



ETFs Oil Securities Ltd (OSL) ETCs – Counterparty Risk Explained

About OSL ETCs

Exchange Traded Commodities (ETCs) issued by ETFs Oil Securities Limited (OSL or the Issuer) are designed to provide investors with exposure to:

- **Oil prices** through rolling exposure to different maturities of oil futures contracts (NYMEX WTI oil futures and ICE Brent oil futures).
- **Carbon emissions prices** through rolling exposure to the ICE ECX EUA Futures contract, currently the most liquid within the EU Emissions Trading Scheme ("EU ETS").

ETCs issued by OSL are transferable securities that can be created or redeemed on demand (by market-makers). They trade on Exchange just like equities and their pricing and tracking operate similarly to Exchange Traded Funds (ETFs).

Who is the Issuer?

The Issuer is a special purpose vehicle (SPV) specifically created to issue ETCs. The assets of each class of security are segregated for investor protection from the assets of each other class. The Issuer itself is ring-fenced from the rest of the ETF Securities group. The Issuer is regulated by the Jersey Financial Services Commission (JFSC).

Who provides the commodity exposure?

ETCs issued by OSL are backed by matching funded Energy Contracts purchased from Shell Trading Switzerland, who provide the oil or carbon emissions exposure for the ETCs.

The ETCs issued by OSL are neither collateralised nor backed by physical oil. However, Shell Treasury Dollar Company Limited has agreed to provide certain credit support in favour of the Issuer in respect of the obligations of Shell Trading Switzerland¹.

Both Shell Trading Switzerland and Shell Treasury are wholly-owned subsidiaries of the Royal Dutch Shell Group of companies.

How do ETFs OSL ETCs compare with Certificates and Structured Products?

	ETFs OSL ETCs	Certificates, Structured Products
Credit Risk	Shell credit risk	Bank (issuer) credit risk
Liquidity	Multiple market makers, narrow spreads	Single market maker, wide spreads
Structure	Pure exposure, no embedded derivatives	Most use embedded derivatives
Cost	Low, Interest is capitalised (Total Return)	Can be high, May not pay interest

¹ For further details, please refer to the ETFs Oil Securities Limited prospectus available on our website: www.etfsecurities.com

What happens upon the bankruptcy of Shell, the Issuer or ETF Securities?

In the event that Shell were to go bankrupt, the Issuer would have to claim, as an unsecured creditor of Shell, for the monies it owes to security holders.

In the event that the Issuer were to go bankrupt, the independent Trustee would take control of the Issuer's assets on behalf of security holders.

In the event that ETF Securities were to go bankrupt, there should be no impact on the assets of the Issuer as these are ring-fenced from the assets of ETF Securities and are held by the Issuer for the benefit of security holders.

What is the credit worthiness of Royal Dutch Shell?

The creditworthiness of debt issued by Royal Dutch Shell can be assessed by reference to its bond credit ratings. Royal Dutch Shell debt is currently rated "high grade" by the three major rating agencies :

	Short Term	Long Term	Outlook
Moody's:	P-1	Aa1	stable
Standards & Poor's:	A-1+	AA	stable
Fitch:	F1+	AA	stable

Source: Bloomberg, as at May 2011



For more information

About ETF Securities

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Other sources of information

www.londonstockexchange.com/etcs

www.deutsche-boerse.com/etcs

www.euronext.com/etcs

www.borsaitaliana.it/etf

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 270 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: 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.

Important Information

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Securities issued by the Issuer are complex, structured products involving a significant degree of risk and are not suitable for all types of investor. Securities offered by the Issuer are aimed at sophisticated, professional and institutional investors. Any decision to invest should be based on the information contained in the prospectus of the Issuer (or any supplements thereto) which includes, inter alia, information on certain risks associated with an investment. The price of any 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. Investments in the securities of the Issuer which provide a short and/or leveraged exposure are only suitable for sophisticated, professional and institutional investors who understand leveraged and compounded daily returns and are willing to magnify potential losses by comparison to investments which do not incorporate these strategies. Over periods of greater than one day, investments with a short and/or leveraged exposure do not necessarily provide investors with a return equivalent to a return from the unleveraged long or unleveraged short investments multiplied by the relevant leverage factor.

Investors should refer to the section entitled "Risk Factors" in the relevant prospectus for further details of these and other risks associated with an investment in the securities offered by the Issuer.

The prospectus of the Issuer may be obtained from www.etfsecurities.com. Please contact ETFS UK at +44 20 7448 4330 or info@etfsecurities.com for more information.

Passporting and Restricted Investors

The FSA has delivered to the regulators listed below certificates of approval attesting that the prospectus of the Issuer has been drawn up in accordance with Directive 2003/71/EC:

The prospectus (and any supplements thereto) of the Issuer has been passported from the United Kingdom into France, Germany, Italy and the Netherlands and has been filed with l'Autorité des Marchés Financiers (AMF) in France the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) in Germany, CONSOB and the Bank of Italy in Italy and the Authority Financial Markets (Autoriteit Financiële Markten) in the Netherlands. Copies of the prospectus and related regulatory documentation, including annual reports, can be obtained in France from HSBC France, 103, Avenue des Champs Elysées, 75008 Paris, in Germany from HSBC Trinkhaus & Burkhardt, AG, Konsortialgeschäft, Königsallee 21/23, 40212 Düsseldorf and in the Netherlands from AMN Amro Bank (Nederland) N.V. (t) +31 20 527 2467 or faxed request to +31 20 527 1928. Investors in other countries can obtain the prospectus from www.etfsecurities.com. Please contact ETFS UK at +44 20 7448 4330 or info@etfsecurities.com for more information.

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