

"Bringing Exchange Traded Commodities to the World's Stock Exchanges"

ETFS Commodity Securities Limited

*(Incorporated and registered in Jersey under the Companies
(Jersey) Law 1991 (as amended) with registered number 90959)*

Prospectus for the issue of

ETFS Short Commodity Securities

and

ETFS Leveraged Commodity Securities

including:

Short Individual Securities	LSE code	Leveraged Individual Securities	LSE code
ETFS Daily Short Aluminium	SALU	ETFS Daily Leveraged Aluminium	LALU
ETFS Daily Short Brent Crude	SBRT	ETFS Daily Leveraged Brent Crude	LBRT
ETFS Daily Short Cocoa	SCOC	ETFS Daily Leveraged Cocoa	LCOC
ETFS Daily Short Coffee	SCFE	ETFS Daily Leveraged Coffee	LCFE
ETFS Daily Short Copper	SCOP	ETFS Daily Leveraged Copper	LCOP
ETFS Daily Short Corn	SCOR	ETFS Daily Leveraged Corn	LCOR
ETFS Daily Short Cotton	SCOT	ETFS Daily Leveraged Cotton	LCTO
ETFS Daily Short WTI Crude Oil	SOIL	ETFS Daily Leveraged WTI Crude Oil	LOIL
ETFS Daily Short Gas Oil	SGSO	ETFS Daily Leveraged Gas Oil	LGSO
ETFS Daily Short Gasoline	SGAS	ETFS Daily Leveraged Gasoline	LGAS
ETFS Daily Short Gold	SBUL	ETFS Daily Leveraged Gold	LBUL
ETFS Daily Short Heating Oil	SHEA	ETFS Daily Leveraged Heating Oil	LHEA
ETFS Daily Short Lead	SLEA	ETFS Daily Leveraged Lead	LLEA
ETFS Daily Short Lean Hogs	SLHO	ETFS Daily Leveraged Lean Hogs	LLHO
ETFS Daily Short Live Cattle	SLCT	ETFS Daily Leveraged Live Cattle	LLCT
ETFS Daily Short Natural Gas	SNGA	ETFS Daily Leveraged Natural Gas	LNGA
ETFS Daily Short Nickel	SNIK	ETFS Daily Leveraged Nickel	LNIK
ETFS Daily Short Platinum	SPLA	ETFS Daily Leveraged Platinum	LPLA
ETFS Daily Short Silver	SSIL	ETFS Daily Leveraged Silver	LSIL
ETFS Daily Short Soybean Oil	SSYO	ETFS Daily Leveraged Soybean Oil	LSYO
ETFS Daily Short Soybeans	SSOB	ETFS Daily Leveraged Soybeans	LSOB
ETFS Daily Short Sugar	SSUG	ETFS Daily Leveraged Sugar	LSUG
ETFS Daily Short Tin	STIM	ETFS Daily Leveraged Tin	LTIM
ETFS Daily Short Wheat	SWEA	ETFS Daily Leveraged Wheat	LWEA
ETFS Daily Short Zinc	SZIC	ETFS Daily Leveraged Zinc	LZIC
Short Index Securities	LSE code	Leveraged Index Securities	LSE code
ETFS Daily Short All Commodities DJ-UBSCI SM	SALL	ETFS Daily Leveraged All Commodities DJ-UBSCI SM	LALL
ETFS Daily Short Energy DJ-UBSCI SM	SNRG	ETFS Daily Leveraged Energy DJ-UBSCI SM	LNRG
ETFS Daily Short Petroleum DJ-UBSCI SM	SPET	ETFS Daily Leveraged Petroleum DJ-UBSCI SM	LPET
ETFS Daily Short Ex-Energy DJ-UBSCI SM	SNEY	ETFS Daily Leveraged Ex-Energy DJ-UBSCI SM	LNEY
ETFS Daily Short Precious Metals DJ-UBSCI SM	SPMT	ETFS Daily Leveraged Precious Metals DJ-UBSCI SM	LPMT
ETFS Daily Short Industrial Metals DJ-UBSCI SM	SIME	ETFS Daily Leveraged Industrial Metals DJ-UBSCI SM	LIME
ETFS Daily Short Agriculture DJ-UBSCI SM	SAGR	ETFS Daily Leveraged Agriculture DJ-UBSCI SM	LAGR
ETFS Daily Short Softs DJ-UBSCI SM	SSFT	ETFS Daily Leveraged Softs DJ-UBSCI SM	LSFT
ETFS Daily Short Livestock DJ-UBSCI SM	SLST	ETFS Daily Leveraged Livestock DJ-UBSCI SM	LLST
ETFS Daily Short Grains DJ-UBSCI SM	SGRA	ETFS Daily Leveraged Grains DJ-UBSCI SM	LGRA

Short and Leveraged Commodity Securities are complex, structured products involving a significant degree of risk and may not be suitable or appropriate for all types of investor. It is advisable that any person wishing to invest seeks appropriate financial, tax and other advice from an independent financial advisor with appropriate regulatory authorisation and qualifications and an investment in Short and Leveraged Commodity Securities is only suitable for persons who understand the economic risk of an investment in Short and Leveraged Commodity Securities and are able to bear the risk for an indefinite period of time. A prospective investor should be aware that their entire investment in Short and Leveraged Commodity Securities may be lost.

The Issuer is currently making available for issue 70 separate classes of Short and Leveraged Commodity Security, being 35 classes of Short Commodity Securities and 35 classes of Leveraged Commodity Securities.

The Issuer is also making available 74 separate types of debt security, being 25 classes of Classic Individual Securities, and 18 categories of Classic Index Securities, 21 classes of Longer Dated Individual Securities and ten categories of Longer Dated Index Securities, as described in a separate base prospectus of the Issuer dated the same date as this document.

The Short Individual Securities will (before fees and adjustments and in the absence of Market Disruption Events) move daily in the inverse (opposite) direction to changes in an index referenced to an individual commodity (such as aluminium) and the Short Index Securities will (before fees and adjustments and in the absence of Market Disruption Events) move daily in the inverse (opposite) direction to changes in an index referenced to a basket of commodities (such as "All Commodities") meaning in each case that (before fees and adjustments and in the absence of Market Disruption Events) they will increase in Price when the relevant index falls and decrease in Price when the relevant index rises.

The Leveraged Commodity Securities will provide an exposure (before fees and adjustments and in the absence of Market Disruption Events) to twice the daily percentage change in the level of a Commodity Index and so will change in Price (before fees and adjustments and in the absence of Market Disruption Events) on each day by twice the daily percentage change in the relevant index. The Short and Leveraged Commodity Securities will be priced by reference to commodity indices calculated by CME Group Index Services LLC ("**CME Indexes**") in conjunction with UBS Securities LLC ("**UBS Securities**") and published by CME Indexes. In addition, Short and Leveraged Commodity Securities provide a collateral return which accrues daily as a capital adjustment which is capitalised into the Price of each relevant Short and Leveraged Commodity Security, and the rate applicable to each of the Short and Leveraged Commodity Securities will be announced weekly in advance by the Issuer.

Each Short and Leveraged Commodity Security is backed by equivalent Commodity Contracts created under a Facility Agreement between a Commodity Contract Counterparty and the Issuer, currently being a Facility Agreement with UBS AG, London Branch ("**UBS**") and a Facility Agreement with Merrill Lynch Commodities, Inc. ("**MLCI**"). All Commodity Contracts are paid for in full by the Issuer and there is no management of any cash or futures positions required of the Issuer. The Issuer is a special purpose entity owned by ETFS Holdings (Jersey) Limited, a wholly-owned subsidiary of ETF Securities Limited.

In order to provide liquidity and ensure minimal tracking error, Short and Leveraged Commodity Securities can be applied for or redeemed at any time by Authorised Participants (subject to Minimum Creation Amounts and Creation Limits and Redemption Limits). However all other investors must buy and sell Short or Leveraged Commodity Securities through trading on the London Stock Exchange (or other exchanges if Short or Leveraged Commodity Securities are listed or traded thereon).

If the Calculation Agent notifies the Issuer that the Intra-day Price of Commodity Contracts of the same class as any Short or Leveraged Commodity Securities has fallen to or below zero at any time during any Trading Day and that such Commodity Contracts have been terminated then the Short or Leveraged Commodity Securities of such class will automatically be subject to a Compulsory Redemption on that day and Security Holders are unlikely in that situation to receive any proceeds as the relevant Pool is unlikely in these circumstances to have sufficient assets to repay Security Holders any material sums on such Compulsory Redemptions as the only assets available for redemption of the affected Short or Leveraged Securities will be the Commodity Contracts whose value will be zero even if the Price of that class of Short or Leveraged Commodity Security subsequently increases.

Programme for the issue of

ETFS Short and Leveraged Commodity Securities

Terms used in this Prospectus have the meanings given to them under the heading “Definitions and Interpretation — Definitions”.

ETFS Commodity Securities Limited (the “**Issuer**”) has established a programme under which ETFS Short and Leveraged Commodity Securities may be issued from time to time. The classes of Short and Leveraged Commodity Securities which are currently being made available under the Programme are set out under the heading “Short and Leveraged Commodity Securities available for issue” in Part 1 (*General*). The Issuer reserves the right to increase the number of ETFS Short and Leveraged Commodity Securities that may be issued, and to issue ETFS Short and Leveraged Commodity Securities as ETFS Short Individual Securities, ETFS Short Index Securities, ETFS Leveraged Individual Securities and ETFS Leveraged Index Securities, in any proportions. The Issuer has arrangements in place to enable it to issue new Short and Leveraged Commodity Securities provided that the Aggregate Outstanding Contracts Price is not greater than US\$14.0 billion (US\$14,000,000,000) (this amount may be increased by agreement between the Issuer and a Commodity Contract Counterparty). Whenever any ETFS Short or Leveraged Commodity Securities are issued, notice of the number and class of such ETFS Short or Leveraged Commodity Securities will be specified in Final Terms which will be delivered to the UK Listing Authority before such ETFS Short or Leveraged Commodity Securities are issued.

None of the Short and Leveraged Commodity Securities confer any rights to any physical commodities.

The Short and Leveraged Commodity Securities are constituted by a Trust Instrument (as amended) entered into between the Issuer and The Law Debenture Trust Corporation p.l.c. as trustee for the Security Holders of each class.

The only assets available to the Issuer to enable it to meet its liabilities to Security Holders upon redemption of the Short or Leveraged Commodity Securities of each class are the UBS Facility Agreement and Commodity Contracts with UBS and the UBS Security Agreement and the MLCI Facility Agreement and Commodity Contracts with MLCI, the MLCI Security Agreement and the BAC Guarantee (together, if there are any other Commodity Contract Counterparties, with any Facility Agreements and Commodity Contracts with such other Commodity Contract Counterparties and any related credit support) in each case insofar as they relate to the Short or Leveraged Commodity Securities of that class.

Although Short and Leveraged Commodity Securities are backed by the assets referred to above, Short and Leveraged Commodity Securities themselves are limited recourse obligations of the Issuer alone and are not obligations of Dow Jones, CME Indexes, UBS Securities, UBS, any member of the UBS Group, MLCI, BAC or any other member of the BAC Group. The obligations of the Issuer to Security Holders are not guaranteed by Dow Jones, CME Indexes, UBS Securities, UBS, any member of the UBS Group, MLCI, BAC or any other member of the BAC Group.

The assets of the Issuer relating to each separate class of Short and Leveraged Commodity Securities are pooled, so that all assets relating to a particular class of Short and Leveraged Commodity Securities are available to secure all liabilities relating to that class. A separate Security Deed applies to each Pool. If the net proceeds from the enforcement of the relevant Secured Property for a Pool are not sufficient to make all payments then due in respect of that Pool, the obligations of the Issuer will be limited to such net proceeds, and the other assets of the Issuer will not be available to meet any shortfall. The Issuer will not be obliged to make any payment in excess of such net proceeds and no debt shall be owed by the Issuer in respect of such shortfall.

Under Security Deeds between the Trustee and the Issuer with respect to each Pool, the Issuer has granted to the Trustee, as trustee for the holders of each class of Short and Leveraged Commodity Securities, security over all the assets attributable to the relevant Pool including rights under each Facility Agreement, all Commodity Contracts for the relevant class created pursuant to the Facility

Agreements and the rights of the Issuer under the Security Agreements and the Control Agreements, in each case insofar as it relates to the relevant Pool.

A copy of this document, which comprises a base prospectus relating to the Short and Leveraged Commodity Securities of each class in compliance with Article 3 of Directive 2003/71/EC and the Prospectus Rules made under sections 73A and 84 of the Financial Services and Markets Act 2000, has been filed with the FSA and made available to the public at the registered office of the Issuer in accordance with Article 14 of Directive 2003/71/EC. Short and Leveraged Commodity Securities will be available to be issued on a continuous basis during the period of 12 months from the date of this document.

Application has been made to the UK Listing Authority for all Short and Leveraged Commodity Securities issued within 12 months of the date of this document to be admitted to the Official List and to the London Stock Exchange for all such Short and Leveraged Commodity Securities to be admitted to trading on the Main Market (being part of the London Stock Exchange's Regulated Market). The Regulated Market is regulated for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive).

Certain of the Short and Leveraged Commodity Securities are also listed or traded on certain other markets — see “Passporting” in Part 5 (*The Programme*).

Applications for new Short and Leveraged Commodity Securities may only be made by Authorised Participants. Short and Leveraged Commodity Securities may only be redeemed by Authorised Participants, except where there are no Authorised Participants or as otherwise announced by the Issuer. All other investors must buy and sell Short and Leveraged Commodity Securities on the London Stock Exchange (or other exchanges on which they are listed or traded). The procedures for applying for and redeeming Short and Leveraged Commodity Securities are set out in this document.

An investment in Short and Leveraged Commodity Securities involves a significant degree of risk. In addition to the other information contained in this document, the risk factors set out in the section headed “Risk Factors” herein should be carefully considered by prospective investors before deciding whether to invest in Short and Leveraged Commodity Securities. It should be remembered that the value of Short and Leveraged Commodity Securities can go down as well as up.

The Issuer accepts responsibility for the information contained in this document. To the best of the knowledge and belief of the Issuer, which has taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Since the Short and Leveraged Commodity Securities are secured on assets which constitute obligations of five or fewer obligors, the Issuer is required under the Prospectus Rules to include in this Prospectus so far as it is aware or is able to ascertain from information published by UBS, BAC and MLCI, such information relating to UBS, and BAC and MLCI, respectively as is required by Annex VIII of the Prospectus Regulation (Regulation Number 809/2004/EC). The Issuer has included the information in Part 10 (*Particulars of the Commodity Contract Counterparties*) based upon information made available to it by UBS and MLCI. The Issuer confirms that such information has been accurately reproduced and that as far as the Issuer is aware and is able to ascertain from information published by UBS, BAC or MLCI (as the case may be), no facts have been omitted which would render the reproduced information inaccurate or misleading. The Issuer has not made any independent verification of information contained in this Prospectus relating to the business and financial standing of UBS or any other member of the UBS Group or relating to the business and financial standing of MLCI, BAC or any other member of the BAC Group. Save to the extent information is provided to the Issuer by UBS or MLCI (as the case may be), the Issuer may not be in a position to update such information and accordingly does not represent that the information contained in this Prospectus relating to UBS, and BAC and MLCI, respectively is accurate as of any date subsequent to the date hereof. None of UBS, BAC and MLCI accepts any responsibility or liability to investors (a) for the information contained in this Prospectus or (b) for updating such information or makes any representation, warranty or undertaking, express or implied, with respect to such information.

No member of the UBS Group or the BAC Group or any other person has guaranteed the performance of the Issuer's obligations, and no Security Holder has any direct rights of enforcement against any such

person. However, the Trustee on behalf of the Security Holders may enforce the rights of the Issuer under the Commodity Contracts, the Facility Agreements, the Security Agreements and the Control Agreements.

Short and Leveraged Commodity Securities have not been and will not be registered under the United States Securities Act of 1933 as amended (the “**Securities Act**”), or under the securities laws of any states of the United States. Short and Leveraged Commodity Securities may not be directly or indirectly offered, sold, taken up, delivered or transferred in or into the United States or to any US person (as defined in Regulation S under the Securities Act) (a “**US Person**”). The Issuer has not registered, and does not intend to register, as an investment company under the United States Investment Company Act of 1940, as amended (the “**Investment Company Act**”). Accordingly, Short and Leveraged Commodity Securities may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit, of any US Person. Short and Leveraged Commodity Securities offered and sold outside the United States may be offered to persons who are not US Persons in reliance upon Regulation S under the Securities Act. Each of the Authorised Participants has, pursuant to its Authorised Participant Agreement with the Issuer, undertaken not to offer or sell the Short and Leveraged Commodity Securities within the United States or to any US Person, nor will it engage in any “directed selling efforts” (as such term is defined by Regulation S under the Securities Act) with respect to the Short and Leveraged Commodity Securities.

Prohibited US Persons and Prohibited Benefit Plan Investors who notwithstanding the foregoing acquire Short and Leveraged Commodity Securities should note the provisions in the Conditions under the heading “Compulsory Redemption by the Issuer or Trustee” (Condition 8) in Part 6 (*Trust Instrument and Short and Leveraged Commodity Securities*).

This prospectus is prepared, and a copy of it has been sent to the Jersey Financial Services Commission, in accordance with the Collective Investment Funds (Certified Funds – Prospectuses) (Jersey) Order 2012.

The Issuer has obtained a certificate under the Collective Investment Funds (Jersey) Law 1988, as amended (the “**CIF Law**”) to enable it to undertake its functions in relation to the ETFS Short and Leveraged Commodity Securities. The Jersey Financial Services Commission is protected by the CIF Law against liability arising from the discharge of its functions thereunder.

Each of ManJer, R&H Fund Services (Jersey) Limited and the Registrar is registered under the Financial Services (Jersey) Law, 1998, as amended, (the “**Financial Services Law**”) to enable it to undertake its functions in relation to ETFS Short and Leveraged Commodity Securities. The Jersey Financial Services Commission is protected by the Financial Services Law against liability arising from the discharge of its functions thereunder.

The Jersey Financial Services Commission does not take any responsibility for the financial soundness of the fund or for the correctness of any statements made or expressed in this prospectus.

Nothing in this document or anything communicated to holders or potential holders of Short and Leveraged Commodity Securities or other obligations by the Issuer is intended to constitute or should be construed as advice on the merits of the purchase of or subscription for Short and Leveraged Commodity Securities or the exercise of any rights attached thereto for the purposes of the Jersey Financial Services (Jersey) Law 1998, as amended.

If at any time the Issuer is required to prepare a supplementary prospectus pursuant to section 87G of the Financial Services and Markets Act 2000, the Issuer will either prepare and make available an appropriate amendment or supplement to this document which will constitute a supplementary prospectus as required by section 87G of the Financial Services and Markets Act 2000 or prepare and make available a further base prospectus in compliance with Article 3 of Directive 2003/71/EC and the Prospectus Rules made under sections 73A and 84 of the Financial Services and Markets Act 2000. Subject to the terms of the Short and Leveraged Commodity Securities, the Issuer may issue other securities which if offered to the public, or admitted to trading on any market, in any jurisdiction may be the subject of a separate prospectus or listing particulars or other offering document.

