



**etf**  
**Securities**

## ETFS Commodity Securities Ltd (CSL) ETCs – Counterparty Risk Explained

### About CSL ETCs

Exchange Traded Commodities (ETCs) issued by ETFS Commodity Securities Ltd. (CSL) provide investors with a wide variety of investment strategies and offer long, forward, leveraged and short exposure to all commodity sectors including Energy, Precious & Industrial Metals, Agriculture and Livestock.

ETCs issued by Commodity Securities Ltd are transferable securities that can be created or redeemed on demand (by market-makers). They trade on the Exchange just like equities and their pricing and tracking operate similarly to Exchange Traded Funds (ETFs). ETCs issued by Commodity Securities Ltd track the DJ-UBSCI<sup>SM</sup> & DJ-UBSCI-F3<sup>SM</sup> commodity indices.

They are traded in 3 currencies (USD, EUR and GBP) and listed on 5 major European Exchanges.

### Who is the Issuer?

ETFS Commodity Securities Limited is the Issuer for these ETCs. The Issuer is a special purpose vehicle (SPV) created to issue ETCs. The assets of each Issuer and class of security are ring-fenced for investor protection. The Issuer is wholly-owned by ETF Securities Limited and is regulated by the Jersey Financial Services Commission (JFSC).

### What happens if the commodity counterparty or ETFS go bankrupt?

In the event the commodity counterparty was to go bankrupt, the Issuer (and Trustee) would take control of the collateral.

In the event that ETF Securities were to go bankrupt, the Trustee and an Administrator would take control of the Issuer's assets which should have no effect on the value of the ETCs since the Issuer is ring-fenced from ETF Securities.

### Who provides the commodity exposure?

ETCs issued by ETFS Commodity Securities Ltd. are backed by matching Commodity Contracts purchased from the commodity counterparty.

All ETCs issued by Commodity Securities Ltd are backed 100% by collateral held by the collateral manager BNY Mellon in a separate account and adjusted daily.

### What does 100% collateralised mean?

The collateral is posted into a pledge account which is monitored and valued daily by the Custodian, Bank of New York Mellon (BNY).

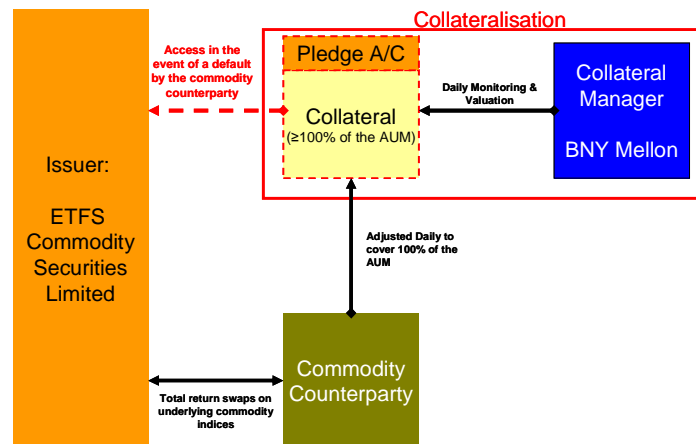
In the event that the commodity counterparty defaults on its obligations, ETFS Commodity Securities Ltd. (on behalf of investors) would be the sole beneficiary of the collateral.

The commodity counterparty can only post collateral – all withdrawals from the pledge account can only be performed by BNY.

If any collateral fails to meet specific eligibility requirements, additional eligible securities must be delivered immediately.

Please note that all eligibility criteria are monitored on a daily basis. Details of eligible collateral can be found in the Issuer supplementary prospectus\*.

\* For further details, please refer to ETFS Commodity Securities Ltd. supplementary prospectus dated 20th October 2008 available on our website: [www.etfsecurities.com](http://www.etfsecurities.com)



### How do ETFS CSL ETCs compare with Certificates and Structured Products?

	ETFS CSL ETCs	Certificates, Structured Products
<b>Collateralised</b>	Yes - 100% collateralised	No
<b>Credit Risk</b>	Fully collateralised	Bank (issuer) credit risk
<b>Liquidity</b>	Multiple market makers, narrow spreads	Single market maker, wide spreads
<b>Structure</b>	Pure exposure, no embedded derivatives	Most use embedded derivatives
<b>Cost</b>	Transparent, low, interest is capitalised (Total Return)	Hidden, can be high, may not pay interest yield



## For more information

### About ETF Securities

Web: [www.etfsecurities.com](http://www.etfsecurities.com)

Email: [info@etfsecurities.com](mailto:info@etfsecurities.com)

Telephone of the UK Representative: +44 20 7448 4330

### Other sources of information

[www.londonstockexchange.com/etcs](http://www.londonstockexchange.com/etcs)

[www.deutsche-boerse.com/etcs](http://www.deutsche-boerse.com/etcs)

[www.euronext.com/etcs](http://www.euronext.com/etcs)

[www.borsaitaliana.it/etf](http://www.borsaitaliana.it/etf)

[www.asx.com.au](http://www.asx.com.au)

## About ETF Securities

ETF Securities is a provider of Exchange Traded Products (ETFs, Commodity ETCs and Currency ETCs). The management of ETF Securities pioneered the development of ETCs, with the world's first listing of an ETC, Gold Bullion Securities in Australia and London in 2003 and then the world's first entire ETC platform which was listed on the London Stock Exchange in September 2006.

ETF Securities now offers more than 180 Exchange Traded Products (ETPs). The ETPs provide investors with a wide variety of investment strategies, with ETPs offering access to asset classes such as equities, currencies and commodities with physical, long, forward, leveraged and short exposure.

