Our clients work with their Financial Advisors to determine the services that are most appropriate given their goals and circumstances. Based on the services you request, we can fulfill your wealth management needs in our capacity as an investment adviser, as a broker-dealer, or as both. For example, we offer financial planning as an advisory service. Once we deliver a financial plan to you, you can decide whether to implement the financial plan via brokerage accounts, advisory programs or a combination, depending on your needs and preferences. Most of our Financial Advisors are qualified and licensed to provide both brokerage as well as advisory services depending on the services a client has requested.

As a firm providing wealth management services to clients in the U.S., we<sup>1</sup> are registered with the U.S. Securities and Exchange Commission (SEC) as a broker-dealer and an investment adviser, offering both investment advisory and brokerage services.<sup>2</sup>

<sup>1</sup> This document pertains to the wealth management services provided by UBS Financial Services Inc., a registered broker-dealer and investment adviser, and UBS Financial Services Inc. of Puerto Rico, a registered broker-dealer which provides advisory services through UBS Financial Services Inc. UBS Financial Services Inc. is also a member of the New York Stock Exchange.

<sup>2</sup> Examples of our advisory programs and services include our financial planning services and our ACCESS, Portfolio Management Program (PMP), Managed Accounts Consulting, PRIME, Strategic Advisor and PACE programs. Examples of our brokerage accounts include our InsightOne and Resource Management accounts.

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

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

### **Our Services as an Investment Adviser and Relationship With You**

We offer a number of investment advisory programs to clients, acting in our capacity as an investment adviser, including comprehensive financial planning, discretionary account management, non-discretionary investment advisory programs, and advice on the selection of investment managers and mutual funds offered through our investment advisory programs.

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

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

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

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

Comprehensive financial planning services are available for a fee; basic financial planning services are currently available at no charge.

Your Financial Advisor will receive part of the fees you pay us.

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

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

- Obligations to disclose to you all material conflicts between our interests and your interests.
- If we or our affiliates receive additional compensation from you or a third-party as a result of our relationship with you, we must disclose that to you.
- We must obtain your informed consent before engaging in transactions with you for our own account or that of an affiliate or another client when we act in an advisory capacity.

- We must treat you and our other advisory clients fairly and equitably and cannot unfairly advantage one client to the disadvantage of another.
- The investment decisions or recommendations we make for you must be suitable and appropriate for you and consistent with your investment objectives and goals and any restrictions you have placed on us.
- We must act in what we reasonably believe to be your best interests and in the event of a conflict of interest, we must place your interests before our own.

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

As a full-service broker-dealer, our services are not limited to taking customer orders and executing securities transactions. As a broker-dealer, we provide a variety of services relating to investments in securities, including providing investment research, executing trades and providing custody services. We also make recommendations to our brokerage clients about whether to buy, sell or hold securities. We consider these recommendations to be part of our brokerage services and do not charge a separate fee for this advice. Our recommendations must be suitable for each client, in light of the client's particular financial circumstances, goals and tolerance for risk.

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

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

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

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

- Pay us for our brokerage services each time we execute a transaction for your account in a Resource Management Account. If you choose to pay on a transaction-by-transaction basis, we can act as either your agent or “broker,” or as a “dealer.”

Operating as your agent or broker, we will charge you a commission each time we buy or sell a security for you.

As a “dealer,” we act as a principal for our own account on the other side of a transaction from you. Using our own inventory, we will buy a security from or sell a security to you, and seek to make a profit on the trade by charging you a “mark up,” “mark-down” or “spread” on the price of the security in addition to the commissions you pay on these transactions.

- Pay an annual asset-based fee in lieu of commissions on each individual trade in your InsightOne fee-based brokerage accounts. Clients with an InsightOne account pay an annual asset-based fee in lieu of commissions on each individual trade. This annual fee is computed as a percentage of your account assets and covers only the costs of trades that we execute as your broker or agent; you still will pay us a mark-up or mark-down on principal trades, as outlined above.

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

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

When we act as your broker, we are held to the legal standards of the Securities Exchange Act of 1934, the Securities Act of 1933, the rules of self-regulatory organizations such as the National Association of Securities Dealers (NASD) and the New York Stock Exchange<sup>3</sup> and state laws, where applicable.

- As your broker-dealer, we have a duty to deal fairly with you. Consistent with our duty of fairness, we are obligated to make sure that the prices you receive when we execute transactions for you are reasonable and fair in light of prevailing market conditions and that the commissions and other fees we charge you are not excessive.
- We must have a reasonable basis for believing that any securities recommendations we make to you are suitable and appropriate for you, given your individual financial circumstances, needs and goals.
- We are permitted to trade with you for our own account or for an affiliate or another client and may earn a profit on those trades. When we engage in these trades, we disclose the capacity in which we acted on your confirmation, though we are not required to communicate this or obtain your consent in advance, or to inform you of the profit earned on the trades.

<sup>3</sup> UBS Financial Services of Puerto Rico is not a member of the New York Stock Exchange.

- **It is important to note that when we act as your broker-dealer, we do not enter into a fiduciary relationship with you, regardless of the fee structure you select. Absent special circumstances, we are not held to the same legal standards that apply when we have a fiduciary relationship with you, as we do when providing investment advisory services.**

Our legal obligations to disclose detailed information to you about the nature and scope of our business, personnel, fees, conflicts between our interests and your interests and other matters are more limited than when we have fiduciary duties with you.

### **For More Information**

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

While we strive to make sure the nature of our services is clear in the materials we publish, if at any time you would like clarification on the nature of your accounts or the services you are receiving, please speak with your Financial Advisor or call 201-352-9999.

For more information, please visit our web site at **[www.ubs.com/workingwithus](http://www.ubs.com/workingwithus)**

©2006 UBS Financial Services Inc. All Rights Reserved. Member SIPC.



UBS Financial Services Inc.  
[www.ubs.com/financialservicesinc](http://www.ubs.com/financialservicesinc)  
060123-0127-R322

UBS Financial Services Inc. is a subsidiary of UBS AG.