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SUMMARY

ETFS Commodity Securities Limited

Prospectus Summary

Base prospectus (the “Prospectus”) dated 14 December 2012 for the issue of

ETFS Short Commodity Securities and ETFS Leveraged Commodity Securities

Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

SECTION A – Introduction and Warnings		
A.1	Standard warning disclosure	<ul style="list-style-type: none">• This summary should be read as an introduction to the base prospectus.• Any decision to invest in the ETFS Short Commodity Securities or the ETFS Leveraged Commodity Securities should be based on consideration of the Prospectus as a whole by the investor.• Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.• Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the ETFS Short Commodity Securities or the ETFS Leveraged Commodity Securities.
A.2	Disclosure of consent for use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries	The Issuer has consented to the use of the Prospectus, and has accepted responsibility for the content of the Prospectus, with respect to subsequent resale or final placement by way of public offer of the Short or Leveraged Commodity Securities in any of Austria, Denmark, Finland, France, Germany, Ireland, Italy, Portugal, the Netherlands, Norway, Spain, Sweden and the United Kingdom by any financial intermediary which is an investment firm within the meaning of MiFID and which is authorised in accordance with MiFID in any member state. Such consent applies to any such resale or final placement by way of public offer during the period of 12 months from the date of the Prospectus, unless such consent is withdrawn prior to that date by notice published on the Issuer’s website. Other than the right of the

		<p>Issuer to withdraw the consent, no other conditions are attached to the consent described in this paragraph.</p> <p>In the event of an offer being made by a financial intermediary, this financial intermediary will provide information to investors on the terms and conditions of the offer at the time the offer is made. Any financial intermediary using the Prospectus for the purpose of any offering must state on its website that it uses the Prospectus in accordance with the consent given and the conditions attached thereto.</p>
SECTION B – Issuer		
B.1	Legal and commercial name	ETFS Commodity Securities Limited (the “ Issuer ”).
B.2	Domicile/Legal form/Legislation/Country of incorporation	The Issuer is a public company incorporated and registered in Jersey under the Companies (Jersey) Law 1991 (as amended) with registered number 90959.
B.16	Direct/indirect control of the Issuer	The shares in the Issuer are held entirely by ETFS Holdings (Jersey) Limited (“ HoldCo ”), a holding company incorporated in Jersey. The shares in HoldCo are directly owned by ETF Securities Limited (“ ETFSL ”) which is also incorporated in Jersey. The Issuer is neither directly or indirectly owned or controlled by any other party to the programme.
B.20	Special purpose vehicle	The Issuer has been established as a special purpose vehicle for the purpose of issuing the ETFS Short Commodity Securities and ETFS Leveraged Commodity Securities as asset-backed securities in the form of individual or index securities.
B.21	Principal activities and overview of the parties	<p>The principal activity of the Issuer is issuing several classes of debt security (the “Short and Leveraged Commodity Securities”) which are backed by derivative contracts (the “Commodity Contracts”) which provide inverse or two times leveraged exposure to daily movements in indices (the “DJ-UBS Commodity Indices”) calculated and published by CME Group Index Services LLC (“CME Indices”) in conjunction with UBS Securities LLC (“UBS Securities”) which indices track movements in the price of individual commodity futures contracts or baskets of commodity futures contracts. The Issuer has established a programme under which different classes of Short and Leveraged Commodity Securities may be issued from time to time. Short and Leveraged Commodity Securities are designed to give investors an inverse or leveraged exposure to the daily performance of various individual commodity futures contracts and baskets of commodity futures contracts by tracking the DJ-UBS Commodity Indices.</p> <p>The DJ-UBS Commodity Indices form part of the basis of the pricing of the Short and Leveraged Commodity Securities (which are priced according to the Formula).</p> <p>Short and Leveraged Commodity Securities can be issued and redeemed on a daily basis by financial institutions (“Authorised Participants”) who (i) have entered into an agreement entitled “Authorised Participant Agreement” with the Issuer; (ii) have certified to the Issuer as to their status under the Financial Services and Markets Act 2000 (“FSMA”); and (iii) (except in the case of a Commodity Contract Counterparty which has entered into an Authorised Participant Agreement with the Issuer) has entered into a corresponding agreement entitled “Direct</p>

		<p>Agreement” with at least one Commodity Contract Counterparty and which has not been notified by that Commodity Contract Counterparty that it is not an unacceptable authorised participant in respect of that Commodity Contract Counterparty. Other holders of Short and Leveraged Commodity Securities may also redeem Short and Leveraged Commodity Securities if there are no Authorised Participants or if the Issuer otherwise announces. All other parties may buy and sell Short and Leveraged Commodity Securities through trading on an exchange or market on which the Short and Leveraged Commodity Securities are admitted to trading.</p> <p>The Issuer achieves a return based on the daily percentage changes in the relevant DJ-UBS Commodity Indices by holding corresponding Commodity Contracts purchased from UBS AG, London Branch (“UBS”) and Merrill Lynch Commodities, Inc. (“MLCI”) (together the current “Commodity Contract Counterparties”). The terms of the Commodity Contracts purchased or to be purchased by the Issuer are governed by (i) an agreement entitled “Facility Agreement” between the Issuer and UBS dated 5 August 2009; and (ii) an agreement entitled “Facility Agreement” between the Issuer and MLCI dated 14 March 2011. The payment obligations of MLCI under its Facility Agreement are supported by a guarantee (the “BAC Guarantee”) from Bank of America Corporation (“BAC”).</p> <p>The obligations of the Commodity Contract Counterparties to the Issuer under Commodity Contracts are secured by collateral provided by the Commodity Contract Counterparties and held in accounts in the names of the Commodity Contract Counterparties at Bank of New York Mellon (“BNYM”). Pursuant to (i) agreements entitled “UBS Security Agreement” between UBS and the Issuer and “UBS Control Agreement” between BNYM, UBS and the Issuer each dated 5 August 2009; and (ii) agreements entitled “MLCI Security Agreement” between the MLCI and the Issuer and “MLCI Control Agreement” between BNYM, MLCI and the Issuer each dated 14 March 2011, UBS and MLCI are required to transfer to a collateral account, securities and obligations to the value of the Issuer’s total exposure under the Commodity Contracts to UBS or MLCI (as applicable). The collateral held is adjusted daily to reflect the value of the relevant Commodity Contracts.</p> <p>Short and Leveraged Commodity Securities are constituted under an agreement entitled the “Trust Instrument” between the Issuer and The Law Debenture Trust Corporation p.l.c. as trustee (the “Trustee”) of all rights and entitlements under the Trust Instrument for any person identified on the registers as holding the Short and Leveraged Commodity Securities (the “Security Holders”).</p> <p>The Issuer and the Trustee have entered into separate documents each entitled “Security Deed” in respect of each pool of Commodity Contracts attributable to any class of Short or Leveraged Commodity Securities (each a “Pool”) and the rights and entitlements held by the Trustee under each Security Deed are held by the Trustee on trust for the Security Holders of the relevant class of Short or Leveraged Commodity Security.</p> <p>The Issuer is a special purpose company whose only assets attributable to the Short and Leveraged Commodity Securities are the Commodity Contracts and related contractual rights and so the ability of the Issuer to meet its obligations in relation to Short and Leveraged Commodity Securities will be wholly dependent</p>
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		<p>on its receipt of payments under the Commodity Contracts from UBS and MLCI and its ability to realise the collateral under the UBS Security Agreement, UBS Control Agreement, MLCI Security Agreement and MLCI Control Agreement.</p> <p>ETFs Management Company (Jersey) Limited (“ManJer”), a company which is wholly-owned by ETFSL, supplies, or will arrange the supply of, all management and administration services to the Issuer and pays all the management and administration costs of the Issuer in return for a fee payable by the Issuer.</p>																																																			
B.22	No financial statements	Not applicable; financial statements have been made up as at the date of this Prospectus.																																																			
B.23	Key historical financial information	<table> <tr> <th></th><th style="text-align: right;">As at 31 December 2011 USD</th><th style="text-align: right;">As at 31 December 2010 USD</th></tr> <tr> <td>Current Assets</td><td></td><td></td></tr> <tr> <td>Cash and Cash Equivalents</td><td style="text-align: right;">4,035</td><td style="text-align: right;">17,641</td></tr> <tr> <td>Trade and Other Receivables</td><td style="text-align: right;">2,752,367</td><td style="text-align: right;">3,497,546</td></tr> <tr> <td>Commodity Contracts</td><td style="text-align: right;">4,418,950,726</td><td style="text-align: right;">6,514,544,587</td></tr> <tr> <td>Amounts Receivable Awaiting Settlement</td><td style="text-align: right;">20,720,022</td><td style="text-align: right;">62,132,357</td></tr> <tr> <td>Total Assets</td><td style="text-align: right;"><u>4,442,427,150</u></td><td style="text-align: right;"><u>6,580,192,131</u></td></tr> <tr> <td>Current Liabilities</td><td></td><td></td></tr> <tr> <td>Commodity Securities</td><td style="text-align: right;">4,418,950,726</td><td style="text-align: right;">6,514,544,587</td></tr> <tr> <td>Amounts Payable Awaiting Settlement</td><td style="text-align: right;">20,720,022</td><td style="text-align: right;">62,132,357</td></tr> <tr> <td>Trade and Other Payables</td><td style="text-align: right;">2,756,400</td><td style="text-align: right;">3,305,890</td></tr> <tr> <td>Total Liabilities</td><td style="text-align: right;"><u>4,442,427,148</u></td><td style="text-align: right;"><u>6,579,982,834</u></td></tr> <tr> <td>Equity</td><td></td><td></td></tr> <tr> <td>Stated Capital</td><td style="text-align: right;">2</td><td style="text-align: right;">2</td></tr> <tr> <td>Retained Profits</td><td style="text-align: right;">–</td><td style="text-align: right;">209,295</td></tr> <tr> <td>Total Equity</td><td style="text-align: right;"><u>2</u></td><td style="text-align: right;"><u>209,297</u></td></tr> <tr> <td>Total Equity and Liabilities</td><td style="text-align: right;"><u>4,442,427,150</u></td><td style="text-align: right;"><u>6,580,192,131</u></td></tr> </table>		As at 31 December 2011 USD	As at 31 December 2010 USD	Current Assets			Cash and Cash Equivalents	4,035	17,641	Trade and Other Receivables	2,752,367	3,497,546	Commodity Contracts	4,418,950,726	6,514,544,587	Amounts Receivable Awaiting Settlement	20,720,022	62,132,357	Total Assets	<u>4,442,427,150</u>	<u>6,580,192,131</u>	Current Liabilities			Commodity Securities	4,418,950,726	6,514,544,587	Amounts Payable Awaiting Settlement	20,720,022	62,132,357	Trade and Other Payables	2,756,400	3,305,890	Total Liabilities	<u>4,442,427,148</u>	<u>6,579,982,834</u>	Equity			Stated Capital	2	2	Retained Profits	–	209,295	Total Equity	<u>2</u>	<u>209,297</u>	Total Equity and Liabilities	<u>4,442,427,150</u>	<u>6,580,192,131</u>
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B.24	Material adverse change	Not applicable; there has been no material adverse change in the financial or trading position or prospects of the Issuer since 31 December 2011.																																																			
B.25	Underlying assets	<p>The underlying for the Short and Leveraged Commodity Securities of each class, on which they are secured, is the Commodity Contracts of the same class, the Facility Agreements (to the extent attributable to that class) and the UBS Security Agreement, the UBS Control Agreement and/or the MLCI Security Agreement and the MLCI Control Agreement in favour of the Issuer in respect of such Commodity Contract Counterparties’ obligations to the Issuer under the Facility Agreements in respect of that class.</p> <p>The underlying for the Short and Leveraged Commodity Securities are Commodity Contracts which provide exposure to movements in indices which track commodities such as metals, oil, gas, agricultural or other commodities or various types of index related to these.</p> <p>The securitised assets backing the issue being the Commodity Contracts, Facility Agreements, the BAC Guarantee, the UBS Security Agreement, the UBS Control Agreement, the MLCI</p>																																																			

		<p>Security Agreement and the MLCI Control Agreement, have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Short and Leveraged Commodity Securities. Short and Leveraged Commodity Securities of each class are backed by Commodity Contracts with corresponding terms and each time a Short or Leveraged Commodity Security is created or redeemed a matching amount of Commodity Contracts are purchased or cancelled by the Issuer. Commodity Contracts will be purchased from one or more Commodity Contract Counterparties.</p> <p>The Issuer will decline applications for Short and Leveraged Commodity Securities if it cannot for any reason create corresponding Commodity Contracts with a Commodity Contract Counterparty.</p> <p>At the date of this Prospectus, the Issuer has entered into arrangements with two Commodity Contract Counterparties – UBS and MLCI.</p> <p>Under the Facility Agreements there are limits, both daily and in aggregate, on the number of Commodity Contracts that can be created or cancelled at any time. Creations and redemptions of Short and Leveraged Commodity Securities are subject to both daily limits and total aggregate limits, to match the limits on Commodity Contracts.</p> <p>UBS is a corporation domiciled in Basel, Switzerland, operating in the United Kingdom under branch registration number BR004507, acting through its London branch at 1 Finsbury Avenue, London, EC2M 2PP, England. The addresses of UBS AG's two registered offices and principal places of business are Bahnhofstrasse 45, CH-8098 Zurich, Switzerland and Aeschenvorstadt 1, CH-4051 Basel, Switzerland. The principal activity of UBS is the provision of financial services to private, institutional and corporate clients.</p> <p>MLCI is a company incorporated in the State of Delaware, United States whose registered office is care of The Corporation Trust Company, Corporation Trust Center, 1209, Orange Street, Wilmington, Delaware, 19801. The principal activity of MLCI is conducting a commodity business, including over-the-counter commodity derivatives, with institutional clients in various U.S. domestic and international markets.</p> <p>BAC is a Delaware Corporation, a bank holding company and a financial holding company. Through BAC's banking and various non-banking subsidiaries throughout the U.S. and in international markets, BAC provides a diversified range of banking, and non-banking financial services and products. BAC's principal executive offices are located at 100 North Tryon Street, Charlotte, NC 282255, United States. BAC acquired Merrill Lynch & Co. Inc. and its subsidiaries (including MLCI) on 1 January 2009.</p>
B.26	Investment management	Not applicable; there is no active management of the assets of the Issuer.
B.27	Further securities backed by the same assets	Further Short and Leveraged Commodity Securities of any class may be issued but each time a Short or Leveraged Commodity Security of any class is issued corresponding Commodity Contracts of the same class will be created and will form part of the corresponding "Secured Assets". Such newly issued Short and Leveraged Commodity Securities will be fungible with all

		<p>existing Short and Leveraged Commodity Securities of the same class and will be backed by the assets of the same Secured Assets.</p>
B.28	Structure of the transaction	<p>Short and Leveraged Commodity Securities are constituted by the Trust Instrument. Under the terms of the Trust Instrument, the Trustee acts as Trustee for the Security Holders of each class of Short and Leveraged Commodity Security.</p> <p>The obligations of the Issuer in respect of each class of Short and Leveraged Commodity Security are secured by a charge over the equivalent class of Commodity Contracts under the Facility Agreements and related contracts.</p> <p>A diagrammatic representation of the principal aspects of the structure as currently in place appears below:</p> <p>The diagram illustrates the structure of the transaction. At the top is ManJer, connected to the Issuer by a solid line. The Issuer is connected to the Trustee by a solid line labeled 'Trust Instrument Security Deed'. The Issuer is connected to Security Holders by a solid line labeled 'Short and Leveraged Commodity Securities'. The Issuer is connected to Authorised Participants by a solid line labeled 'Authorised Participant Agreements'. The Issuer is connected to the Commodity Contract Counterparty by a solid line labeled 'Commodity Contracts'. The Issuer is connected to the Securities Intermediary by a solid line labeled 'Control Agreement'. The Securities Intermediary is connected to the Commodity Contract Counterparty by a solid line labeled 'Collateral'. The Commodity Contract Counterparty is connected to Authorised Participants by a solid line labeled 'Facility Agreement and Security Agreement'. The Commodity Contract Counterparty is connected to the Collateral Account by a solid line labeled 'Collateral'. The Collateral Account is connected to the Securities Intermediary by a solid line labeled 'Collateral'. The Issuer is connected to Security Holders by a dashed line labeled 'Market-making'. The Issuer is connected to Authorised Participants by a dashed line labeled 'Creation and Redemption payments'. The Issuer is connected to the Commodity Contract Counterparty by a dotted line labeled 'Collateral Flows'.</p>
B.29	Description of the flow of funds	<p>Authorised Participants will approach the Issuer with requests to issue or redeem Short and Leveraged Commodity Securities at the price calculated on the relevant day in accordance with the Formula. The Issuer will then create or cancel the equivalent number of Commodity Contracts with the Commodity Contract Counterparties, as applicable.</p> <p>Application moneys for all Short and Leveraged Commodity Securities must be paid by Authorised Participants directly to the relevant Commodity Contract Counterparty, via CREST. Legal title is transferred by means of the CREST system and evidenced by an entry on the register of Security Holders maintained by the Issuer's registrar – Computershare Investor Services (Jersey) Limited. If an Authorised Participant does not make payment for the full amount of Short and Leveraged Commodity Securities applied for on the due date for payment or the following business day, the Issuer may elect by notice to the Authorised Participant to cancel the application.</p> <p>A Security Holder who is also an Authorised Participant may, at any time, by lodging a redemption request (in such form as the Issuer will determine from time to time) with the Issuer, require the redemption of all or any of its Short or Leveraged Commodity Securities at the price on the day such redemption request is submitted. A Security Holder who is not also an Authorised Participant may only require the redemption of any of its Short and Leveraged Commodity Securities if, at the time, there are no Authorised Participants or the Issuer otherwise announces and the Security Holder submits a valid redemption request on such</p>

		<p>day. Payment on the redemption of a Short and Leveraged Commodity Security will be made by the Commodity Contract Counterparty directly to the relevant Authorised Participant redeeming the Short or Leveraged Commodity Security, via CREST.</p>
B.30	Originators of the securitised assets	<p>The Commodity Contracts are and will be with the Commodity Contract Counterparties.</p> <p>At the date of the Prospectus, the Issuer has entered into agreements with UBS and MLCI to act as Commodity Contract Counterparties.</p> <p>The Prospectus will be updated should an additional Commodity Contract Counterparty be appointed.</p> <p>UBS is a corporation domiciled in Basel, Switzerland, operating in the United Kingdom under branch registration number BR004507, acting through its London branch at 1 Finsbury Avenue, London, EC2M 2PP, England. The addresses of UBS AG's two registered offices and principal places of business are Bahnhofstrasse 45, CH-8098 Zurich, Switzerland and Aeschenvorstadt 1, CH-4051 Basel, Switzerland. The principal activity of UBS is the provision of financial services to private, institutional and corporate clients.</p> <p>MLCI is a company incorporated in the State of Delaware, United States whose registered office is care of The Corporation Trust Company, Corporation Trust Center, 1209, Orange Street, Wilmington, Delaware, 19801. The principal activity of MLCI is conducting a commodity business, including over-the-counter commodity derivatives, with institutional clients in various U.S. domestic and international markets.</p>
SECTION C – Securities		
C.1	Type and class of securities being offered	<p>The Issuer has created and made available for issue four families of Short and Leveraged Commodity Securities ("Short Individual Securities", "Short Index Securities", "Leveraged Individual Securities" and "Leveraged Index Securities") each of which has been issued in multiple classes. Each class of Short and Leveraged Commodity Securities give investors exposure to the daily percentage changes in movements in several of the DJ-UBS Commodity Indices.</p> <p>The return on the Short and Leveraged Commodity Securities is linked in each case to the daily performance of the related DJ-UBS Commodity Indices as follows:</p> <ul style="list-style-type: none"> • Short Individual Securities provide a short exposure to the daily percentage change in DJ-UBS Commodity Indices which track movements in the value of futures contracts in one type of commodity (such that if the value of the relevant DJUBS Commodity Index increases on any day, the value of the Short Individual Security will decrease on that day by the same percentage and <i>vice versa</i>); • Short Index Securities provide a short exposure to the daily percentage change in DJ-UBS Commodity Indices which track movements in the value of futures contracts in respect of a number of different commodities (such that if the value of the relevant DJUBS Commodity Index increases on any day, the value of the Short Index Security

