

New SEC Short Sale Antifraud Rule 10b-21

Effective October 17, 2008, the U.S. Securities and Exchange Commission adopted a new antifraud rule focused on naked short selling. Specifically, Rule 10b-21 under the Securities Exchange Act of 1934 makes it a civil and criminal offense for any person to submit an order to sell an equity security and deceive the person's executing broker-dealer or counterparty about the person's intention or ability to deliver the shares in time for settlement, and then fail to deliver such shares by settlement. UBS Securities LLC ("UBS") would, therefore, like to take this opportunity to strongly encourage all clients to adopt strict policies, procedures and systems controls to ensure that each short sale order submitted to UBS includes a valid and accurate locate. Clients should keep the following points in mind:

- **Long sales:** When you submit a long sale order through UBS, you are representing to UBS that you "own" the shares in accordance with Regulation SHO and that either (i) the shares are in the possession of UBS, your prime broker or your custodial bank or (ii) you reasonably expect the shares to be in the possession of UBS, your prime broker or custodial bank by the time due for settlement.
- **Short sales:** When you submit a short sale order through UBS and provide the required locate, you are representing to UBS that (i) you have contacted the source of the locate and (ii) you reasonably believe that the source can or intends to deliver the shares by the time due for settlement.
- **Misrepresentation of ownership or locate information:** If you misrepresent your ownership status (for long sales) or provide an inaccurate or invalid locate (for short sales), you may violate Rule 10b-21 if you fail to deliver the shares by settlement.

As always, if you have any questions about these requirements or regarding specific orders, please contact your account manager or sales trader. Thank you.