ETPs are simple to access as they are traded in five currencies (EUR, USD, GBP, JPY and AUD) and listed on nine major exchanges globally including the London Stock Exchange, the New York Stock Exchange, the Tokyo Stock Exchange, NYSE-Euronext Paris, NYSE-Euronext Amsterdam, Deutsche Börse, Borsa Italiana, the Australian Securities Exchange and the Irish Stock Exchange.

### Disclaimer

**Risk Warnings:** Securities (the "Securities") issued by ETFS Commodity Securities Limited ("the Issuer") may or may not be suitable for a particular investor. The price of Securities may go up or down and an investor may not get back the amount invested. Securities are priced in US dollars and the value of the investment in other currencies will be affected by exchange rate movements. To the extent Securities are traded in other currencies, their value may also be affected by exchange rate movements.

**Restricted Investors:** The information in this document regarding the Issuer is designed solely for use in the United Kingdom, France, Netherlands, Germany and Italy and complies with the regulatory requirements of these jurisdictions only, and is not intended for residents of any other countries. The distribution of the relevant Prospectus and the offering, sale and delivery of Securities in certain jurisdictions may be restricted by law. Any subscription for Securities should be made on the basis of the relevant Prospectus. The Securities will not be registered under the United States Securities Act of 1933 or qualified under any applicable state securities statutes. The Issuer will not be registered as an investment company under the US Investment Company Act of 1940. **For Dutch, German, French and Italian investors:** The Securities have been passported from the United Kingdom into the Netherlands, Germany, France and Italy and have been filed with the Authority Financial Markets (Autoriteit Financiële Markten) and the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), l'Autorité des Marchés Financiers (AMF) and the Commissione Nazionale per le Società e la Borsa (CONSOB) respectively. The relevant Prospectus may be distributed to investors in the Netherlands, Germany, France and Italy. Copies of all documents (i.e. the Prospectus, any Supplement(s), the most recent annual reports and the memorandum of incorporation and the articles of association of the Issuer) are available in the Netherlands, free of charge, by calling the Dutch Listing Agent, Fortis Bank (Nederland) N.V., on +31 20 527 2467 or faxing a request to +31 20 527 1928 or the German Listing Agent, HSBC Trinkaus & Burkhardt, AG, Konsortialgeschäft, Königsallee 21/23, 40212 Düsseldorf or the French Listing Agent HSBC France 103, Avenue des Champs Elysées 75008 Paris.

**Disclaimer:** Any investment in Securities carries with it certain risks, including those risks set out in the relevant Prospectus. You should obtain your own independent financial, taxation and legal advice before making any decisions about any investment in Securities. This information is not an offer of Securities and should not be used as the basis for any investment decision. The relevant Prospectus for the Securities can be downloaded from [www.etfsecurities.com](http://www.etfsecurities.com). If you wish to acquire Securities you may purchase Securities on the London Stock Exchange (or other exchanges if relevant). This information is issued by the Issuer and does not constitute financial product advice.

**The ETFs Securities are not obligations of UBS AG and are not guaranteed by UBS AG or anyone else:** ETFs Commodities Securities are direct, limited recourse obligations of the Issuer alone and not obligations of UBS AG or any of its affiliates. **Index Disclaimers:** "Dow Jones," "UBS@", "DJ-UBSCI-F3<sup>SM</sup>", "DJ-UBSCI-F3<sup>SM</sup>" and any related Indices or Sub-Indices are service marks of Dow Jones & Company, Inc. ("Dow Jones") and UBS AG, as the case may be, and have been licensed for certain purposes by the Issuer. The Issuer's Securities based on the DJ-UBS CI<sup>SM</sup> are not sponsored, endorsed, sold or promoted by Dow Jones, UBS AG, or any of their respective subsidiaries or affiliates, and none of Dow Jones, UBS AG, or any of their respective subsidiaries or affiliates, makes any representation regarding the advisability of investing in such products. The Issuer has been granted a licence by Dow Jones and UBS Securities LLC to price Securities based on various commodity indices calculated by UBS Securities LLC in conjunction with Dow Jones and published by Dow Jones. No representation, warranty or undertaking, express or implied, is made, and no responsibility or liability is accepted by Dow Jones or UBS AG or any of their respective subsidiaries or affiliates as to the accuracy or completeness of any information contained in the Prospectus or any other information supplied in connection with Securities or their distribution. **Historical Performance Disclaimer:** The historical performance included in this document is based on backtesting, i.e. calculations of how the index might have performed in the past if it had existed. The relevant DJ-UBSCI-F3<sup>SM</sup> (formerly known as the Dow Jones - UBS Commodity Index 3 Month Forward<sup>SM</sup>) was not published prior to September 2007 although it is constructed in a manner similar to the Dow Jones-UBS Commodity Index "DJ-UBSCI<sup>SM</sup>", which was first launched in 1998. The DJ-UBSCI-F3<sup>SM</sup> is priced off different contracts compared to the DJ-UBSCI<sup>SM</sup> and thus the performance of both could vary significantly. Backtested performance information is purely hypothetical and is provided in this document solely for informational purposes. Backtested data does not represent actual performance and should not be interpreted as an indication of actual performance of the Index or the Security. Index performance does not reflect management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. **Eligible Investments for UCITS -** Investors must take independent advice as to the suitability of this investment having regard to their own investment objectives, constitutional documentation, local regulation and the requirements of the UCITS Directives. ETF Securities Limited and ETFS Commodity Securities Limited are each regulated by the Jersey Financial Services Commission.