		<p>will decrease on that day by the same percentage and <i>vice versa</i>);</p> <ul style="list-style-type: none"> • Leveraged Individual Securities provide an exposure to twice the daily percentage change in DJ-UBS Commodity Indices which track movements in the value of futures contracts in one type of commodity (such that if the value of the relevant DJ-UBS Commodity Index increases on any day, the value of the Leveraged Individual Security will increase on that day by twice the percentage increase in the DJ-UBS Commodity Index and <i>vice versa</i>); • Leveraged Index Securities provide an exposure to twice the daily percentage change in DJ-UBS Commodity Indices which track movements in the value of futures contracts in respect of a number of different commodities (such that if the value of the relevant DJ-UBS Commodity Index increases on any day, the value of the Leveraged Index Security will increase on that day by twice the percentage change in the DJ-UBS Commodity Index and <i>vice versa</i>); <p>in each case plus an adjustment for the risk free interest rate which accrues to a fully collateralised position in the relevant underlying futures contracts.</p> <p>Short and Leveraged Commodity Securities are designed to give investors a “total return” similar to that which could be achieved from managing a long fully cash collateralised unleveraged position in futures contracts of specific maturities, less applicable fees. Unlike managing futures positions, Short and Leveraged Commodity Securities involve no rolling, margin calls, expiry or futures brokerage.</p> <p>Issue specific summary:</p> <p>The following details apply to the Short or Leveraged Commodity Securities being issued pursuant to the Final Terms:</p> <p>Class [•]</p> <p>LSE Code [•]</p> <p>ISIN [•]</p> <p>Aggregate number of Short or Leveraged Commodity Securities of that class [•]</p> <p>Name of underlying index [•]</p> <p>The return on the Short and Leveraged Commodity Securities being issued pursuant to the Final Terms is linked to the daily performance of the related DJ-UBS Commodity Indices as follows:</p> <p>[Short Individual Securities provide a short exposure to the daily percentage change in DJ-UBS Commodity Indices which track movements in the value of futures contracts in one type of commodity (such that if the value of the relevant DJUBS Commodity Index increases on any day, the value of the Short Individual Security will decrease on that day by the same percentage and <i>vice versa</i>).] [Short Index Securities provide a short exposure to the daily percentage change in DJ-UBS Commodity Indices which track movements in the value of futures contracts in respect of a number of different commodities (such that if the value of the relevant DJ-UBS Commodity Index</p>
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		<p>increases on any day, the value of the Short Index Security will decrease on that day by the same percentage and vice versa).] [Leveraged Individual Securities provide an exposure to twice the daily percentage change in DJ-UBS Commodity Indices which track movements in the value of futures contracts in one type of commodity (such that if the value of the relevant DJ-UBS Commodity Index increases on any day, the value of the Leveraged Individual Security will increase on that day by twice the percentage increase in the DJ-UBS Commodity Index and vice versa).] [Short Index Securities provide an exposure to twice the daily percentage change in DJ-UBS Commodity Indices which track movements in the value of futures contracts in respect of a number of different commodities (such that if the value of the relevant DJ-UBS Commodity Index increases on any day, the value of the Leveraged Index Security will increase on that day by twice the percentage change in the DJ-UBS Commodity Index and vice versa).] There will also be an adjustment for the risk free interest rate which accrues to a fully collateralised position in the relevant underlying futures contracts.</p>
C.2	Currency	Short and Leveraged Commodity Securities are denominated in U.S. Dollars.
C.5	Restrictions on transfer	Not applicable; the Short and Leveraged Commodity Securities are freely transferable.
C.8	Rights	<p>Short and Leveraged Commodity Securities constitute direct and unconditional payment obligations of the Issuer which rank <i>pari passu</i> among themselves.</p> <p>Each Short and Leveraged Commodity Security is an undated secured limited recourse debt obligation of the Issuer, which carries the right on redemption to payment of the higher of (i) the Principal Amount for that class, and (ii) the price of that class of that Short and Leveraged Commodity Security on the applicable day determined using the Formula.</p> <p>Short and Leveraged Commodity Securities are constituted by the Trust Instrument. The Trustee holds all rights and entitlements under the Trust Instrument on trust for the Security Holders. The Issuer and the Trustee have entered into a separate Security Deed in respect of each Pool and the rights and entitlements held by the Trustee under each Security Deed are held by the Trustee on trust for the Security Holders of that particular class of Short and Leveraged Commodity Security. Under the terms of each Security Deed, the Issuer has assigned to the Trustee by way of security the contractual rights of the Issuer relating to such class under the Facility Agreements, and granted a first-ranking floating charge in favour of the Trustee over all of the Issuer's rights in relation to the secured property attributable to the applicable Pool.</p> <p>The Facility Agreements, the BAC Guarantee, the Security Agreements, the Control Agreements, the Authorised Participant Agreements and the Commodity Contracts, to the extent applicable to each class of Short and Leveraged Commodity Security, are all the subject of security granted by the Issuer in favour of the Trustee under the Security Deeds.</p> <p>The Issuer holds separate pools of assets for each class of securities so that holders of a particular class of Short and Leveraged Commodity Security will only have recourse to security</p>

		granted by the Issuer over the Commodity Contracts of that same class.
C.11	Admission	<p>Application has been made to the UK Listing Authority for all Short and Leveraged Commodity Securities issued within 12 months of the date of this Prospectus to be admitted to the Official List and to the London Stock Exchange, which operates a Regulated Market, and for all such Short and Leveraged Commodity Securities to be admitted to trading on the Main Market of the London Stock Exchange, which is part of its Regulated Market for listed securities (being securities admitted to the Official List). It is the Issuer's intention that all Short and Leveraged Commodity Securities issued after the date of this document will also be admitted to trading on the Main Market.</p> <p>Certain of the Short and Leveraged Commodity Securities have also been admitted to listing on the Regulated Market (General Standard) of the Frankfurt Stock Exchange and on the ETFplus market of Borsa Italiana S.p.A.</p> <p>No application has been or is currently being made for any other classes of Short and Leveraged Commodity Securities to be admitted to listing or trading on any exchange or market outside the UK but the Issuer may cause such application to be made in respect of the Short and Leveraged Commodity Securities of any or all classes on any such exchanges or markets in its discretion.</p> <p>Issue specific summary:</p> <p>Application has been made for the Short or Leveraged Commodity Securities being issued pursuant to the Final Terms to trading on the Main Market of the London Stock Exchange, which is part of its Regulated Market for listed securities (being securities admitted to the Official List).</p> <p>[Such Short or Leveraged Commodity Securities are also admitted to listing on [the Regulated Market (General Standard) of the Frankfurt Stock Exchange] [and] [on the ETFplus market of Borsa Italiana S.p.A]]</p>
C.12	Minimum denomination	<p>Each Short and Leveraged Commodity Security has a face value known as the "Principal Amount", which is the minimum denomination for a Short or Leveraged commodity security of the relevant type.</p> <p>Issue specific summary:</p> <p>The Principal Amount of each of the Short or Leveraged Commodity Securities being issued pursuant to the Final Terms is US\$[•].[•][•]</p>
C.15	Value of the investment is affected by the value of the underlying instruments	<p>Price</p> <p>The price of each Short and Leveraged Commodity Security reflects daily percentage movements in the DJ-UBS Commodity Indices.</p>

		<p>The price of a class of Short or Leveraged Commodity Securities is calculated in accordance with the following formula (the “Formula”):</p> $P_{i,t} = P_{i,t-1} \times \{1 + CA_{i,t} + LF_i \times (I_{i,t}/I_{i,t-1} - 1)\}$ <p>where:</p> <p>$P_{i,t}$ is the price of a Short or Leveraged Commodity Security of class i for day t;</p> <p>$P_{i,t-1}$ is the price of a Short or Leveraged Commodity Security of class i for day t-1;</p> <p>i refers to the relevant class of Short or Leveraged Commodity Security;</p> <p>t refers to the applicable calendar day;</p> <p>t-1 refers to the calendar day prior to day t;</p> <p>$I_{i,t}$ is the closing settlement price level of the DJ-UBS Commodity Index applicable to a Short or Leveraged Commodity Security of class i for day t. If day t is not a Pricing Day for class I then $I_{i,t}$ shall be the closing settlement price level of the DJ-UBS Commodity Index applicable to a Short or Leveraged Commodity Security of class I for day t-1;</p> <p>$I_{i,t-1}$ is the closing settlement price level of the DJ-UBS Commodity Index applicable to a Short or Leveraged Commodity Security of class i for day t-1;</p> <p>$CA_{i,t}$ is the Capital Adjustment applicable to class i on day t, expressed as a decimal; and</p> <p>LF_i is the leverage factor applicable to class i, expressed as a number. For Short Commodity Securities, $LF = -1$ and for Leveraged Commodity Securities, $LF = +2$.</p> <p>This pricing formula reflects applicable fees as well as the daily percentage change in the applicable underlying DJ-UBS Commodity Index.</p> <p>Capital Adjustment</p> <p>The Capital Adjustment is an adjustment factor which is agreed from time to time by the Commodity Contract Counterparties and the Issuer and reflects the fees payable by the Issuer to ManJer, the Commodity Contract Counterparties and the index providers. The Capital Adjustment applicable to each class of Short or Leveraged Commodity Security on any day is published on the Issuer’s website at www.etfsecurities.com/csl.</p>
C.16	Expiration/ Maturity date	Not applicable; the Short and Leveraged Commodity Securities are undated securities and have no specified maturity date and no expiry date.
C.17	Settlement	<p>CREST</p> <p>The Issuer is a participating issuer in CREST, a paperless system for the settlement of transfers and holding of securities.</p>

		<p>Settlement of creations and redemptions</p> <p>On creation or redemption of the Short and Leveraged Commodity Securities, settlement will occur (provided certain conditions are met) on the third business day following receipt of the relevant creation or redemption request on a delivery versus payment basis within CREST.</p> <p>Settlement systems</p> <p>For the purpose of good delivery of the Short and Leveraged Commodity Securities on the Frankfurt Stock Exchange, Clearstream Banking Aktiengesellschaft (“Clearstream”) will issue, for each series and the relevant number of Short and Leveraged Commodity Securities, a Global Bearer Certificate (each a “Global Bearer Certificate”) in the German language created under German law. Whenever the number of Short and Leveraged Commodity Securities represented by the Global Bearer Certificate of a class changes, Clearstream will amend the relevant Global Bearer Certificate accordingly.</p> <p>All Short and Leveraged Commodity Securities traded on the Borsa Italiana S.p.A. are eligible for settlement through the normal Monte Titoli S.p.A. settlement systems on the deposit accounts opened with Monte Titoli S.p.A.</p> <p>Issue specific summary:</p> <p>[For the purpose of good delivery of the Short or Leveraged Commodity Securities being issued pursuant to the Final Terms on the Frankfurt Stock Exchange, Clearstream Banking Aktiengesellschaft (“Clearstream”) will issue, for each series and the relevant number of Short and Leveraged Commodity Securities, a Global Bearer Certificate (each a “Global Bearer Certificate”) in the German language created under German law. Whenever the number of Short or Leveraged Commodity Securities represented by the Global Bearer Certificate of a class changes, Clearstream will amend the relevant Global Bearer Certificate accordingly.]</p> <p>[The Short or Leveraged Commodity Securities issued pursuant to the Final Terms are where traded on the Borsa Italiana S.p.A. eligible for settlement through the normal Monte Titoli S.p.A. settlement systems on the deposit accounts opened with Monte Titoli S.p.A.]</p>
C.18	Description of return	<p>The price of each Short and Leveraged Commodity Security reflects daily movements in the relevant DJ-UBS Commodity Indices and is calculated in accordance with the Formula.</p> <p>The Formula reflects (a) the daily percentage change in the relevant DJ-UBS Commodity Index since the last day on which a price was calculated; (b) the management fee payable to ManJer; (c) the index fees payable to ManJer for payment of the licence fees associated with the use of the DJ-UBS Commodity Indices; and (d) the fees payable to the Commodity Contract Counterparties for provision of the Commodity Contracts. The deduction of the fees are reflected in the Capital Adjustment referenced in the Formula.</p> <p>The Price of each class of Short and Leveraged Commodity Security will be calculated by the Issuer as at the end of each pricing day (after the futures market prices for that day have been published) and posted along with the applicable Capital</p>

		<p>Adjustment on the Issuer's website at http://www.etfsecurities.com/csl.</p> <p>The Short and Leveraged Commodity Securities do not bear interest. The return for an investor is the difference between the price at which the relevant Short and Leveraged Commodity Securities are issued (or purchased in the secondary market) and the price at which they are redeemed (or sold).</p>
C.19	Final price/exercise price	<p>Prices for each class of Short and Leveraged Commodity Security are calculated on each pricing day in accordance with the Formula and redemptions of Short and Leveraged Commodity Securities will be at the relevant price (determined by the Formula) on the day on which the redemption request is received.</p>
C.20	Type of underlying and where information on underlying can be found	<p>The Short and Leveraged Commodity Securities are backed by Commodity Contracts purchased from Commodity Contract Counterparties.</p> <p>The Commodity Contracts provide a return linked to the relevant underlying DJ-UBS Commodity Index. Information on DJ-UBS Commodity Indices can be found at http://www.djindexes.com/ubs/index.cdfm</p> <p>Details of the collateral held at BNYM for the benefit of the Issuer under the UBS Security Agreement, the UBS Control Agreement, the MLCI Security Agreement and the MLCI Control Agreement can be found at the website of the Issuer at www.etfsecurities.com/csl.</p> <p>Issue specific summary:</p> <p>The Commodity Contracts provide a return linked to [insert name of underlying DJ-UBS Index] further information can be found at http://www.djindexes.com/ubs/index.cdfm.</p>
SECTION D – Risks		
D.2	Key risks of Issuer	<p>The following are the key risks of the Issuer;</p> <p>The Issuer has been established as a special purpose vehicle for the purpose of issuing the ETFS Short Commodity Securities and ETFS Leveraged Commodity Securities as asset-backed securities.</p> <p>Although Short and Leveraged Commodity Securities are secured by Commodity Contracts and collateral, the value of such Short and Leveraged Commodity Securities and the ability of the Issuer to pay any redemption amounts remains partly dependent on the receipt of amounts due from UBS and MLCI under the Facility Agreements, the BAC Guarantee, the Security Agreements and the Control Agreements. No holder has any direct rights of enforcement against any such person.</p> <p>There can be no assurance UBS, MLCI or any other entity will be able to fulfil their payment obligations under the relevant Commodity Contracts, Facility Agreement, BAC Guarantee, Security Agreement or Control Agreement. Consequently, there can be no assurance that the Issuer will be able to redeem Short and Leveraged Commodity Securities at their redemption price.</p>
D.6	Key risks of securities	<p>The following are the risks of the securities;</p> <ul style="list-style-type: none"> Investors in Short and Leveraged Commodity Securities may lose the value of their entire investment or part of it.

		<ul style="list-style-type: none"> • There are certain circumstances in which an early redemption of Short and Leveraged Commodity Securities may be imposed on investors, which may result in an investment in Short and Leveraged Commodity Securities being redeemed earlier than desired. • The ability of the Issuer to pay on redemption of Short and Leveraged Commodity Securities is wholly dependent on it receiving payment from a Commodity Contract Counterparty. No Commodity Contract Counterparty nor any guarantor has guaranteed the performance of the Issuer's obligations and no holder has any direct rights of enforcement against any such person. • In the event of realisation of collateral from a Commodity Contract Counterparty, the value of the assets realised may be less than required to meet the redemption amount due to Security Holders and any realisation of the collateral may take time. • The returns from Short and Leveraged Commodity Securities are designed to provide exposure to daily changes in the relevant index. This is not the same as providing exposure to changes in the relevant index over periods greater than one day. • An investor's potential loss is limited to the amount of the investor's investment. <p>Issue Specific Summary:</p> <ul style="list-style-type: none"> • [During situations where the cost of futures contracts for delivery on dates further in the future is higher than those for delivery closer in time, the value of the corresponding DJ-UBS Commodity Index will decrease overtime unless the spot price increases by the same rate as the rate of the variation in the price of the futures contract. The rate of variation could be quite significant and last for an indeterminate period of time, reducing the value the DJ-UBS Commodity Index and therefore the price of any Leveraged Commodity Securities linked to that DJ-UBS Commodity Index.] • [During situations where the cost of futures contracts for delivery on dates further in the future is lower than those for delivery closer in time, the value of the corresponding DJ-UBS Commodity Index will increase overtime unless the spot price increases by the same rate as the rate of the variation in the price of the futures contract. The rate of variation could be quite significant and last for an indeterminate period of time, increasing the value the DJ-UBS Commodity Index and therefore the price of any Short Commodity Securities linked to that DJ-UBS Commodity Index.] • [Daily changes in the Price of Leveraged Commodity Securities will be magnified. In respect of Leveraged Commodity Securities, a daily decrease in the relevant DJ-UBS Commodity Indices of 50 per cent. or more could result in a total loss of an investment.] • [Daily changes in the Price of Short Commodity Securities will be magnified. In respect of Short Commodity Securities, a daily increase in the relevant Commodity Index of 100 per cent. or more could result in a total loss of an investment.]
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SECTION E – Offer		
E.2b	Offer and use of proceeds	Not applicable; the reasons for the offer and use of proceeds are not different from making profit and/or hedging.
E.3	Terms and conditions of the offer	<p>The Short and Leveraged Commodity Securities are being made available by the Issuer for subscription only to Authorised Participants who have submitted a valid application and will only be issued once the subscription price has been paid to the relevant Commodity Contract Counterparty. An Authorised Participant must also pay the Issuer a creation fee of £500. Any applications for Short and Leveraged Commodity Securities made by 2.30 p.m. London time on a business day will generally enable the Authorised Participant to be registered as the holder of Short and Leveraged Commodity Securities within three business days.</p>
E.4	Material or conflicting interests	<p>Mr Tuckwell and Mr Ross (who are directors of the Issuer) are also directors of ManJer and each of the Directors of the Issuer are also directors of HoldCo – the sole shareholder of the Issuer. While these roles could potentially lead to conflicts of interest, the Directors do not believe that there are any actual or potential conflicts of interest between the duties which the directors and/or members of the administrative, management and supervisory bodies of the Issuer owe to the Issuer, and the private interests and/or other duties that they have.</p> <p>The Directors of the Issuer also hold directorships of other issuers of exchange traded commodities also owned by HoldCo.</p>
E.7	Expenses	<p>The Issuer charges the following costs to investors:</p> <ul style="list-style-type: none"> – £500 per application or redemption carried out directly with the Issuer; and – a management fee of 0.98 per cent. per annum based on the value of all Short and Leveraged Commodity Securities outstanding by way of the Capital Adjustment; – a fee payable to the Commodity Contract Counterparties of 0.85 per cent. per annum in the case of the Short Commodity Securities and 1.30 per cent. per annum in the case of the Leveraged Commodity Securities each based on the value of all Short and Leveraged Commodity Securities outstanding by way of application of the Capital Adjustment; and – a licence allowance of 0.05 per cent. per annum (based on the aggregate daily price of all fully paid Commodity Contracts outstanding at that time) to be used to pay the fee of CME Indexes by way of application of the Capital Adjustment. <p>No other costs will be charged to investors by the Issuer.</p> <p>The Issuer estimates that the expenses charged by an authorised offeror in connection with the sale of Short and Leveraged Commodity Securities to an investor will be 0.15 per cent. of the value of the Short and Leveraged Commodity Securities sold to such investor.</p> <p>Issue Specific Summary:</p> <p>The fee payable to the Commodity Contract Counterparties for the Short and Leveraged Commodity Securities being issued pursuant to the Final Terms is [•] per cent. per annum based on the value of all Short and Leveraged Commodity Securities outstanding by way of application of the Capital Adjustment.</p>

RISK FACTORS

An investment in Short and Leveraged Commodity Securities involves a significant degree of risk. Prior to making an investment decision, prospective purchasers should carefully read the entire Prospectus. In addition to the other information contained in this document, the following risk factors, which constitute all of the principal risks known to the Issuer, should be carefully considered by prospective investors before deciding whether to invest in Short and Leveraged Commodity Securities. A Security Holder may lose some or all of their investment in Short and Leveraged Commodity Securities for reasons other than those set out below (for example, reasons not currently considered by the Issuer to be material or based on circumstances or facts of which the Issuer is not currently aware).

Commodity Price and Commodity Index Risk Factors

Commodity Prices

The value of Short and Leveraged Commodity Securities will be affected by movements in commodity prices generally and by the way in which those prices and other factors affect the prices of the Designated Contracts (and hence of the Commodity Indices).

Commodity prices generally may fluctuate widely and may be affected by numerous factors, including:

- global or regional political, economic or financial events and situations, particularly war, terrorism, expropriation and other activities which might lead to disruptions to supply from countries that are major commodity producers;
- investment trading, hedging or other activities conducted by large trading houses, producers, users, hedge funds, commodities funds, governments or other speculators which could impact global supply or demand;
- the weather, which can affect short-term demand or supply for some commodities;
- the future rates of economic activity and inflation, particularly in countries which are major consumers of commodities;
- major discoveries of sources of commodities; and
- disruptions to the infrastructure or means by which commodities are produced, distributed and stored, which are capable of causing substantial price movements in a short period of time.

Prices of the Designated Month Contracts may fluctuate widely and may be affected by:

- commodity prices generally;
- trading activities on the Relevant Exchange, which might be impacted by the liquidity in the futures contracts; and
- trading activity specific to particular futures contract(s).

Roll-Yield

Each Individual Commodity Index is priced off a Designated Contract (a futures contract of specific maturity) which, as it nears expiry, needs to be “rolled” to a later dated contract. As the exchange-traded futures contracts approach expiration, they are replaced by similar contracts that have a later expiration. Thus, for example, a futures contract purchased and held in August may specify an October expiration. As time passes, the contract expiring in October may be replaced by a contract for delivery in December. This process is referred to as “rolling”. If the market for these contracts is (putting aside other considerations) in “backwardation”, which means that the prices are lower in the distant delivery months than in the nearer delivery months, the sale of the October contract would take place at a price that is higher than the price of the December contract, thereby creating a “roll yield” which tends to be positive for the relevant Individual Commodity Index. A “contango” market means that the prices are higher in the distant delivery months than in the nearer delivery months, the sale of the October contract would take place at a price that is lower than the price of the December contract, thereby creating a negative “roll yield” which tends to be negative for the relevant Individual Commodity Index. However, the existence of contango (or backwardation) in a particular commodity market does not automatically result in negative (or positive) “roll yields”. The actual realisation of a roll yield will be dependent upon the shape of the

futures curve. If the relevant part of the commodity futures curve is in backwardation — a downward sloping futures curve — then, all other factors being equal, the relevant index will tend to rise over time as lower futures prices converge to higher spot prices. The opposite effect would occur for contango.

Each Composite Commodity Index is made up of two or more Designated Contracts. The extent to which a Composite Commodity Index is affected by backwardation or contango will depend on whether the relevant Designated Contracts are in backwardation or contango and the relative weight of each Designated Contract included in each Composite Commodity Index.

Short and Leveraged Commodity Securities Risk Factors

Roll Yield

The existence of backwardation in particular commodity markets could result in positive “roll yields”, which could benefit the value of the Commodity Indices (and increase the value of the Leveraged Securities) but decrease the value of the Short Securities.

The existence of contango in particular commodity markets could result in negative “roll yields”, which could adversely affect the value of the Commodity Indices (and increase the value of the Short Securities) but decrease the value of the Leveraged Securities.

The effect of the Leverage Factor

Investing in Short or Leveraged Securities is more risky than investing in securities which are an unleveraged long exposure (such as the Classic Commodity Securities issued by the Issuer as described in a separate base prospectus of the Issuer dated the same date as this document) as (unleveraged) commodity prices cannot realistically fall to zero and cause the total loss of an investment.

However, it is possible for commodity prices to increase by more than 100 per cent. and so it is possible for Short Securities to lose all of their value which could result in the total loss of an investor's initial investment. Also, it is possible for commodity prices to fall in price by more than 50 per cent. and so it is possible for Leveraged Securities to lose all of their value which could result in the total loss of an investor's initial investment. Any such total loss of investment could occur in a relatively short period of time if there was a material supply shock or market dislocation.

Price volatility may result in long-term returns being significantly different to overall changes in the relevant index

The returns from Short and Leveraged Commodity Securities are designed to provide a specific exposure to daily change in the relevant index. As explained in Part 1 (*General*) and demonstrated by historic simulations shown in Part 2 (*Dow Jones-UBS Commodity Indices*), the actual change in Price of Short and Leveraged Commodity Securities over periods greater than one day may differ significantly from the product of the Index return and the Leverage Factor over such longer period. Accordingly, prospective investors should not expect that actual percentage return for Short Commodity Securities will be equal to minus one times the percentage change in the relevant Commodity Index nor that actual percentage return for Leveraged Commodity Securities will be equal to twice the percentage change in the relevant Commodity Index.

Long term effect of the Leverage Factor

Investors should note that the effects of the Leverage Factor of minus one times (-1x) and two times (2x) can result in significant losses over extended periods.

For example, in respect of the Short Commodity Securities, ETFS Daily Short Crude Oil would have fallen from \$50 on 1 January 1991 to \$1.68 on 31 December 2007 (before fees and adjustments and assuming the absence of Market Disruption Events) resulting in the loss of 97 per cent. of the initial investment if held over the whole period.

In respect of the Leveraged Commodity Securities, ETFS Daily Leveraged Natural Gas would have fallen from \$50 on 1 January 1991 to \$0.05 on 31 December 2007 (before fees and adjustments and assuming the absence of Market Disruption Events), almost resulting in the loss of the entire initial investment if held over the whole period.

Investing in Short or Leveraged Commodity Securities is not the same as being short futures contracts or long double the amount of futures contracts

Short or Leveraged Commodity Securities are designed to match the daily percentage movement in the relevant index (before fees and adjustments and in the absence of Market Disruption Events) multiplied by the relevant Leverage Factor. In the case of Short Commodity Securities, the return from holding Short Commodity Securities is not the same as the return from selling (shorting) the relevant commodity futures contracts. A short position in commodity futures contracts would match dollar for dollar a long position in the same commodity futures contracts, such that if the long position increased in value by one dollar, then the short position would decrease in value by one dollar. Similarly for Leveraged Commodity Securities, the return from holding Leveraged Commodity Securities is not the same as the return from buying double the amount of commodity futures contracts. A double long position in commodity futures contracts would match dollar for dollar a long position in the same commodity futures contracts, such that if the long position increased in value by one dollar, then a double long position would increase in value by two dollars.

Change of Commodity Index

The Facility Agreements allow for a change in the Commodity Index used to Price the Short or Leveraged Commodity Securities. The Commodity Contract Counterparties and the Issuer may agree to use a different commodity index provided that Security Holders are given a minimum of 30 days' notice of the intended change.

Tracking Error and Liquidity Risk

At any time, the price at which Short and Leveraged Commodity Securities trade on the London Stock Exchange (or any other exchange or market on which they may be quoted or traded) may not reflect accurately the Price of Short and Leveraged Commodity Securities. The application and redemption procedures for Short and Leveraged Commodity Securities and the role of certain Authorised Participants as market-makers are intended to minimise this potential difference or "tracking error". However, the market price of Short and Leveraged Commodity Securities will be a function of supply and demand amongst investors wishing to buy and sell Short and Leveraged Commodity Securities and the bid/offer spread that market-makers are willing to quote for Short and Leveraged Commodity Securities.

Although UBS and MLCI have each agreed to supply Commodity Contracts and Classic and Longer Dated Commodity Contracts of up to an Aggregate Outstanding Contracts Price of US\$7.0 billion (US\$7,000,000,000,000), if demand for each of Short Commodity and Leveraged Commodity Securities exceeds this amount and the Issuer is not able to create more Commodity Contracts, or if the demand for issue of Short and Leveraged Commodity Securities exceeds the daily restrictions or the commodity-specific limits, then Short and Leveraged Commodity Securities may trade at a premium to their underlying value (the Price). Investors who pay a premium risk losing the premium if demand for Short and Leveraged Commodity Securities abates or the Issuer is able to source more Commodity Contracts. Short and Leveraged Commodity Securities could trade at a discount to the Price if the Issuer has received redemption requests in excess of the Redemption Limits (which are daily limits).

The Short and Leveraged Commodity Securities of each class (other than the BG Securities) were first issued in February/March 2008 (the BG Securities are being made available for the first time pursuant to this Prospectus).

There can be no assurance as to the depth of the secondary market (if any) in Short and Leveraged Commodity Securities, which will affect their liquidity and market price.

Operational Risk Factors

Currency

The Price of Short and Leveraged Commodity Securities will be set in US Dollars. To the extent that a Security Holder values Short and Leveraged Commodity Securities in another currency, that value will be affected by changes in the exchange rate between the US Dollar and that other currency.

Exchange Limits on Price Movements

U.S. futures exchanges and some other exchanges have regulations that limit the amount of fluctuation in some futures contract prices that may occur during a single business day. These limits are generally referred to as “daily price fluctuation limits” and the maximum or minimum price of a contract on any given day as a result of these limits is referred to as a “limit price”. Once the limit price has been reached in a particular contract, no trades may be made at a price beyond the limit, or trading may be limited for a set time period. Limit prices have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at potentially disadvantageous times or prices. These circumstances could adversely affect the value of any and all Commodity Indices and, therefore, the market value of the Short and Leveraged Commodity Securities and could disrupt applications for and redemptions of Short and Leveraged Commodity Securities and the pricing thereof.

Position Limits on Futures Exchanges

The Commodity Contract Counterparties may choose to hedge their exposure related to the Commodity Contracts by taking positions on the relevant Exchange(s) and, to the extent they do so, they will need to adjust their positions on such Exchange(s) on a daily basis to reflect that, subject to the occurrence of Market Disruption Events, the Short and Leveraged Commodity Securities track (before fees and expenses) daily percentage changes in a Commodity Index. Accordingly, changes in the Price(s) of one or more classes of Short and Leveraged Commodity Securities could result in the Commodity Contract Counterparties meeting or exceeding their position limits on such Exchange(s) and so being unable to sufficiently adjust their hedging positions for one or more classes of Commodity Contract(s). In the event of a Commodity Contract Counterparty exceeding their position limits the Commodity Contract Counterparties have the right to terminate some or all Commodity Contracts of the relevant class(es) to bring their positions below the position limits and, in such case, the Issuer will exercise, its right to redeem some or all of the Short and Leveraged Commodity Securities of such class(es).

UBS and an affiliate of MLI are each parties to facility agreements with ETFS Hedged Commodity Securities Limited, an Affiliate of the Issuer in relation to securities tracking hedged equivalents of the commodity indices and their exposures under these and any similar agreements and their hedging activities in connection with those exposures, may affect their ability to create Commodity Contracts under the Facility Agreements.

Changes in Regulation

There may also be a risk of future regulations which may affect the Issuer or a Commodity Contract Counterparty. Such new regulation may include, but is not limited to, the Issuer being subject to registration with and regulation by the Commodity Futures Trading Commission if it is deemed a market participant in the futures market and the Issuer may accordingly be subject to limits on such futures. This may result in the inability to apply for and redeem Short and Leveraged Commodity Securities and/or disruption to the pricing thereof.

Counterparty Credit Risk and Default

The value of Short and Leveraged Commodity Securities and the ability of the Issuer to pay the Redemption Amount is dependent on the receipt of such amount from a Commodity Contract Counterparty, and may be affected by the deterioration of the credit and/or a downgrade in the credit rating of the Commodity Contract Counterparties (or any of them). Such deterioration/downgrade in the credit or credit rating of the Commodity Contract Counterparties (or any of them) could cause Short and Leveraged Commodity Securities to trade at a discount to the Price.

The Commodity Contracts issued by UBS are not guaranteed by any person and the Commodity Contracts issued by MLCI are not guaranteed by any entity within the BAC Group, other than BAC, or by any other person. There can be no assurance that any Commodity Contract Counterparty or Guarantor will be able to fulfil its respective payment obligations under the relevant Commodity Contracts and Facility Agreement or Guarantee (as the case may be).

The Issuer will not operate any risk-spreading policies and has Facility Agreements only with UBS and MLCI. The Issuer may, but is not required to, enter into other Facility Agreements with other Commodity Contract Counterparties, but it will not be the Issuer's intention to enter into other Facility Agreements for the purposes of spreading counterparty risk.

If at any given time there are two or more Commodity Contract Counterparties and one of them, the Lower Credit, has its credit rating downgraded or has defaulted on its obligations to redeem Commodity Contracts, then, under the Pool splitting mechanism discussed under the heading “Consolidation and Division of Short and Leveraged Commodity Securities” in Part 3 (*Description of Short and Leveraged Commodity Securities*), the Issuer can separate out the Lower Credit by issuing to the relevant Security Holders new Short and Leveraged Commodity Securities supported only by the Commodity Contracts of the Lower Credit. There can be no assurance that the Issuer will be able to redeem such new Short and Leveraged Commodity Securities at their Price or even at all, and such new Short and Leveraged Commodity Securities may not be admitted to trading on any exchange. If the Issuer is considering exercising its power to implement a Pool split it will not be required to have regard to any proposed but not yet implemented Pool split when allocating Commodity Contracts to one or more of the Counterparties. Accordingly, shortly after receiving its Short or Leveraged Commodity Securities a Security Holder could be treated as owning Short or Leveraged Commodity Securities attributable to the Lower Credit which may affect the ability of such Security Holder to redeem those Short or Leveraged Commodity Securities. In circumstances where the Issuer is considering exercising its power to implement a Pool split in respect of a particular Pool it may, upon notice to Security Holders, suspend the right to Redeem the Short or Leveraged Commodity Securities of the class or classes attributable to such Pool.

In the event that the Issuer determines to divide a Pool as referred to above and in accordance with Condition 18.3, the amended Conditions provide that outstanding valid Redemption Forms given (save in the case where notice of a Compulsory Redemption Date was given prior to the division becoming effective in which case certain other timings may apply) prior to the division becoming effective will be treated as having been given in respect of the Pool to which following the division are attributable Commodity Contracts with the Commodity Contract Counterparty to which the corresponding Commodity Contract Termination had been allocated. This may have the effect that a Security Holder which has lodged a valid Redemption Form prior to a division becoming effective will be treated following the division as owning only Short and Leveraged Commodity Securities attributable to a single Pool rather than both Pools as described under the heading “Consolidation and Division of Short and Leveraged Commodity Securities” in Part 3 (*Description of Short and Leveraged Commodity Securities*), and this could be the Pool to which Commodity Contracts with the Lower Credit are transferred.

Realisation of Collateral

In the event that the Issuer enforces its rights under a Security Agreement and a Control Agreement to take control of a Collateral Account, the Collateral in the Collateral Account may not be of sufficient value to cover all Redemption Amounts payable to investors because: (i) enforcement of its rights by the Issuer may have resulted from the Commodity Contract Counterparty failing to post Collateral to the Collateral Account to the value of the Collateral Exposure; (ii) the Collateral Account is only required to contain assets to the value of the Collateral Exposure as at the close of the immediately preceding Business Day on which the calculations and valuations are made and there may be a number of days between such valuations occurring and the date on which the Issuer takes control of the Collateral Account, during which time a significant difference between the value of the Collateral in the Collateral Account and the Collateral Exposure could arise; (iii) the value of the assets in the Collateral Account is not correlated to the Collateral Exposure and may fall due to market conditions; (iv) the Collateral Exposure could rise due to market conditions; (v) the Collateral Exposure as reported for the purposes of the Commodity Contract Counterparty's obligation to post Collateral when such Collateral was last posted may be less than the aggregate amounts due to Security Holders and others out of the proceeds realised from such Collateral; (vi) the Issuer (or the Trustee) may not be able to realise some or all of the assets in the Collateral Account at the prices at which they were valued, even after allowing for the application of valuation percentages; or (vii) there may be certain costs associated with the Issuer's realisation of the assets in the Collateral Account. In addition there can be no certainty as to the timeliness of any such enforcement.

Enforcement by the Trustee

If the Trustee enforces its security, and takes control of a Collateral Account, the factors referred to in “Realisation of Collateral” above will also apply. In addition, the Trustee is dependent upon the Issuer to make or cause to be made and publish its calculations of the Price of the Short and Leveraged Commodity Securities and consequently of any Redemption Amount. If the Issuer is insolvent, or for

other reasons, the Issuer may not make and publish such calculations. In such circumstances, there can be no assurance that the Trustee will be able to perform such calculations, or to find a third party able and willing to perform such calculations for it. The Prices of all classes of Short and Leveraged Commodity Securities are determined in accordance with a formula and (save in respect of certain specific elements or in the case of market disruptions) there is no provision for a calculation agent to make a conclusive determination of the Price. There can therefore also be no assurance that any Price or Redemption Amount which is calculated by or on behalf of the Issuer or the Trustee will accord with that calculated by a Commodity Contract Counterparty, or (in the event of a Compulsory Redemption) that the day upon which the Price payable by the Commodity Contract Counterparty to the Issuer is calculated under the relevant Facility Agreement will be the same as the day on which the Price or Redemption Amount payable on the Short and Leveraged Commodity Securities will be calculated (so that there may be a mismatch).

Commodity Contract Counterparty Withholding

In certain circumstances where a Commodity Contract Counterparty considers that an amount payable by it in respect of a Commodity Contract Termination is, may be or may be about to be required by any applicable law of the United States to be paid subject to any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any relevant jurisdiction or any political sub-division thereof or any authority thereof having power to tax, by law (as modified by the practice of any relevant governmental revenue authority) then in effect, then it may give 30 days' notice to the Issuer under the Facility Agreement and until the expiry of such notice it will be obliged to "gross-up" the amounts so payable by it subject (in the case where the beneficial holder of the relevant Short or Leveraged Commodity Securities being redeemed is not an Authorised Participant) to provision to the Commodity Contract Counterparty of certain beneficial owner certifications to allow the Commodity Contract Counterparty (if possible) to pay the relevant amount without any such deduction or withholding, or with such deduction or withholding at a reduced rate. Payment on redemption to persons who are not Authorised Participants may in these circumstances be subject to their giving to the Issuer and the Commodity Contract Counterparty such beneficial owner certifications. Following the expiry of such 30 days' notice, the Commodity Contract Counterparty will not be obliged to "gross-up" any amounts payable by it and if the Issuer makes payment on Redemption only of the net amount so paid, that shall not be a Defaulted Obligation.

Activities of CME Indexes, Commodity Contract Counterparties and Authorised Participants

The Commodity Contract Counterparties and their affiliates are active traders in commodities markets, including in the physical markets for commodities, in the futures markets (on each of the Exchanges and on other commodity exchanges) and the over-the-counter markets, including trading of commodity swaps, options and other derivatives. These trading activities may present a conflict between the interests of holders of the Short and Leveraged Commodity Securities and the interests that the Commodity Contract Counterparties and their affiliates will have in their proprietary accounts, in facilitating transactions, including options and other derivatives transactions, for their customers and in accounts under their management. These trading activities, if they influence the value of the DJ-UBS Commodity Indices or any Individual Commodity Index, could be adverse to the interests of the holders of the Short and Leveraged Commodity Securities. Moreover, the Commodity Contract Counterparties or their affiliates have published and in the future expect to publish research reports with respect to some or all of the DJ-UBS Commodity Indices or components and physical commodities generally. This research is modified from time to time without notice and may express opinions or provide recommendations that are inconsistent with purchasing or holding the Short or Leveraged Commodity Securities. The research should not be viewed as a recommendation or endorsement of the Short or Leveraged Commodity Securities in any way and investors must make their own independent investigation of the merits of this investment. Any of these activities by the Commodity Contract Counterparties or their affiliates may affect the market price of the DJ-UBS Commodity Indices or components and the value of the DJ-UBS Commodity Indices and, therefore, the market value of the Short and Leveraged Commodity Securities. In addition, the Commodity Contract Counterparties and their affiliates may underwrite or issue other securities or financial instruments indexed to the DJ-UBS Commodity Indices and related indices and/or CME Indexes and UBS Securities may licence the DJ-UBS Commodity Indices or related indices for publication or for use by unaffiliated third parties. Further, the Authorised Participants or their Affiliates also trade in various sectors of the commodities markets.

These activities could give rise to conflicts of interest which are adverse to the interests of Security Holders and could change the Price of Short and Leveraged Commodity Securities. For example, a market maker in a financial instrument linked to the performance of the DJ-UBS Commodity Indices or related indices may expect to hedge some or all of its position in that financial instrument. Purchase (or selling) activity in the underlying DJ-UBS Commodity Indices components in order to hedge the market maker's position in the financial instrument may affect the market price of the futures contracts upon which the Individual Commodity Indices are based, which in turn would affect the value of those indices and thus the Short and Leveraged Commodity Securities.

With respect to any of the activities described above, none of UBS, UBS Securities, CME Indexes, Dow Jones, the Commodity Contract Counterparties, BAC, the Authorised Participants or their respective Affiliates has any obligation to the Issuer to take the needs of any buyers, sellers or holders of Short and Leveraged Commodity Securities into consideration at any time.

Market Disruption

Futures exchanges have the potential to suffer from market disruption, due to trading failures at the exchange or the imposition of volume or price restrictions. Such events could cause a Pricing Day to be classified as a Market Disruption Day, resulting in it not being possible to price one or more classes of Short and Leveraged Commodity Securities that day. This will cause a delay in the application or redemption process (where settlement pricing is being used) which could adversely affect potential or existing Security Holders. In addition where a Market Disruption Event occurs the change in Price of a Short or Leveraged Commodity Security may not match (before fees and adjustments) the daily change in the level of the relevant Commodity Index.

Only Authorised Participants May Apply for or Redeem Short and Leveraged Commodity Securities

Generally only Authorised Participants may deal with the Issuer in applying for or redeeming Short and Leveraged Commodity Securities, save in relation to redemptions where at any time there are no Authorised Participants or in other circumstances announced by the Issuer. The Issuer has agreed to use reasonable endeavours to ensure that at all times there are at least two Authorised Participants. There can, however, be no assurance that there will at all times be an Authorised Participant to deal with the Issuer in applying for or redeeming Short and Leveraged Commodity Securities.

Under the Facility Agreements, each Commodity Contract Counterparty has the right to give notice (with immediate or delayed effect) that an Authorised Person has ceased to be acceptable to it in certain circumstances, including if the Commodity Contract Counterparty deems such person to be unacceptable to it as an Authorised Person for credit, compliance, general business policy or reputational reasons. As a result of any exercises of such right there could at any time be no Authorised Participants, with the result that no Short and Leveraged Commodity Securities could be created. In such event it may also be difficult or impossible to sell Short and Leveraged Commodity Securities on the London Stock Exchange at a price close to the Price therefor or within a reasonable time period, although Security Holders will be entitled to redeem their Short and Leveraged Commodity Securities.

Early Redemption of Short and Leveraged Commodity Securities

The Issuer may, at any time, upon not less than 30 days' notice (or seven days' notice in the event that the Facility Agreement is terminated) by RIS announcement to the Security Holders, redeem all Short and Leveraged Commodity Securities of a particular class. The Trustee may, at any time, where an Issuer Insolvency Event or Counterparty Event of Default has occurred and is continuing, upon 20 Business Days' notice to the Issuer, require the Issuer to redeem all Short and Leveraged Commodity Securities whereupon the Issuer will exercise its right to redeem such Securities.

CME Indexes may cease to publish a Commodity Index. If so, all Short or Leveraged Commodity Securities of the class relating to that Commodity Index may be redeemed.

If the Calculation Agent notifies the Issuer that the Intra-day Price of Commodity Contracts of the same class as any Short or Leveraged Commodity Securities has fallen to or below zero at any time during any Trading Day and that such Commodity Contracts have been terminated then the Short or Leveraged Commodity Securities of such class will automatically be subject to a Compulsory Redemption on that day and Security Holders are unlikely in that situation to receive any proceeds as the relevant Pool is unlikely in these circumstances to have sufficient assets to repay Security Holders

any material sums on such Compulsory Redemptions as the only assets available for the redemption of the affected Short or Leveraged Commodity Securities will be the Commodity Contracts whose value will be zero even if the Price of that class of Short or Leveraged Commodity Securities subsequently increases.

The Conditions provide that the amount payable upon a Redemption of a Short or Leveraged Commodity Security of a particular class under Settlement Pricing will be the higher of the Principal Amount for that class and the Price of such Short or Leveraged Commodity Security on the applicable Pricing Day. As each class of Short or Leveraged Commodity Security is a limited recourse security as described in Condition 3.2, it is in the interests of the Security Holders of each class to ensure that the Price for that class does not fall below its Principal Amount. The Issuer will aim to avoid the Price of a class of Short or Leveraged Commodity Security falling below its Principal Amount: (i) by, where necessary, seeking the sanction of Security Holders by Extraordinary Resolution to reduce the Principal Amount of a class of Short or Leveraged Commodity Security to a level less than its Price; and/or (ii) if on any Pricing Day the Price of any class of Short or Leveraged Commodity Security falls to 2.5 times the Principal Amount of such Short or Leveraged Commodity Security or below, the Issuer may, at any time for so long as the Price remains below such amount and during the period 60 days thereafter, upon not less than two days' notice by RIS announcement elect to redeem the Short or Leveraged Commodity Securities of that class. This right will cease once an Extraordinary Resolution is passed to reduce the Principal Amount such that the Price is more than 2.5 times the Principal Amount subject to any further fall in the Price of any class of Short or Leveraged Commodity Securities to 2.5 times the Principal Amount or below.

Under the Facility Agreements, each Commodity Contract Counterparty has the right to terminate some or all of the Commodity Contracts of a particular class if for any reason it is unable to maintain the hedging positions which (acting reasonably) it attributes to the hedging of its obligations in connection with the Facility Agreement or Commodity Contracts of one or more classes. In such a case, the Issuer has, and will exercise, the right to redeem some or all of the Short and Leveraged Commodity Securities of that class.

The Issuer may, at any time by not less than seven nor more than 14 Trading Days' written notice, redeem any Short and Leveraged Commodity Securities held by Prohibited US Persons or Prohibited Benefit Plan Investors, held by Security Holders who have not provided appropriate certifications as to their status in accordance with the Conditions or in certain other circumstances specified in the Conditions.

UBS has only agreed to provide Commodity Contracts to the Issuer for ten years from 12 August 2009 and MLCI has only agreed to supply Commodity Contracts to the Issuer for ten years from 15 April 2011 (although each Commodity Contract Counterparty may terminate its Facility Agreement on three months' notice). If the relevant Commodity Contract Counterparty does not agree to provide Commodity Contracts beyond such date or if either or both Commodity Contract Counterparties chooses to terminate its Facility Agreement earlier, then the Commodity Contracts with it will expire and unless they are replaced by Commodity Contracts with another Commodity Contract Counterparty the Issuer will elect to redeem some or all of the outstanding Short and Leveraged Commodity Securities.

Consequently, an investment in Short and Leveraged Commodity Securities may be redeemed earlier than desired by a Security Holder.

General Market Risk

General movements in local and international markets and factors that affect the investment climate and investor sentiment could all affect the level of trading and, therefore, the market price of Short and Leveraged Commodity Securities, and may have different effects on each of the Short Commodity Securities and the Leveraged Commodity Securities.

No Recourse Except to the Issuer and the Secured Property

Short and Leveraged Commodity Securities will be obligations solely of the Issuer. The ability of the Issuer to pay on redemption of Short and Leveraged Commodity Securities is wholly dependent on it receiving payment from the relevant Commodity Contract Counterparty. The Short and Leveraged Commodity Securities will not be obligations or responsibilities of, or guaranteed by, the Trustee, the Registrar, Dow Jones, any member of the UBS Group, MLCI or any other member of the BAC Group,

any direct or indirect shareholder of the Issuer or any of the Authorised Participants and no Security Holder has any direct rights of enforcement against such persons. The Issuer is a special purpose company established for the purpose of issuing exchange traded commodities (ETCs) as asset-backed securities.

If the net proceeds of realisation of the Secured Property in respect of a particular Pool, following enforcement of the Security Deed applicable to that Pool, are less than the aggregate amount payable in such circumstances by the Issuer in respect of Short or Leveraged Commodity Securities of that class, the obligations of the Issuer in respect of such Short or Leveraged Commodity Securities will be limited to the net proceeds of realisation of that Secured Property. In such circumstances the assets (if any) of the Issuer other than those attributable to the relevant Pool will not be available for payment of such shortfall, the rights of the relevant Security Holders to receive any further amounts in respect of such obligations shall be extinguished and none of the Security Holders or the Trustee may take any further action to recover such amounts.

Any claims made against the Issuer will be satisfied in order of the priority of payments in accordance with the Trust Instrument, further details of which are set out in Condition 16 (*Application of Moneys*) in Part 6 (*Trust Instrument and Short and Leveraged Commodity Securities*).

Limited Enforcement Rights

The Trustee may enforce the Security at its discretion but is only required to enforce the Security on behalf of a Security Holder if it is directed to do so:

- (a) by a Security Holder to whom a Defaulted Obligation is owed; or
- (b) if an Issuer Insolvency Event or Counterparty Event of Default has occurred and is continuing, (i) in writing by Security Holders holding not less than 25 per cent. by Principal Amount (as at the date of the last signature) of the Short and Leveraged Commodity Securities (as a whole) then outstanding, or (ii) by an Extraordinary Resolution,

in each case provided that the Trustee is indemnified and/or secured to its satisfaction.

Recognition of Security in other Jurisdictions

The laws of certain jurisdictions may affect some or all of the assets comprising the Secured Property in relation to any Pool. In the event that the laws of a jurisdiction do not recognise the security granted by the Security Deed, such security may not be effective in relation to assets deemed located in that jurisdiction and/or such assets may be subject to claims which would otherwise rank after claims secured by the Security Deed.

The Issuer has taken the following steps to perfect the security granted under the Security Deed relating to the Security Agreements: (a) the Issuer has notified the Securities Intermediary of the security so granted in writing and the Securities Intermediary has in writing acknowledged to the Issuer and the Trustee such notification; and (b) the Issuer's grant of the security interest is expressly acknowledged in the Control Agreements with provision made under the Control Agreements for the Securities Intermediary to act on the instructions of the Security Trustee enforcing the security.

The Issuer may take further steps if required in order to perfect such security under English law. However the security so granted may not be recognised or perfected under the laws of other jurisdictions in which some or all of the assets comprising the Secured Property in relation to any Pool may be deemed to be located.

Index Calculations by CME Indexes and UBS Securities

The Issuer is not affiliated with CME Indexes, Dow Jones or UBS Securities in any way (except for the agreements and licensing arrangements described in this Prospectus) and has no ability to control or predict their actions, including any errors in or discontinuation of disclosure regarding its methods or policies relating to the calculation of the Commodity Indices or related indices (including the Individual Commodity Indices and the Composite Commodity Indices). The policies of UBS Securities and CME Indexes concerning the calculation of the level of the Commodity Indices or related indices (including the Individual Commodity Indices and the Composite Commodity Indices), additions, deletions or substitutions of Commodity Indices components and the manner in which changes affecting the

Commodity Indices components are reflected in the Commodity Indices could adversely affect the value of the Commodity Indices or related indices (including the Individual Commodity Indices and the Composite Commodity Indices) and, therefore, the market value of the Short and Leveraged Commodity Securities.

Additional commodity futures contracts may satisfy the eligibility criteria for inclusion in the Commodity Indices, and commodity futures contracts currently included in the Commodity Indices may fail to satisfy such criteria. The weighting factors applied to each included futures contract may change annually, based on changes in commodity production and volume statistics. In addition, UBS Securities and CME Indexes may modify the methodology for determining the composition and weighting of the Commodity Indices, for calculating their respective values in order to assure that the Commodity Indices represent an adequate measure of market performance or for other reasons, or for calculating the values of the Commodity Indices or related indices (including the Individual Commodity Indices and the Composite Commodity Indices). Any such changes could adversely affect the market value of the Short and Leveraged Commodity Securities.

Under the UBS Facility Agreement and the Calculation Agency Agreement, UBS has agreed that in the event CME Indexes and UBS Securities as co-sponsors of the Commodity Indices cease to calculate and publish any Commodity Index, UBS as Calculation Agent will use its reasonable endeavours to calculate settlement values of such Commodity Indices for each Pricing Day using the same methodology and processes for each individual commodity as are used from time to time for the calculation of the Commodity Indices, but there is no assurance that those indices will continue to be published. If the Commodity Indices or any of them cease to be published, the Issuer will endeavour to ensure that replacement indices are published, but there is no assurance that that will be achieved. In that event some or all of the Short and Leveraged Commodity Securities may be redeemed.

In certain circumstances under the Facility Agreements and the Calculation Agency Agreement, including where a Market Disruption Event in respect of a Commodity Index occurs on five or more consecutive Trading Days (irrespective of whether a Commodity Index is published for those Trading Days), the Calculation Agent is required to calculate a substitute value for each Trading Day thereafter while that circumstance persists. While the Calculation Agent is required to act in good faith and in a commercially reasonable manner (i) it owes no duty to any Security Holder or the Trustee in respect of any determination made by it and (ii) any such substitute value may differ from the Commodity Index.

If a Commodity Index ceases to be published by CME Indexes all Short or Leveraged Commodity Securities of the class relating to that Commodity Index may be redeemed.

Calculation Agent Conflicts of Interest

In addition to being the obligor under the UBS Facility Agreement, UBS is also the Calculation Agent under both the UBS Facility Agreement and the MLCI Facility Agreement (but not for the purposes of the Conditions, the Short and Leveraged Commodity Securities or the Trust Instrument). In acting as Calculation Agent, UBS is obliged to act in good faith and in a commercially reasonable manner, but otherwise its calculations are binding in the absence of manifest error. The role of UBS as Calculation Agent may give rise to conflicts of interest which are adverse to the interests of Security Holders.

Change to Designated Contracts and/or Roll Period

The choice of Designated Contracts, Designated Month Contracts and the Roll Period used to price each Commodity Index is determined by CME Indexes in conjunction with UBS Securities and may be changed from time to time upon approval by the Supervisory Committee of the DJ-UBS CISM. The termination or replacement of any Designated Contract or Designated Month Contract and/or the change to a Roll Period may have an adverse impact on the value of an Individual Commodity Index and the Composite Commodity Indices included therein.

IMPORTANT INFORMATION

“Dow Jones”, “UBS”, “Dow Jones — UBS Commodity IndexSM” and “DJ-UBS CISM” are service marks of Dow Jones Trademark Holdings LLC, CME Indexes, UBS or UBS Securities, as the case may be, and have been licenced for use for certain purposes by the Issuer. The Issuer’s Short and Leveraged Commodity Securities based on the DJ-UBS CISM are not sponsored, endorsed, sold or promoted by Dow Jones, CME Indexes, UBS, UBS Securities, or any of their respective subsidiaries or affiliates, and none of Dow Jones, CME Indexes, UBS, UBS Securities or any of their respective subsidiaries or affiliates, makes any representation regarding the advisability of investing in such product(s).

The Issuer has been granted a licence by CME Indexes and UBS Securities to price Short and Leveraged Commodity Securities based on various commodity indices calculated by CME Indexes in conjunction with UBS Securities and published by CME Indexes. All references to indices calculated or published by CME Indexes and/or UBS Securities, and in particular the Commodity Indices, are used with the permission of CME Indexes and UBS Securities.

None of CME Indexes, Dow Jones, UBS Securities, UBS, MLCI or BAC has separately verified the information contained or incorporated by reference in this Prospectus. No representation, warranty or undertaking, express or implied, is made, and no responsibility or liability is accepted by Dow Jones, CME Indexes, UBS Securities, UBS, MLCI or BAC as to the accuracy or completeness of any information contained in this Prospectus or any other information supplied in connection with Short and Leveraged Commodity Securities or their distribution. Each person applying for Short and Leveraged Commodity Securities in accordance with this Prospectus acknowledges that (i) such person has not relied on Dow Jones, CME Indexes, UBS Securities, UBS, MLCI or BAC, nor on any person affiliated with any of them in connection with its investment decision or its investigation of the accuracy of the information contained herein; (ii) Short and Leveraged Commodity Securities are direct, limited recourse obligations of the Issuer alone and not obligations of CME Indexes, Dow Jones, UBS Securities, UBS or any other member of the UBS Group or MLCI or any other member of the BAC Group; and (iii) the obligations of the Issuer to Security Holders under the Short and Leveraged Commodity Securities are not guaranteed by CME Indexes, Dow Jones, UBS Securities, UBS or any other member of the UBS Group or MLCI or any other member of the BAC Group. None of the Issuer, the Trustee, the Authorised Participants and the Security Holders are, by virtue of any of the activities of CME Indexes, Dow Jones, any member of the UBS Group or any member of the BAC Group in connection with Commodity Contracts, clients or customers of CME Indexes, Dow Jones, any member of the UBS Group or any member of the BAC Group for the purpose of the FSA Handbook.

Security Holders should note that the collateral provided by UBS will only support Commodity Contracts with UBS and the collateral provided by MLCI will only support Commodity Contracts with MLCI, and neither of UBS and MLCI will secure the obligations to CSL of the other.

The Authorised Participants have not separately verified the information contained or incorporated by reference in this Prospectus. None of the Authorised Participants makes any representation, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Prospectus or to the suitability of Short and Leveraged Commodity Securities for any investor. None of the Authorised Participants undertakes to review the financial condition or affairs of the Issuer during the life of the Programme nor to advise any investor or potential investor in Short and Leveraged Commodity Securities of any information coming to the attention of any of the Authorised Participants.

Neither this Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase Short and Leveraged Commodity Securities or any other securities issued by the Issuer and should not be considered as a recommendation by the Issuer, the Authorised Participants, Dow Jones, UBS Securities, UBS, MLCI, BAC or any of them that any recipient of this Prospectus or any Final Terms should subscribe for or purchase Short and Leveraged Commodity Securities. Each person contemplating making an investment in Short and Leveraged Commodity Securities must make its own investigation and analysis of the creditworthiness of the Issuer and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment, and it is advisable that such persons obtain their own independent accounting, tax and legal advice and consult their own professional investment advisers to ascertain the suitability of Short and Leveraged Commodity Securities as an investment, and conduct such independent investigation and analysis

regarding the risks, security arrangements and cash-flows associated with Short and Leveraged Commodity Securities as they deem appropriate, in order to evaluate the merits and risks of an investment in Short and Leveraged Commodity Securities. A prospective investor who is in any doubt whatsoever as to the risks involved in investing in Short and Leveraged Commodity Securities should consult its independent professional advisers.

The distribution of the Prospectus and the offering, sale and delivery of Short and Leveraged Commodity Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Short and Leveraged Commodity Securities and on the distribution of this Prospectus, see paragraphs 3 and 24 of Part 11 (*Additional Information*).

DEFINITIONS AND INTERPRETATION

Definitions

The following definitions apply throughout this Prospectus unless the context otherwise requires:

"Acceptable Credit Rating"	means a long term senior debt credit rating of at least BBB+ from Standard & Poor's Rating Services, a division of the McGraw-Hill Companies Inc. (or any successor to the ratings business thereof), and of at least Baa1 from Moody's Investors Service Inc. (or any successor to the ratings business thereof)
"Affiliate"	means, in relation to any person, any entity controlled, directly or indirectly, by that person, any entity that controls, directly or indirectly, that person, or any entity directly or indirectly under common control with that person; and for this purpose, " control " of any entity or person means ownership of a majority of the voting power of the entity or person
"Aggregate Outstanding Contracts Price"	means in respect of any day and a Commodity Contract Counterparty the aggregate of (i) the sum of the Price on that day of each and every Commodity Contract then in existence with that Commodity Contract Counterparty (including Commodity Contracts in respect of which a Creation Notice has been given on or prior to that day and which have not been issued or cancelled, but excluding Commodity Contracts in respect of which a valid Cancellation Notice has been given on or before that day) and (ii) the sum of the Price (as defined in the Classic and Longer Dated Facility Agreement with that Commodity Contract Counterparty) of each and every Classic and Longer Dated Commodity Contract then in existence with that Commodity Contract Counterparty (including Classic and Longer Dated Commodity Contracts in respect of which a Creation Notice (as defined in such Classic and Longer Dated Facility Agreement) has been given on or prior to that day and which have not been issued or cancelled (as defined in such Classic and Longer Dated Facility Agreement), but excluding Classic and Longer Dated Commodity Contracts in respect of which a valid Cancellation Notice (as defined in such Classic and Longer Dated Facility Agreement) has been given on or before that day)
"Agreed Pricing"	has the meaning given in Condition 7.1(b)
"Agreed Redemption Form"	means a notice in the form prescribed from time to time by the Issuer requesting Redemption of Short and Leveraged Commodity Securities using Agreed Pricing
"Applicant"	means an Authorised Participant who makes an Application for Short or Leveraged Commodity Securities
"Application"	means an offer by an Applicant to the Issuer to subscribe for Short or Leveraged Commodity Securities, being an offer on terms referred to in an Application Form and this document and in accordance with the provisions of the relevant Authorised Participant Agreement
"Application Fee"	means the fee payable by an Applicant to the Issuer in respect of the issue of Short or Leveraged Commodity Securities
"Application Form"	means the application form to be used in connection with the Programme
"Application Moneys"	means, for an Application, all moneys paid or to be paid to or to the order of the Issuer by the Applicant in respect of the Application

“Authorised Participant”	means a person which has entered into an Authorised Participant Agreement with the Issuer in relation to Short and Leveraged Commodity Securities and (except in the case of a Commodity Contract Counterparty which has entered into an Authorised Participant Agreement with the Issuer) has entered into a corresponding Direct Agreement with at least one Commodity Contract Counterparty, and which is not an Unacceptable Authorised Participant in respect of that Commodity Contract Counterparty provided that no person shall be an Authorised Participant unless and until the Security Conditions (if any) with respect to the Authorised Participant and that Commodity Contract Counterparty shall have been satisfied and provided further that a person can be an Authorised Participant in respect of one Commodity Contract Counterparty but not another
“Authorised Participant Agreement”	means a written agreement between the Issuer and another person under which such person is appointed to act as an “Authorised Participant”, distribution agent or in a substantially similar function in relation to Short and Leveraged Commodity Securities and if such agreement is subject to conditions precedent, provided that such conditions have been satisfied
“Authorised Person”	means a person who is authorised for the purposes of FSMA
“BAC”	means Bank of America Corporation, a corporation established under the laws of the State of Delaware, United States, and whose principal place of business is at 100 North Tryon Street, Charlotte, NC282255, United States
“BAC Group”	means BAC and its Affiliates, and includes MLCI
“BAC Guarantee”	means the guarantee dated 14 March 2011 given by BAC to the Issuer in support of MLCI’s payment obligations under the MLCI Facility Agreement, the MLCI Security Agreement and the MLCI Control Agreement
“BG Securities”	means the ETFS Daily Short Brent Crude Individual Securities, the ETFS Daily Short Gas Oil Individual Securities, the ETFS Daily Leveraged Brent Crude Individual Securities and the ETFS Daily Leveraged Gas Oil Individual Securities
“Board”	means the board of directors of the Issuer
“Business Day”	means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in both London and New York
“Calculation Agency Agreement”	means the agreement entitled “MLCI Calculation Agency Agreement relating to Short and Leveraged Commodity Contracts” dated 14 March 2011 between the Issuer, MLCI, UBS Securities and UBS
“Calculation Agent”	means a person appointed by the Issuer to determine various matters in accordance with Condition 14, UBS being the current Calculation Agent
“Cancellation Notice”	means a notice sent by the Issuer to a Commodity Contract Counterparty pursuant to a Facility Agreement which cancels the Equivalent Number of Commodity Contracts corresponding with the

	Short and Leveraged Commodity Securities referred to in such Cancellation Notice
“Capital Adjustment”	means an adjustment factor to be included in the calculation of the Price which is agreed from time to time by a Commodity Contract Counterparty and the Issuer
“Capital Adjustment Agreement”	means agreements entitled “Capital Adjustment Agreement relating to Short and Leveraged Commodity Contracts” between the Issuer and a Commodity Contract Counterparty and includes the UBS Capital Adjustment Agreement and the MLCI Capital Adjustment Agreement
“CBOT”	means Board of Trade of the City of Chicago, Inc.
“Certificated” or “Certificated Form”	means not in Uncertificated Form
“CIP”	means “Commodity Index Percentage” as defined in the Handbook from time to time
“class”	means a class of Short Commodity Securities or Leveraged Commodity Securities under which the Issuer’s obligations to make payment, and the corresponding class of Commodity Contracts under which any Commodity Contract Counterparty’s obligations to make payment, are determined by reference to a particular Commodity Index
“Classic and Longer Dated Calculation Agency Agreement”	means the agreement entitled “MLCI Calculation Agency Agreement relating to Classic and Forward Commodity Contracts” dated 14 March 2011 between the Issuer, MLCI, UBS Securities and UBS
“Classic and Longer Dated Commodity Contract”	has the meaning given to “Commodity Contracts” in the conditions of the Classic and Longer Dated Securities
“Classic and Longer Dated Securities”	means the securities of the Issuer known as Classic and Longer Dated Securities constituted by the Classic and Longer Dated Trust Instrument as more fully described in a separate base prospectus of the Issuer dated the same date as this Prospectus
“Classic and Longer Dated Trust Instrument”	means the trust instrument between the Issuer and the Trustee dated 21 September 2006
“CME”	means Chicago Mercantile Exchange Inc.
“CME Group” and “CME Group Inc.”	means CME Group Inc., a holding company and the parent of CME, CBOT and NYMEX
“CME Indexes”	means CME Group Index Services LLC
“Collateral”	means all Posted Collateral as defined in any Security Agreement to the extent attributable to the obligations of a Commodity Contract Counterparty under a Facility Agreement
“Collateral Account”	means, in relation to any Commodity Contract Counterparty that has entered into a Security Agreement, the account established and maintained by the respective Securities Intermediary in the Commodity Contract Counterparty’s name, in which the Commodity Contract Counterparty shall post Collateral pursuant to the terms of such Security Agreement and the relevant Control Agreement and which shall include the account so established and maintained by The Bank of New York Mellon in UBS’ name and the account so

established and maintained by The Bank of New York Mellon in MLCI's name

"Collateral Exposure"

means, in respect of any Valuation Time (as defined in any Security Agreement) or other time for which Collateral Exposure is calculated, and save in the case of a dispute under the relevant Security Agreement, the sum of the price on such date of each and every Commodity Contract in issue as at the applicable Valuation Time, which, in the case of the UBS Security Agreement and the MLCI Security Agreement, shall include both the sum of the price of the Commodity Contracts entered into pursuant to the UBS Facility Agreement or the MLCI Facility Agreement (respectively) and the sum of the price of the commodity contracts under the UBS Classic and Longer Dated Facility Agreement or the MLCI Classic and Longer Dated Facility Agreement (respectively) as at the applicable Valuation Time on such date

"Collateral Yield"

means the Capital Adjustment plus the daily Management Fee and the Licence Allowance expressed as a percentage rate per annum

"COMEX"

means New York Mercantile Exchange, Inc., including its wholly owned subsidiary Commodity Exchange Inc.

"Commodity Contract"

means in relation to Short or Leveraged Commodity Securities of a particular class, a contract between the Issuer and a Commodity Contract Counterparty created in accordance with a Facility Agreement and giving rise to matching rights and obligations to such Short or Leveraged Commodity Securities

"Commodity Contract Counterparty"

means the counterparty to each Facility Agreement with the Issuer and includes UBS and MLCI

"Commodity Contract Termination"

means the termination of Commodity Contracts by a Commodity Contract Counterparty in accordance with a Facility Agreement

"Commodity Index"

means an Individual Commodity Index or a Composite Commodity Index, as appropriate, and "Commodity Indices" means all of them and in relation to a class of Short or Leveraged Commodity Securities (and the corresponding class of Commodity Contracts) means the Commodity Index specified in relation to such class in the Sixth Schedule (Classes of Short and Leveraged Commodity Securities) to the Trust Instrument

"Composite Commodity Index"

means an index for a group of commodities (which may change from time to time with respect to such index), as calculated by CME Indexes in conjunction with UBS Securities and published by CME Indexes from time to time and on which more information can be found in Part 2 (*Dow Jones — UBS Commodity Indices*) and "**Composite Commodity Indices**" means all of them

"Compulsory Redemption"

means a Redemption of Short or Leveraged Commodity Securities in accordance with Condition 8.13

"Compulsory Redemption Date"

means a date notified in accordance with Conditions 8.1, 8.2, 8.5, 8.6, 8.7, 8.8 or 8.9

"Conditions"

means the terms and conditions of the Short and Leveraged Commodity Securities in the form set out in the Second Schedule (*The Conditions*) to the Trust Instrument and as set out in Part 6 (*Trust Instrument and Short and Leveraged Commodity Securities*) and references herein to numbered Conditions are references to the numbers assigned to the Conditions in Part 6 (*Trust Instrument and Short and Leveraged Commodity Securities*)

“Control Agreement”	means, in relation to any Security Agreement, the Control Agreement as defined in such Security Agreement and includes the UBS Control Agreement and the MLCI Control Agreement
“Controller”	means a Controller as defined in the Conditions
“Counterparty Event of Default”	<p>means:</p> <ul style="list-style-type: none"> (a) the failure of any Commodity Contract Counterparty to make a payment it is due to make in respect of a Commodity Contract Termination in accordance with the relevant Facility Agreement, where such failure is not rectified within five Business Days following the day on which the Commodity Contract Counterparty receives notice of the failure sent by the Issuer, or being in any other breach of the Facility Agreement provided that such breach (if capable of being rectified) is not rectified within (5) five Business Days of the Commodity Contract Counterparty receiving written notice from the Issuer of such breach; (b) any Guarantor failing to pay an amount due under the relevant Guarantee, when due; (c) any Commodity Contract Counterparty or Guarantor suffering an Insolvency Event; (d) the expiration or termination of any Guarantee (other than where a replacement guarantee (or other form of credit support) acceptable to the Issuer and the Trustee in their sole discretion is provided to the Issuer in lieu of a Guarantee upon or prior to such expiration or termination) or the failing or ceasing of a Guarantee to be in full force and effect for the purpose of the relevant Facility Agreement, in each case other than in accordance with its terms, prior to the satisfaction of all obligations of a Commodity Contract Counterparty under the Facility Agreement to which such Guarantee relates and without the written consent of the Issuer (and this paragraph (d) shall apply <i>mutatis mutandis</i> to any replacement guarantee (or other form of credit support)); (e) in the case of UBS, a UBS Event of Default (as defined in the UBS Classic and Longer Dated Facility Agreement) and in the case of MLCI, an MLCI Event of Default (as defined in the MLCI Classic and Longer Dated Facility Agreement); or (f) in the cases of UBS and MLCI, the occurrence of certain events of default under the Security Agreement with it being, <i>inter alia</i>, (i) such Commodity Contract Counterparty failing to transfer Collateral to the Collateral Account when due, (ii) the applicable Security Agreement expiring or terminating or failing or ceasing to be in full force and effect prior to the termination of the relevant Facility Agreement and the relevant Classic and Longer Dated Facility Agreement and the satisfaction of the obligations detailed in such Security Agreement or (iii) such Commodity Contract Counterparty disaffirming, disclaiming, repudiating or rejecting or otherwise challenging the validity of the applicable Security Agreement
“Creation Limits”	means the limits under the Facility Agreement on creation of Commodity Contracts (and corresponding limits on issue of Short and Leveraged Commodity Securities), as referred to in Part 1 (<i>General</i>) under the heading “Applications and Redemptions — Creation and Redemption Limits”

“Creation Notice”	means a notice sent by the Issuer to a Commodity Contract Counterparty pursuant to a Facility Agreement creating the Equivalent Number of Commodity Contracts corresponding with the Short or Leveraged Commodity Securities referred to in such Creation Notice
“CREST”	means the system of paperless settlement of transfers and the holding of securities in Uncertificated Form administered by Euroclear UK & Ireland Limited
“Defaulted Obligation”	means the failure of the Issuer to make or procure any payment in respect of the Redemption of any Short or Leveraged Commodity Securities when due, and such failure is not remedied within 48 hours of receipt of notice requiring remedy of the same provided that if the amount paid by a Commodity Contract Counterparty under the terms of a Facility Agreement in respect of a Commodity Contract Termination as a result of such Redemption is subject to any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any relevant jurisdiction or any political subdivision thereof or any authority thereof having power to tax, as required by law (as modified by the practice of any relevant governmental revenue authority) then in effect, and that Commodity Contract Counterparty is not obliged under that Facility Agreement to make any additional payment in respect of the withholding or deduction and the net amount is so paid or procured to be paid by the Issuer in respect of that Redemption, that shall not be a Defaulted Obligation
“Designated Contract”	means, for each commodity represented in the DJ-UBS Commodity Index and for each Individual Commodity Index, the futures contract series which is used for the calculation of those indices, as set out in Part 2 (<i>Dow Jones — UBS Commodity Indices</i>) in Table 2 (Designated Contracts and Designated Month Contracts), in the column headed “Designated Contract”
“Designated Month Contract”	means a futures contract, being a Designated Contract, for delivery in a particular month, which is used for the calculation of the Commodity Indices, as set out in Part 2 (<i>Dow Jones — UBS Commodity Indices</i>) in Table 2 (Designated Contracts and Designated Month Contracts), in the column headed “Designated Month Contracts”
“Direct Agreement”	means an agreement entered into between a Commodity Contract Counterparty and an Authorised Participant or a person proposed by the Issuer to become an Authorised Participant
“Directors”	means the directors of the Issuer, being at the date of this document the persons whose names are listed as such in “Directors, Secretary and Advisers” below
“DJ-UBS CISM”	means the Dow Jones — UBS Commodity Index SM calculated by CME Indexes in conjunction with UBS Securities, and published by CME Indexes and on which further information can be found in Part 2 (<i>Dow Jones — UBS Commodity Indices</i>)
“DJ-UBS CISM Handbook” or “Handbook”	means the document entitled “The Dow Jones – UBS Commodity Index SM Handbook” (including its appendices) which sets out the methodology for calculation of (<i>inter alia</i>) the DJ-UBS CI SM and the other Commodity Indices, prepared and as amended from time to time by CME Indexes and UBS Securities, a copy of which can at

the date of this Prospectus be downloaded from the following internet address:

<http://www.djindexes.com/commodity>

“Documents”

means this document, the Trust Instrument, the Security Deeds, all Authorised Participant Agreements, all Security Assignments, each Facility Agreement, each Security Agreement, each Control Agreement, the Registrar Agreement, the Services Agreement and the Licence Agreement

“Dow Jones”

means Dow Jones Trademark Holdings LLC

“Eligible Equities”

in relation to any Security Agreement or Control Agreement has the meaning given to that expression in the relevant Security Agreement being, in the case of the UBS Security Agreement, common or preferred shares or American Depositary Receipts that are constituents of any of the indices set out in the Index Schedule of the UBS Control Agreement and, in the case of the MLCI Security Agreement, common or preferred shares that are constituents of the indices set out in the Index Schedule of the MLCI Control Agreement or global depositary receipts whose underlying common or preferred shares are constituents of such indices

“ETFS Short and Leveraged Commodity Securities” and “Short and Leveraged Commodity Securities”

means Short Commodity Securities and Leveraged Commodity Securities and **“ETFS Short or Leveraged Commodity Securities”** or **“Short or Leveraged Commodity Securities”** means any of them

“ETFSL”

means ETF Securities Limited, a company incorporated and registered in Jersey, with registered number 88370

“Exchange”

means CBOT, CME, COMEX, LME, ICE Futures U.S. or NYMEX, as the case may be, and **“Exchanges”** means all of them

“Exempt Person”

means a person who, in entering into and performing the terms of an Authorised Participant Agreement, is acting in the course of a business comprising a regulated activity in relation to which it is exempt from the need to be an Authorised Person as a result of a provision of the FSMA or associated secondary legislation

“Exposure”

(i) in respect of any class of Individual Commodity Contract, to the Relevant Commodity at any time means an amount equal to the Price of that class of Individual Commodity Contract; and (ii) in respect of any class of Index Commodity Contract, to any Relevant Commodity at any time means an amount equal to the Price of that class of Index Commodity Contract at that time multiplied by a fraction of which the numerator is the CIP of the Relevant Commodity and the denominator is the sum of the CIPs of each of the Relevant Commodities in relation to that class of Index Commodity Contract

“Extraordinary Resolution”

means in respect of one or more classes of Short or Leveraged Commodity Securities either (a) a resolution passed at a meeting of the holders of the Short or Leveraged Commodity Securities of such class or classes duly convened and held in accordance with the provisions contained in the Trust Instrument and carried by a majority consisting of not less than 75 per cent. in number of the persons voting thereat upon a show of hands or, if a poll is duly demanded, by a majority consisting of the holders of not less than 75 per cent. by Principal Amount of the Short or Leveraged Commodity Securities of such class or classes voting on such poll

or (b) a resolution in writing of holders of the Short or Leveraged Commodity Securities of such class or classes holding not less than 75 per cent. by Principal Amount of the Short or Leveraged Commodity Securities of such class or classes

“Facility Agreement”

means the agreements of that name between the Issuer and different Commodity Contract Counterparties providing for the creation and termination of Commodity Contracts thereunder including the UBS Facility Agreement and the MLCI Facility Agreement

“Final Terms”

means final terms in or substantially in the form annexed hereto

“FSA”

means the Financial Services Authority of the United Kingdom and any successor thereto

“FSA Glossary”

means the glossary giving the meaning of the defined expressions used in the FSA Handbook

“FSA Handbook”

means the FSA's Handbook of Rules and Guidance as amended

“FSMA”

means Financial Services and Markets Act 2000

“General Trading Day”

means a “Business Day” as defined in the Handbook from time to time (and meaning as at the date of the Trust Instrument “any day on which the sum of the CIPs for those Index Commodities that are open for trading is greater than 50 per cent.” where “Index Commodities” has the meaning given to it in the Handbook)

“Guarantee”

means in respect of any Commodity Contract Counterparty, any guarantee or other credit support agreement that may be provided by a guarantor or other credit support provider in respect of such Commodity Contract Counterparty's obligations under the relevant Facility Agreement insofar as it relates to the Pool and in respect of MLCI includes the BAC Guarantee

“Guarantor”

means in respect of any Commodity Contract Counterparty, any guarantor or other credit support provider who has entered into a Guarantee in respect of such Commodity Contract Counterparty's obligations under the relevant Facility Agreement insofar as it relates to the relevant Pool

“Handbook”

see definition of “DJ-UBS CISM Handbook” above

“Hedging Disruption Event”

means an event, circumstance or cause that a Commodity Contract Counterparty reasonably and in good faith determines has had or would reasonably be expected to have a materially adverse effect on that Commodity Contract Counterparty's ability to hedge its positions in connection with the relevant Facility Agreement or Commodity Contracts of the relevant class, including, without limitation, any limitation or prohibition associated with acquiring, establishing, re-establishing, substituting, maintaining, unwinding or disposing of any hedging transaction in connection with the relevant Facility Agreement or such Commodity Contracts, in each case whether due to market illiquidity, position limits in respect of any futures contract, illegality, the adoption of or change in any law or other regulatory instrument, lack of availability of hedging transaction market participants or the occurrence or existence of any other circumstance or event

“HoldCo”

means ETFS Holdings (Jersey) Limited, a company incorporated and registered in Jersey, with registered number 106817

"holding company"	has the meaning given to that term in section 1159 of the Companies Act 2006
"ICE"	means the Intercontinental Exchange, Inc.
"ICE Futures U.S."	means ICE Futures U.S. (formerly the New York Board of Trade (NYBOT)), a subsidiary of ICE
"Indicative Price"	means the Indicative Price as defined in the Conditions
"Individual Commodity Index"	means an index for an individual commodity (as adjusted through the addition or removal of other Individual Commodity Indices) as calculated by CME Indexes in conjunction with UBS Securities and published by CME Indexes from time to time, more information on which is set out in Part 2 (<i>Dow Jones — UBS Commodity Indices</i>)
"Insolvency Event"	means, in relation to a person other than the Issuer, such person (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts
"Intra-day Price"	means at any time between 8.00 a.m. and 2.30 p.m. New York Time on a Trading Day in respect of a Commodity Contract, the Price, calculated in accordance with Condition 5, using as $I_{i,t}$ the most recent value of the relevant Commodity Index published as of such time by Dow Jones provided, that (i) if the Calculation Agent reasonably determines that such published value is incorrect, the Calculation Agent shall instead use a special value of the relevant Commodity Index calculated using the most recently reported prices for the futures contracts by reference to the Settlement Price for which that Commodity Index is calculated (in whole or in part), (ii) if the Calculation Agent determines that as the result of a material

trading disruption or anomaly the value of any futures contract used in calculating such published value manifestly does not reflect a fair market value for that futures contract having regard to the principles in the Facility Agreement described in Condition 14.3, the Calculation Agent shall instead determine fair market values for such futures contracts having regard to the principles in the Facility Agreement described in Condition 14.3 and calculate a special value of the relevant Commodity Index calculated using such fair market values and (iii) if the Calculation Agent reasonably determines that a Market Disruption Event has occurred with respect to any applicable futures contract, the Calculation Agent shall instead use a special value of the relevant Commodity Index calculated using the most recently reported prices for the relevant futures contracts, if any, that are not subject to a Market Disruption Event and using a fair market value determined in accordance with the principles set out in the Facility Agreement described in Condition 14.3 for the relevant commodity futures that are subject to a Market Disruption Event

"Investment Company Act"	means the Investment Company Act of 1940 of the U.S.
"Issuer"	means ETFS Commodity Securities Limited, a company incorporated and registered in Jersey with registered number 90959
"Issuer Business Day"	means a day which is both a General Trading Day and a London Business Day
"Issuer Insolvency Event"	means the Issuer (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) has a declaration made against it declaring the assets of the Issuer <i>en désastre</i> pursuant to the Bankruptcy (Désastre) (Jersey) Law 1990, as amended; (5) institutes or has instituted against it any other proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (6) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (7) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (8) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (9) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (8) (inclusive); or (10) takes any action in furtherance of, or indicating its consent to, approval of, or

acquiescence in, any of the foregoing acts, *provided that* no action taken by the Trustee in respect of the Issuer shall constitute an Issuer Insolvency Event save where acts of the Trustee fall within one or more of clauses (1) to (9) and are taken in respect of security taken over Commodity Contracts, a Facility Agreement or a Guarantee

“Jersey”	means the Island of Jersey, Channel Islands
“KBOT”	means the Kansas City Board of Trade
“Lead Future”	means (a) for an Individual Commodity Index and a Trading Day with respect thereto, the particular futures contract which is the “Lead Future” (as defined in the Handbook) for that Individual Commodity Index on that Trading Day and (b) for a commodity comprised in a Composite Commodity Index but which is not the subject of an Individual Commodity Index and a Trading Day with respect thereto, the particular futures contract which is the “Lead Future” (as defined in the Handbook) for that commodity in relation to that Composite Commodity Index on that Trading Day
“Leverage Factor”	means -1 in respect of Short Commodity Securities of any class and +2 in respect of Leveraged Commodity Securities of any class
“Leveraged Commodity Securities”	means Leveraged Individual Securities and Leveraged Index Securities
“Leveraged Index Securities”	means a Short or Leveraged Commodity Security of a category specified as such in the relevant list in paragraph 5 of Part 11 (<i>Additional Information</i>)
“Leveraged Individual Securities”	means a Short or Leveraged Commodity Security of a class specified as such in the relevant list in paragraph 5 of Part 11 (<i>Additional Information</i>)
“Licence Agreement”	means the amended and restated Licence agreement dated as of 22 December 2011, between CME Indexes (as successor to Dow Jones & Company Inc.), UBS Securities and ETFSL, under which CME Indexes and UBS Securities grant to ETFSL and the Issuer the right to use and refer to the DJ-UBS Commodity Indices and related sub-indices, and certain intellectual property of CME Indexes and UBS Securities, in relation to (<i>inter alia</i>) Short and Leveraged Commodity Securities
“Licence Allowance”	means the amount payable by the Issuer to ManJer and from ManJer to ETFSL to be applied in paying fees to CME Indexes under the Licence Agreement, as set out in Part 1 (<i>General</i>) under “Management Fee”, as that amount may be adjusted from time to time
“Listing”	means the admission of a particular class of Short or Leveraged Commodity Securities to the Official List in accordance with the Listing Rules and admission of a particular class of Short or Leveraged Commodity Securities to trading on the London Stock Exchange’s market for listed securities (or any of such markets if the London Stock Exchange has at any time more than one such market) becoming effective
“Listing Failure”	means the refusal of the UK Listing Authority to admit to the Official List any Short or Leveraged Commodity Securities issued or to be issued under the Programme

"Listing Failure Date"	means the day which was or would have been the date on which payment would have been made for Commodity Contracts pursuant to the terms of the relevant Facility Agreement corresponding to the Short or Leveraged Commodity Securities in respect of which a Listing Failure has occurred
"Listing Rules"	means the Listing Rules of the UK Listing Authority from time to time, made under section 73A of the FSMA
"LME"	means The London Metal Exchange Limited and its subsidiaries and affiliates
"London Business Day"	means a day (other than a Saturday or a Sunday) on which banks are open for the transaction of general business in London
"London Stock Exchange"	means London Stock Exchange plc or its market for listed securities (or any of such markets if the London Stock Exchange has at any time more than one such market), as the context may require
"Main Market"	means the Main Market of the London Stock Exchange, which is part of its Regulated Market for listed securities (being securities admitted to the Official List)
"Management Fee"	means the management fee payable by the Issuer to ManJer in consideration for the provision by ManJer of all management and administration services in relation to the Programme, as set out in Part 1 (<i>General</i>) under "Management Fee and Licence Allowance", as that amount may be adjusted from time to time
"ManJer"	means ETFS Management Company (Jersey) Limited, a company incorporated and registered in Jersey on 16 November 2010, with registered number 106921
"Market Disruption Day"	means: <ul style="list-style-type: none"> (i) in respect of an Individual Commodity Index, a General Trading Day which is a Trading Day for that Individual Commodity Index on which a Market Disruption Event occurs or is continuing in the Relevant Market on the Relevant Exchange for that Individual Commodity Index; (ii) in respect of a Composite Commodity Index, a General Trading Day which is a Trading Day in respect of each futures contract by reference to the Settlement Price for which that Composite Commodity Index is calculated (in whole or in part) but on which a Market Disruption Event occurs or is continuing in the Relevant Market on the Relevant Exchange for any such futures contract; (iii) in respect of a futures contract the Settlement Price for which is included in the calculation of a Commodity Index, a General Trading Day which is a Trading Day for that futures contract and on which a Market Disruption Event occurs or is continuing in the Relevant Market on the Relevant Exchange on which that futures contract is traded; or (iv) in respect of a commodity in connection with a Commodity Index (or class of Short or Leveraged Commodity Securities), a Market Disruption Day for a futures contract in respect of that commodity the Settlement Price for which is included in the calculation of that Commodity Index (or the Commodity Index relating to that class of Short or Leveraged Commodity Securities)

“Market Disruption Event”

means:

- (a) in respect of a particular Individual Commodity Index, any of the following events:
 - (i) the Relevant Exchange fails to determine, announce or publish the relevant Settlement Price(s); or
 - (ii) the termination or suspension of, or material limitation or disruption in the trading of, any Lead Future or Next Future used in the calculation of an Individual Commodity Index; or
 - (iii) the Settlement Price of the Lead Future or Next Future used in the calculation of the Individual Commodity Index reflects the maximum permitted price change (as set from time to time by the Relevant Exchange for that Lead Future or Next Future) from the previous day’s Settlement Price; and
- (b) in respect of any Composite Commodity Index means any event described in paragraphs (a)(i), (ii) or (iii) of this definition in relation to any futures contract the Settlement Price for which is included in the calculation of that Composite Commodity Index (and, for such purposes, references in sub-paragraphs (a)(ii) and (iii) of this definition to “any Lead Future or Next Future used in the calculation of an Individual Commodity Index” shall be construed, in relation to a commodity comprised in a Composite Commodity Index, as references to the Lead Future or Next Future with respect to that commodity the Settlement Price of which is used in the calculation of that Composite Commodity Index; and
- (c) in respect of a commodity in connection with a Commodity Index (or a class of Short or Leveraged Commodity Securities), any event described in sub-paragraph (a)(i), (ii) or (iii) of this definition in relation to the futures contract in respect of that commodity the Settlement Price of which is included in the calculation of that Commodity Index (or the Commodity Index relating to that class of Short or Leveraged Commodity Securities) (and, for such purposes, references in sub-paragraphs (a)(ii) and (iii) of this definition to “any Lead Future or Next Future used in the calculation of an Individual Commodity Index” shall be construed, in relation to such commodity, as references to the Lead Future or Next Future with respect to that commodity used in the calculation of that Composite Commodity Index (or the Commodity Index relating to that class of Short or Leveraged Commodity Securities)),

in each case as determined by the Calculation Agent for the purposes of one or more Facility Agreements

“Minimum Creation Amount”

means the minimum amount stipulated under the Facility Agreements for creation of Commodity Contracts (and the corresponding minima on the issue of Short and Leveraged Commodity Securities), as set out under the heading “Applications and Redemptions — Application Processes” in Part 3 (*Description of Short and Leveraged Commodity Securities*)

“MLCI”

means Merrill Lynch Commodities, Inc., a corporation established under the laws of the State of Delaware, United States and whose principal place of business is at 20 East Greenway Plaza, Ste 700, Houston, Texas 77046, United States

"MLCI Capital Adjustment Agreement"	means the agreement entitled "Capital Adjustment Agreement relating to Short and Leveraged Commodity Contracts" dated 14 March 2011 between the Issuer and MLCI
"MLCI Classic and Longer Dated Facility Agreement"	means the agreement dated 14 March 2011 between the Issuer and MLCI entitled "Facility Agreement relating to Classic and Longer Dated Commodity Contracts"
"MLCI Control Agreement"	means the collateral account control agreement entered into between the Issuer, MLCI and the Securities Intermediary dated 14 March 2011
"MLCI Facility Agreement"	means the Facility Agreement dated 14 March 2011 between the Issuer and MLCI
"MLCI Security Agreement"	means the security agreement dated as of 14 March 2011 which is in relation to and supplements the MLCI Facility Agreement and the MLCI Classic and Longer Dated Facility Agreement
"month"	means calendar month
"Net Exposure"	in respect of any class of Commodity Contract, to any Relevant Commodity at any time means the product of the Exposure to that Relevant Commodity and the Leverage Factor applicable to that class (as defined in Condition 5)
"New York Business Day"	means a day (other than a Saturday or a Sunday) on which banks are open for the transaction of general business in New York
"Next Future"	means (a) for an Individual Commodity Index and a Trading Day with respect thereto, the particular futures contract which is the "Next Future" (as defined in the Handbook) for that Individual Commodity Index on that Trading Day and (b) for a commodity comprised in a Composite Commodity Index but which is not the subject of an Individual Commodity Index and a Trading Day with respect thereto, the particular futures contract which is the "Next Future" (as defined in the Handbook) for that commodity in relation to that Composite Commodity Index on that Trading Day
"Notice Deadline"	means, on a General Trading Day, the earlier of 2.30 p.m. or such other time determined by the Issuer as the Notice Deadline in respect of a particular General Trading Day or generally
"Novation Agreement"	means the agreement entitled "Novation Agreement in relation to Commodity Contracts created pursuant to a Facility Agreement dated 8 February 2008 as amended" dated 1 July 2009 and made between the Issuer, AIG Financial Products Corp., UBS and the Trustee as amended by the Novation Agreement Amendment Agreement
"Novation Agreement Amendment Agreement"	means the agreement entitled "Amendment Agreement in relation to Novation Agreements dated 1 July 2009" made between the Issuer, AIG Financial Products Corp., UBS and the Trustee and dated 5 August 2009
"NYMEX"	means New York Mercantile Exchange, Inc., including its wholly owned subsidiary Commodity Exchange Inc.
"Official List"	means the official list maintained by the UK Listing Authority for the purpose of Part VI of FSMA
"outstanding"	means in relation to each class of Short or Leveraged Commodity Securities, all the Short or Leveraged Commodity Securities of that class issued and in respect of which there is for the time being an entry in the Register other than:

- (a) Short or Leveraged Commodity Securities which have been redeemed and cancelled pursuant to the Trust Instrument; and
- (b) Short or Leveraged Commodity Securities which have been purchased and cancelled pursuant to the Trust Instrument,

PROVIDED THAT for the purpose of the right to attend and vote at any meeting of the Security Holders or any of them and certain other purposes of the Trust Instrument, Short or Leveraged Commodity Securities (if any) which are for the time being held by, for the benefit of, or on behalf of, (A) the Issuer, (B) a Commodity Contract Counterparty, (C) ETFSL or a Guarantor, (D) any subsidiary of the Issuer or of a Commodity Contract Counterparty, (E) any individual Controller of the Issuer or Guarantor or (F) any person controlled by any such persons listed in (A) to (E) above shall (unless and until ceasing to be so held) be deemed not to remain outstanding and accordingly the holders of such Short or Leveraged Commodity Securities shall be deemed not to be Security Holders

“Overseas Person”

means a person whose activities are not subject to the prohibition in Section 19 of the FSMA by virtue of its not carrying on such activities in the United Kingdom, whose head office is situated outside the United Kingdom and whose ordinary business involves carrying on activities of the kind specified by any of articles 14, 21, 25, 37, 40, 45, 51, 52 and 53 or, so far as relevant to any of those articles, article 64 of the RAO (or would do so apart from any exclusion from any of those articles made by the RAO)

“Pool”

means a separate fund or pool to which Short or Leveraged Commodity Securities of a particular class are attributable

“Price”

means the price determined in accordance with Condition 5 and **“Pricing”** (other than when used in the terms Pricing Date and Pricing Day) shall be construed accordingly

“Pricing Day”

means:

- (i) for each class of Short or Leveraged Individual Securities, a General Trading Day which is a Trading Day for the Individual Commodity Index applicable to that class of Short or Leveraged Commodity Securities that is not a Market Disruption Day for that Individual Commodity Index (other than a Market Disruption Day for which a substitute value for that Individual Commodity Index is determined by the Calculation Agent in accordance with the provisions of the Facility Agreements);
- (ii) for each class of Short or Leveraged Index Securities, a General Trading Day which is a Trading Day for each of the futures contracts by reference to the Settlement Price for which the Composite Commodity Index relating to that class of Short or Leveraged Index Security is calculated (in whole or in part) that is not a Market Disruption Day for any such futures contracts (other than a Market Disruption Day for which a substitute value for that Composite Commodity Index is determined by the Calculation Agent in accordance with the provisions of the Facility Agreements);
- (iii) for each futures contract the Settlement Price for which is included in the calculation of a Commodity Index, a General Trading Day which is a Trading Day for that futures contract

	and which is not a Market Disruption Day for that futures contract; or
	(iv) for each commodity in connection with a Commodity Index (or class of Short or Leveraged Commodity Securities), a General Trading Day which is a Trading Day for the futures contract relating to that commodity the Settlement Price for which is included in the calculation of that Commodity Index (or that class of Short or Leveraged Commodity Securities) and which is not a Market Disruption Day for that futures contract
"Pricing Notice"	means a Redemption Form or a Withdrawal Notice
"Principal Amount"	in respect of each Short or Leveraged Commodity Security means the amount specified as such in respect of such Short or Leveraged Commodity Security as set out in paragraph 5 of Part 11 (<i>Additional Information</i>)
"Programme"	means the programme for the issue of Short and Leveraged Commodity Securities described in this document
"Prohibited Benefit Plan Investor"	means any "employee benefit plan" within the meaning of section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended (" ERISA "), subject to Part 4. Subtitle B of Title I of ERISA, any "plan" to which section 4975 of the United States Internal Revenue Code of 1986, (the " Code ") applies (collectively, " Plans "), any entity whose underlying assets include "plan assets" of any of the foregoing Plans within the meaning of 29 C.F.R. Section 2510.3-101 or section 3(42) of ERISA, as they may be modified, by reason of a Plan's investment in such entity, any governmental or church plan that is subject to any U.S. Federal, state or local law that is similar to the prohibited transaction provisions of ERISA or Section 4975 of the Code, or any person who holds Short and Leveraged Commodity Securities on behalf of, for the benefit of or with any assets of any such Plan or entity
"Prohibited US Person"	means a US Person who is not a Qualified Purchaser, or any person who holds Short or Leveraged Commodity Securities for the benefit of a US Person who is not a Qualified Purchaser
"Prospectus"	means this base prospectus of the Issuer
"Prospectus Directive"	means Directive 2003/71/EC of the European Parliament and the European Council
"Qualified Purchaser"	means a "qualified purchaser" as defined under the Investment Company Act
"RAO"	means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended, modified or re-enacted from time to time) made under the FSMA
"Redemption"	means the redemption of Short and Leveraged Commodity Securities by the Issuer in accordance with the Conditions (and " Redeem " shall be construed accordingly)
"Redemption Amount"	means the amount payable by the Issuer to the Security Holder upon the Redemption of Short and Leveraged Commodity Securities, as may be reduced for any withholdings or deductions for or on account of tax as set out in Condition 9.5
"Redemption Fee"	means the fee payable by a Security Holder upon Redemption of Short and Leveraged Commodity Securities in accordance with

Condition 10 and on which more information can be found under the heading “Application Fees and Redemption Fees” in Part 3 (*Description of Short and Leveraged Commodity Securities*)

“Redemption Form”

means an Agreed Redemption Form or a Settlement Redemption Form in the form prescribed from time to time by the Issuer and in accordance with the Conditions, as the case may be

“Redemption Limits”

means the limits on Redemption set out in Condition 7.6 and on which more information is set out in Part 1 (*General*) under the heading “Applications and Redemptions — Creation and Redemption Limits”

“Redemption Payment Date”

means:

- (a) in the case of a Redemption pursuant to a Settlement Redemption Form, the third London Business Day following the Pricing Date of that Redemption; **provided that** if that day is not a New York Business Day then the Redemption Payment Date shall be on the next following Business Day; or
- (b) in the case of a Redemption pursuant to an Agreed Redemption Form, the London Business Day specified for such payment in that form; **provided that** the date so specified shall be not earlier than one London Business Day following the day upon which that form was deemed to have been received by the Issuer; or
- (c) in the case of a Redemption in accordance with a Listing Failure, the third London Business Day following the relevant Listing Failure Date; **provided that** if that day is not a New York Business Day then the Redemption Payment Date shall be the next following Business Day, or such other Business Day as may be agreed by the relevant Commodity Contract Counterparty and the Authorised Participant who submitted the relevant Redemption Form; or
- (d) in the case of a Redemption following the nomination of a Compulsory Redemption Date, the London Business Day which is the third London Business Day following the last Pricing Day on which the Price of Short and Leveraged Commodity Securities being Redeemed was determined in accordance with the Conditions; provided that if that day is not a New York Business Day then the Redemption Payment Date shall be the next following Business Day

“Registers”

means the registers of Security Holders of each class kept and maintained by the Registrar and “**Register**” shall be construed accordingly

“Registrar”

means Computershare Investor Services (Jersey) Limited or such other person as may be appointed by the Issuer from time to time to maintain the Registers

“Registrar Agreement”

means the registrar agreement dated 21 September 2006 between the Registrar and the Issuer

“Regulated Market”

means a regulated market for the purposes of EU Directive 2004/39/EC (the Markets in Financial Instruments Directive)

“Regulations”

means the Companies (Uncertificated Securities) (Jersey) Order 1999 including any modifications thereto or any regulations in substitution therefor made and for the time being in force which,

inter alia, enable title to Short and Leveraged Commodity Securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument

“Relevant Commodities”

means, in respect of any class of Index Commodity Contracts the commodities the Settlement Prices of futures contracts relating to which are included in the calculation of the Composite Commodity Index relating to that class of Index Commodity Contracts and **“Relevant Commodity”** means (i) in respect of any class of Index Commodity Contracts any of the Relevant Commodities; and (ii) in respect of any class of Individual Commodity Contracts means the commodity the Settlement Price(s) of futures contract(s) relating to which are included in the calculation of the Individual Commodity Index relating to that class of Individual Commodity Contracts

“Relevant Exchange”

means:

- (a) for each Individual Commodity Index, the futures exchange on which is traded the futures contract by reference to the prices of which that Individual Commodity Index is calculated;
- (b) in relation to a commodity comprised in a Composite Commodity Index, the futures exchange on which is traded the futures contract for that commodity the Settlement Price of which is included in the calculation of that Composite Commodity Index; and
- (c) in relation to a futures contract the Settlement Price of which is included in the calculation of a Commodity Index, the futures exchange on which that futures contract is traded

“Relevant Market”

means (a) in respect of an Individual Commodity Index, the market conducted on the Relevant Exchange for the futures contracts by reference to which the Individual Commodity Index is calculated and (b) in relation to a commodity comprised in a Composite Commodity Index, the market conducted on the Relevant Exchange for the futures contract for that commodity the Settlement Price of which is included in the calculation of that Composite Commodity Index

“Required Security Document”

means, with respect to an Authorised Participant Agreement and a Commodity Contract Counterparty, each security that the relevant Commodity Contract Counterparty requires the Issuer to execute over the Property to be Assigned in favour of the relevant Commodity Contract Counterparty as security for the Secured Obligations (which may include, but shall not be limited to, a Security Assignment), having regard to the jurisdiction of incorporation of the Authorised Participant (or proposed Authorised Participant) or of the branch through which such person is acting for the purposes of such Authorised Participant Agreement (as the case may be)

“RIS”

means a Regulatory Information Service (as defined for the purposes of the Listing Rules) from time to time chosen by the Issuer

“Roll Period”

means the dates on which for the purposes of calculating the DJ-UBS CISM and related indices the futures contracts used are “rolled” from the Lead Future to the Next Future in accordance with the Handbook, normally being in respect of a month each of the sixth to tenth (inclusive) General Trading Days of that month

“Secured Obligations”	<p>means:</p> <p>(a) all present and future obligations (which, for the avoidance of doubt, are all limited recourse obligations) of the Issuer to the relevant Commodity Contract Counterparty on account of Creation Amounts and interest thereon; and</p> <p>(b) all losses, damages, legal and other costs, charges and expenses sustained, suffered or incurred by the relevant Commodity Contract Counterparty arising out of or in connection with any act, matter or thing done or omitted to be done by the Issuer under the Facility Agreement or the Security Assignment or any other security document required under the Facility Agreement</p>
“Secured Property”	<p>means in respect of Short or Leveraged Commodity Securities of any class, all rights of the Issuer under the corresponding Facility Agreement(s), Security Agreement(s), Control Agreement(s), Commodity Contracts and any Guarantee to the extent that they apply to payments due in respect of Short or Leveraged Commodity Securities of that class, or any part thereof, and all rights of the Issuer to the Collateral, and which are subject to the security created in favour of the Trustee pursuant to the applicable Security Deed</p>
“Securities Act”	<p>means the Securities Act of 1933 of the U.S.</p>
“Securities Intermediary”	<p>means the securities intermediary under each Security Agreement and includes The Bank of New York Mellon</p>
“Security”	<p>means in respect of each Pool the security constituted by the applicable Security Deed</p>
“Security Agreement”	<p>means, in relation to any Facility Agreement in respect of which the Commodity Contract Counterparty enters into a security agreement supplemental to that Facility Agreement, such security agreement and includes the UBS Security Agreement and the MLCI Security Agreement</p>
“Security Assignment”	<p>means, in respect of each Authorised Participant Agreement and each Commodity Contract Counterparty, the Security Assignment pertaining to that Authorised Participant Agreement as it applies in relation to that Commodity Contract Counterparty entered into between the Issuer and the relevant Commodity Contract Counterparty and securing the Secured Obligations of the Issuer to that Commodity Contract Counterparty</p>
“Security Conditions”	<p>means, with respect to a proposed Authorised Participant and a Commodity Contract Counterparty, that (a) each Required Security Document with respect to the relevant Authorised Participant Agreement and Commodity Contract Counterparty has been duly executed by the Issuer, (b) notice (duly executed by the Issuer) of each such Required Security Document has been duly given by the Issuer to such proposed Authorised Participant and (c) such proposed Authorised Participant has executed an acknowledgement of such notice in favour of the relevant Commodity Contract Counterparty</p>
“Security Deed”	<p>means in respect of each Pool and the corresponding class of Commodity Contracts, the security deed pertaining to that Pool entered into between the Issuer and the Trustee</p>

“Security Holder”	means a registered holder of Short or Leveraged Commodity Securities
“Services Agreement”	means the Services Agreement dated 21 September 2006 between ManJer and the Issuer providing for certain services to be provided by ManJer to the Issuer
“Settlement Price”	means, in relation to any Pricing Day and a futures contract traded on a Relevant Exchange, the official settlement price of the Relevant Exchange for such day in relation to such futures contract as determined in accordance with the regulations of the Relevant Exchange
“Settlement Pricing”	has the meaning given in Condition 7.1(a)
“Settlement Redemption Form”	means a notice in the form prescribed from time to time by the Issuer for requesting Redemption of Short and Leveraged Commodity Securities using Settlement Pricing
“Short and Leveraged Commodity Securities”	means Short and Leveraged Index Securities and Short and Leveraged Individual Securities and “Short or Leveraged Commodity Securities” means any of them
“Short and Leveraged Index Securities”	means Short Index Securities and Leveraged Index Securities and “Short or Leveraged Index Securities” means any of them
“Short and Leveraged Individual Securities”	means Short Individual Securities and Leveraged Individual Securities and “Short or Leveraged Individual Securities” means any of them
“Short Commodity Securities”	means Short Index Securities and Short Individual Securities
“Short Index Securities”	means a Short or Leveraged Commodity Security of a category specified as such in the relevant list in paragraph 5 of Part 11 (<i>Additional Information</i>)
“Short Individual Securities”	means a Short or Leveraged Commodity Security of a class specified as such in the relevant list in paragraph 5 of Part 11 (<i>Additional Information</i>)
“Spread”	means the Spread agreed between the Issuer and each Commodity Contract Counterparty for the purposes of the relevant Capital Adjustment Agreement (initially agreed to be 0.85 per cent. per annum in respect of the Short Commodity Securities and 1.30 per cent. per annum in respect of the Leveraged Commodity Securities)
“subsidiary”	has the meaning given to that term in section 1159 of the Companies Act 2006
“Supervisory Committee”	means the committee which reviews and approves the DJ-UBS CI SM Handbook and the target composition of the revised Index each year, as described in Part 2 (<i>Dow Jones — UBS Commodity Indices</i>) under the heading “Dow Jones — UBS Commodity Index and Sub-Indices”
“tax”	means any VAT, tax, income tax, capital gains tax, corporation tax, goods and services tax, withholding tax, stamp, financial institutions, registration and other duties, bank accounts debits tax, import/export tax or tariff and any other taxes, levies, imposts, deductions, interest, penalties and charges imposed or levied by a government or government agency
“terminate”	in relation to a Commodity Contract means ‘terminate’ or ‘close out’ the obligations established by such Commodity Contract

“Trading Day”	<p>means:</p> <ul style="list-style-type: none"> (a) for an Individual Commodity Index, a day on which the Relevant Exchange for that Individual Commodity Index is open for trading during its regular trading session, notwithstanding such Relevant Exchange closing prior to its scheduled closing time; (b) for a Composite Commodity Index a day on which all the Relevant Exchanges for each commodity comprised in that Composite Commodity Index are open for trading during their regular trading session, notwithstanding any of such Relevant Exchanges closing prior to their scheduled closing time; (c) for a futures contract the Settlement Price of which is included in the calculation of a Commodity Index, a day on which the Relevant Exchange for that futures contract is open for trading during its regular trading session, notwithstanding such Relevant Exchange closing prior to its scheduled closing time; or (d) for a commodity in connection with a Commodity Index (or class of Short or Leveraged Commodity Securities), a Trading Day (pursuant to sub-paragraph (c) above) for a futures contract in respect of that commodity the Settlement Price for which is included in the calculation of that Commodity Index (or the Commodity Index relating to that class of Short or Leveraged Commodity Securities)
“Trustee”	means The Law Debenture Trust Corporation p.l.c. of Fifth Floor, 100 Wood Street, London EC2V 7EX, England and any replacement trustee under the Trust Instrument
“Trust Instrument”	means the trust instrument dated 8 February 2008, between the Issuer and the Trustee constituting Short and Leveraged Commodity Securities and includes the schedules thereto and the Conditions
“UBS”	means UBS AG, London Branch, a corporation domiciled in Basel, Switzerland, operating in the United Kingdom under branch registration number BR004507, acting through its London branch at 1 Finsbury Avenue, London, EC2M 2PP, England
“UBS Capital Adjustment Agreement”	means the agreement entitled “Capital Adjustment Agreement relating to Short and Leveraged Commodity Contracts” dated 5 August 2009 between the Issuer and UBS
“UBS Classic and Longer Dated Facility Agreement”	means the agreement dated 5 August 2009 between the Issuer and UBS entitled “Facility Agreement relating to Classic and Longer Dated Commodity Contracts”
“UBS Control Agreement”	means the collateral account control agreement entered into between the Issuer, UBS and the Securities Intermediary dated 5 August 2009
“UBS Default”	means a Counterparty Event of Default in respect of UBS
“UBS Facility Agreement”	means the Facility Agreement dated 5 August 2009 between the Issuer and UBS
“UBS Group”	means UBS and its Affiliates, and includes UBS Securities

“UBS Securities”	means UBS Securities LLC, a corporation incorporated in Delaware, United States whose principal office is situated at 299 Park Avenue, New York, NY 10171, USA
“UBS Security Agreement”	means the security agreement dated as of 5 August 2009 which is in relation to and supplements the UBS Facility Agreement and the UBS Classic and Longer Dated Facility Agreement
“UCITS Scheme”	means a scheme that falls within the definition of a “UCITS Scheme” contained in the FSA Glossary
“UK Listing Authority”	means the FSA in its capacity as the competent authority for the purposes of Part VI of the FSMA
“Unacceptable Authorised Participant”	means an Authorised Participant (a) in respect of which the relevant Commodity Contract Counterparty has given and not withdrawn notice under the relevant Facility Agreement that the Authorised Participant has ceased to be acceptable to such Commodity Contract Counterparty or (b) which is an “Unacceptable Authorised Participant” (as defined in the Classic and Longer Dated Facility Agreement) for the purposes of the Classic and Longer Dated Facility Agreement
“Uncertificated Form”	means recorded on a Register as being held in uncertificated form, title to which, by virtue of the Regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	means the United Kingdom of Great Britain and Northern Ireland
“United States” or “U.S.” or “U.S.A.”	means the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US Dollars” or “US\$”	means the lawful currency of the United States
“US Person”	means a “US person” as defined in Regulation S under the Securities Act
“VAT”	means value added tax

References in this document to a particular time are references to the time applicable in London, United Kingdom.

Unless the context otherwise requires, references in this document to any agreement or document includes a reference to such agreement or document, as amended, varied, novated, supplemented or replaced from time to time and unless otherwise stated or the context otherwise requires references in this document to any statute or any provision of any statute includes a reference to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under any such modification or re-enactment, in each case in force as at the date of this Prospectus.

DIRECTORS, SECRETARY AND ADVISERS

Directors of the Issuer	<p>Graham Tuckwell, Chairman Tom Quigley Graeme Ross Craig Stewart</p> <p>All the Directors are non-executive</p>
Secretary and corporate administrator of the Issuer	R&H Fund Services (Jersey) Limited
Registered Office of the Issuer and address of directors, secretary and corporate secretary of the Issuer	<p>The address of all the directors and of the secretary of the Issuer is the registered office of the Issuer, which is:</p> <p>Ordnance House 31 Pier Road St. Helier Jersey JE4 8PW Channel Islands Tel: +44 1534 825230</p>
Administrator	<p>ETFS Management Company (Jersey) Limited Ordnance House 31 Pier Road St. Helier Jersey JE4 8PW Channel Islands</p>
Trustee	<p>The Law Debenture Trust Corporation p.l.c. Fifth Floor 100 Wood Street London EC2V 7EX United Kingdom</p>
Calculation Agent	<p>UBS AG, London Branch 1 Finsbury Avenue London EC2M 2PP United Kingdom</p>
Securities Intermediary	<p>Bank of New York Mellon One Wall Street New York New York 10286 United States of America</p>
English Legal Advisers to the Issuer	<p>Dechert LLP 160 Queen Victoria Street London EC4V 4QQ United Kingdom</p>
Jersey Legal Advisers to the Issuer	<p>Mourant Ozannes 22 Grenville Street St. Helier Jersey JE4 8PX Channel Islands</p>
English Legal Advisers to the Trustee	<p>Simmons & Simmons LLP CityPoint 1 Ropemaker Street London EC2Y 9SS United Kingdom</p>

Jersey Legal Advisers to the Trustee	Ogier Whiteley Chambers Don Street St. Helier Jersey JE4 9WG Channel Islands
Austrian Legal Advisers to the Issuer	Dorda Brugger Jordis Rechtsanwälte GmbH Dr-Karl-Lueger-Ring 10 1010 Vienna Austria
Danish Legal Advisers to the Issuer	Horten Philip Heymans Allé 7 2900 Hellerup Copenhagen Denmark
Dutch Legal Advisers to the Issuer	Stibbe Strawinskylaan 2001 Postbus 75640 1070 AP Amsterdam The Netherlands
Finnish Legal Advisers to the Issuer	Dittmar & Indrenius Pohjoisesplanadi 25 A FI-00100 Helsinki Finland
French Legal Advisers to the Issuer	Simmons & Simmons LLP 5 Boulevard de la Madeleine 75001 Paris France
German Legal Advisers to the Issuer	Dechert LLP Erika-Mann-Straße 5 80636 Munich Germany
German Listing and Paying Agent	HSBC Trinkaus & Burkhardt AG Königsallee 21/23 40212 Düsseldorf Germany
Irish Legal Advisers to the Issuer	A&L Goodbody IFSC North Wall Quay Dublin 1 Ireland
Italian Legal Advisers to the Issuer	Studio Legale Cieri Crocenzi Via A. Bertoloni, 41 00197 Roma Italy
Norwegian Legal Advisers to the Issuer	Wiersholm, Mellbyet Bech Ruseløkkveien 26 PO Box 1400 Vika N-0115 Oslo Norway

Portuguese Legal Advisers to the Issuer	Cuatrecasas, Gonçalves Pereira & Associados, RL Praça Marquês de Pombal, nº2 (e nº1-8º) 1250-160 Lisboa Portugal
Spanish Legal Advisers to the Issuer	Cuatrecasas, Gonçalves Pereira C/ Lagasca, 88 - 28001 Madrid Spain
Swedish Legal Advisers to the Issuer	Oreum Advokatbyrå AB Kungsträdgårdsgatan 16 Stockholm Sweden
Auditors of the Issuer	Deloitte LLP Lord Coutanche House 66-68 Esplanade St Helier, Jersey Channel Islands JE2 3QB Deloitte LLP is authorised by the Jersey Financial Services Commission to be appointed as an auditor of a Jersey incorporated company under Article 109 of the Companies (Jersey) Law 1991
Registrar	Computershare Investor Services (Jersey) Limited Queensway House Hilgrove Street St. Helier Jersey JE1 1ES Channel Islands

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated into this document by reference and are available at the Issuer's website at <http://www.etfsecurities.com/csl> and at the registered office of the Issuer as set out in paragraph 22 of Part 11 (*Additional Information*):

1. the published audited reports and accounts of the Issuer for the year ended 31 December 2010 as published by the Issuer through the Regulatory News Service of the London Stock Exchange on 28 April 2011; and
2. the published audited reports and accounts of the Issuer for the year ended 31 December 2011 as published by the Issuer through the Regulatory News Service of the London Stock Exchange on 12 March 2012.

No documents referred to in the above documents are themselves incorporated into this Prospectus and other than the documents specifically identified above, no other documents, including the contents of any websites or web pages referred to in this Prospectus, form part of this Prospectus for purposes of the Prospectus Directive or the Prospectus Rules.

PART 1

GENERAL

Introduction

The Issuer has created and is currently making available for issue 70 different classes of Short and Leveraged Commodity Securities, of two different kinds:

- Short Commodity Securities, which (before fees and adjustments and in the absence of Market Disruption Events) move daily in the inverse (opposite) direction to a Commodity Index (by minus one times the daily percentage change in the level of that Commodity Index); and
- Leveraged Commodity Securities, which give an exposure (before fees and adjustments and in the absence of Market Disruption Events) to twice the daily percentage change in the level of a Commodity Index.

The pricing of all Short and Leveraged Commodity Securities will be based on Individual Commodity Indices and Composite Commodity Indices published by CME Indexes and calculated in accordance with the Dow Jones — UBS Commodity IndexSM Handbook (the “**DJ-UBS CISM Handbook**”). A copy of the DJ-UBS CISM Handbook can be downloaded from the following internet address: <http://www.djindexes.com/commodity>.

The DJ-UBS Commodity Indices are widely followed indices which in the case of the DJ-UBS CISM has been published since 1998, with simulated historical data calculated back to January 1991. The Short and Leveraged Commodity Securities are priced by reference to daily movements in the relevant Commodity Index. Further information on the Individual Commodity Indices and the Composite Commodity Indices is set out in Part 2 (*Dow Jones — UBS Commodity Indices*).

The Facility Agreements allow for a change in the Commodity Index used to Price all of the Short or Leveraged Commodity Securities. The Commodity Contract Counterparties and the Issuer may agree to use a different commodity index published by CME Indexes and UBS Securities provided that Security Holders are given a minimum of 30 days’ notice of the intended change.

The following table shows, in each box, the different classes of Short and Leveraged Commodity Security that are available for issue. The table also shows the individual commodities included in each class of Index Securities.

Table 1 — Short and Leveraged Commodity Securities Available for Issue

Individual Securities	Index Securities				
Natural Gas	All Commodities	Energy	Petroleum		
WTI Crude Oil					
Brent Crude		Ex-Energy	Industrial Metals		
Gasoline					
Heating Oil			Precious Metals		
			Livestock		
Aluminium			Agriculture		Grains
Copper					
Zinc			Softs		
Nickel					
Gold					
Silver					
Live Cattle					
Lean Hogs					
Wheat					
Corn					
Soybeans					
Sugar					
Cotton					
Coffee					
Soybean Oil					
Cocoa					
Lead					
Platinum					
Tin					
Gas Oil					

General Description of Short and Leveraged Commodity Securities

Short and Leveraged Commodity Securities have been designed to enable investors to gain exposure to movements in commodity prices without needing to purchase or take physical delivery of those commodities or to trade in futures contracts, and to buy and sell the exposure through the trading of a security on the London Stock Exchange.

The Price of each Short and Leveraged Commodity Security will be adjusted daily by reference to the percentage change in the relevant Commodity Index. The Price of a Short Commodity Security will be adjusted by minus one times (-1x) the percentage change in the relevant Commodity Index and the Price of a Leveraged Commodity Security will be adjusted by two times (+2x) the percentage change in the relevant Commodity Index. The minus one times (-1x) and two times (+2x) are referred to as "Leverage Factors".

The following table provides a simple example of how the pricing of the Short and Leveraged Commodity Securities is calculated (excluding fees and adjustments and assuming none of the days referred to is a Market Disruption Day).

	At Start of Week	Movement During the Week					Change over Week
		day 1	day 2	day 3	day 4	day 5	
Commodity Index							
Percent Change		2%	2%	2%	2%	2%	
Level	100.00	102.00	104.04	106.12	108.24	110.41	10.4%
Short Security							
Percent Change		(2%)	(2%)	(2%)	(2%)	(2%)	
Price	100.00	98.00	96.04	94.12	92.24	90.39	(9.6%)
Leveraged Security							
Percent Change		4%	4%	4%	4%	4%	
Price	100.00	104.00	108.16	112.49	116.99	121.67	21.7%

As shown in the table, the Short and Leveraged Commodity Securities match the daily percentage change in the Commodity Index (before fees and adjustments and in the absence of Market Disruption Events) multiplied by the Leverage Factor. Over periods longer than one day, they may not match precisely the change in the Commodity Index multiplied by the applicable Leverage Factor. This is illustrated in the column labelled “Change over Week” which shows the weekly returns (before fees and adjustments) where the relevant Commodity Index increases by 2 per cent. each day. At the end of the week, the Commodity Index increased by 10.4 per cent., the Short Commodity Security decreased by 9.6 per cent. (not by 10.4 per cent.) and the Leveraged Commodity Security increased by 21.7 per cent. (and not by 20.8 per cent.).

For periods longer than one day, it is possible for a Short or Leveraged Commodity Security to “outperform” or “underperform” the relevant Commodity Index return multiplied by the Leverage Factor. Outperformance is where the actual return on the Short or Leveraged Commodity Security is greater than the relevant Commodity Index return multiplied by the Leverage Factor and underperformance is where the actual return of the Short or Leveraged Commodity Security is less than the relevant Commodity Index return multiplied by the Leverage Factor (before fees and adjustments).

The following table illustrates various scenarios of outperformance and underperformance (excluding fees and adjustments and assuming that none of the days are Market Disruption Days) and the causes of this are noted in the table and discussed immediately below.

	Daily Change in Commodity Index					Change over Week			Performance*
	day 1	day 2	day 3	day 4	day 5	Index	Short Security	Leveraged Security	
1. The greater the cumulative change in the Index, the better the performance* of the securities (subject to point 3)									
Case A	2%	2%	2%	2%	2%	10.4%	(9.6%)	21.7%	outperform
Case B	5%	5%	5%	5%	5%	27.6%	(22.6%)	61.1%	outperform
Case C	-5%	-5%	-5%	-5%	-5%	(22.6%)	27.6%	(41.0%)	outperform
2. The smaller the cumulative change in the Index, the worse the performance* of the securities									
Case D	2%	2%	0%	-2%	-2%	0.0%	(0.2%)	(0.2%)	underperform
Case E	5%	5%	0%	-5%	-5%	0.0%	(1.0%)	(0.9%)	underperform
Case F	-5%	-5%	0%	5%	6%	0.0%	(1.1%)	(1.0%)	underperform
3. The higher the volatility, the greater the cumulative price movement required to avoid underperformance*									
Case G	4%	-1%	0%	4%	-1%	6.0%	(6.0%)	12.0%	similar
Case H	4%	-2%	0%	4%	-2%	3.9%	(4.1%)	7.5%	underperform
Case I	8%	-2%	0%	8%	-2%	12.0%	(11.9%)	24.0%	similar
Case J	10%	-5%	0%	10%	-4%	10.4%	(11.5%)	19.2%	underperform

* Performance is expressed relative to the weekly change in the Commodity Index multiplied by the Leverage Factor (-1x for Short and +2x for Leveraged).

As discussed further under the heading “Simulated Historic Investment Returns” in Part 2 (*Dow Jones — UBS Commodity Indices*), when comparing the simulated historical returns of the Short or Leveraged Commodity Security to the relevant Commodity Index return multiplied by the Leverage Factor (before fees and adjustments), the following observations may be made for periods longer than one day:

- (1) as the magnitude of the cumulative changes in the Commodity Index increase (whether positive or negative), the return of a Short or Leveraged Commodity Security tends to outperform the Commodity Index return multiplied by the Leverage Factor. This is illustrated in the first three scenarios above (Cases A-C);
- (2) as the magnitude of the cumulative changes in the Commodity Index decrease (whether positive or negative), the return of a Short or Leveraged Commodity Security tends to underperform the Commodity Index return multiplied by the Leverage Factor. This is illustrated in the second three scenarios above (Cases D-F); and
- (3) as the volatility of the Commodity Index increases, the return of a Short or Leveraged Commodity Security tends to underperform the Commodity Index return multiplied by the Leverage Factor. This is illustrated in the final four scenarios above (Cases G-J).

Short and Leveraged Commodity Securities involve no margin calls and no requirement to roll from one futures contract to the next, and no brokerage or other fees are incurred when rolling. All of the exposure is obtained through the terms of Short and Leveraged Commodity Securities, which (unlike futures contracts) do not expire.

The Issuer achieves a matching exposure by holding corresponding Commodity Contracts from one or more Commodity Contract Counterparties, which do not require any management by the Issuer of futures positions.

Short and Leveraged Commodity Securities give investors the following:

- exposure to the movement in prices of individual commodities or groups of commodities, using the particular futures market contracts and roll periods determined by one of the world’s leading providers of commodity indices;
- exposure to changes in the level of excess return indices which include exposure to (i) movements in commodity prices (“spot price” return) and (ii) the effect of backwardation or contango (“roll yield” in the relevant futures market when the relevant index rolls);
- a collateral return (equivalent to an interest return net of all fees), at a rate announced each week in advance, in the form of the Capital Adjustment;
- in the case of Short Commodity Securities, exposure which is negative and which changes (before fees and adjustments and in the absence of Market Disruption Events) directly and inversely with changes in the level of a Commodity Index, such that if the level of the Commodity Index falls the effect will be a positive effect on the Price of a Short Security (and vice versa);
- in the case of Leveraged Commodity Securities exposure which is (before fees and adjustments and in the absence of Market Disruption Events) two times leveraged and which changes directly with changes in the level of a Commodity Index;
- pricing which is transparent, based on indices published by Dow Jones at the end of each Business Day (and which in turn are based on end-of-day Settlement Prices for designated futures contracts on specified futures exchanges); and
- leveraged and/or short exposure simply by purchasing securities traded on the London Stock Exchange and certain other stock exchanges without the need for borrowing or margin lending.

Short and Leveraged Commodity Securities confer no right to receive physical commodities. Rather, they are purely financial instruments.

Short and Leveraged Commodity Securities available for issue

Short Individual Securities and Short Index Securities

Details of the daily exposure to the underlying Commodity Index (before fees and adjustments and subject to the impact of Market Disruption Events) and LSE Code for each class of Short Individual Security and Short Index Security available for issue are set out below:

Short Individual Security	Daily Exposure to Individual Commodity Index -1 x daily percentage change in the following Dow Jones-UBS Sub-Index:	LSE Code
ETFS Daily Short Aluminium	The Dow Jones-UBS Aluminium Sub-Index SM	SALU
ETFS Daily Short Cocoa	The Dow Jones-UBS Cocoa Sub-Index SM	SCOC
ETFS Daily Short Coffee	The Dow Jones-UBS Coffee Sub-Index SM	SCFE
ETFS Daily Short Copper	The Dow Jones-UBS Copper Sub-Index SM	SCOP
ETFS Daily Short Corn	The Dow Jones-UBS Corn Sub-Index SM	SCOR
ETFS Daily Short Cotton	The Dow Jones-UBS Cotton Sub-Index SM	SCTO
ETFS Daily Short WTI Crude Oil	The Dow Jones-UBS WTI Crude Oil Sub-Index SM	SOIL
ETFS Daily Short Gasoline	The Dow Jones-UBS Unleaded Gasoline Sub-Index SM	SGAS
ETFS Daily Short Gold	The Dow Jones-UBS Gold Sub-Index SM	SBUL
ETFS Daily Short Heating Oil	The Dow Jones-UBS Heating Oil Sub-Index SM	SHEA
ETFS Daily Short Lead	The Dow Jones-UBS Lead Sub-Index SM	SLEA
ETFS Daily Short Lean Hogs	The Dow Jones-UBS Lean Hogs Sub-Index SM	SLHO
ETFS Daily Short Live Cattle	The Dow Jones-UBS Live Cattle Sub-Index SM	SLCT
ETFS Daily Short Natural Gas	The Dow Jones-UBS Natural Gas Sub-Index SM	SNGA
ETFS Daily Short Nickel	The Dow Jones-UBS Nickel Sub-Index SM	SNIK
ETFS Daily Short Platinum	The Dow Jones-UBS Platinum Sub-Index SM	SPLA
ETFS Daily Short Silver	The Dow Jones-UBS Silver Sub-Index SM	SSIL
ETFS Daily Short Soybean Oil	The Dow Jones-UBS Soybean Oil Sub-Index SM	SSYO
ETFS Daily Short Soybeans	The Dow Jones-UBS Soybeans Sub-Index SM	SSOB
ETFS Daily Short Sugar	The Dow Jones-UBS Sugar Sub-Index SM	SSUG
ETFS Daily Short Tin	The Dow Jones-UBS Tin Sub-Index SM	STIM
ETFS Daily Short Wheat	The Dow Jones-UBS Wheat Sub-Index SM	SWEA
ETFS Daily Short Zinc	The Dow Jones-UBS Zinc Sub-Index SM	SZIC
ETFS Daily Short Brent Crude	The Dow Jones-UBS Brent Crude Sub-Index SM	SBRT
ETFS Daily Short Gas Oil	The Dow Jones-UBS Gas Oil Sub-Index SM	SGSO
Short Index Security	Daily Exposure to Composite Commodity Index -1 x daily percentage change in the following Dow Jones-UBS Index or Sub-Index:	LSE Code
ETFS Daily Short All Commodities DJ-UBSCI SM	The Dow Jones-UBS Commodity Index SM	SALL
ETFS Daily Short Energy DJ-UBSCI SM	The Dow Jones-UBS Energy Sub-Index SM	SNRG
ETFS Daily Short Petroleum DJ-UBSCI SM	The Dow Jones-UBS Petroleum Sub-Index SM	SPET
ETFS Daily Short Ex-Energy DJ-UBSCI SM	The Dow Jones-UBS Ex-Energy Sub-Index SM	SNEY
ETFS Daily Short Precious Metals DJ-UBSCI SM	The Dow Jones-UBS Precious Metals Sub-Index SM	SPMT
ETFS Daily Short Industrial Metals DJ-UBSCI SM	The Dow Jones-UBS Industrial Metals Sub-Index SM	SIME
ETFS Daily Short Agriculture DJ-UBSCI SM	The Dow Jones-UBS Agriculture Sub-Index SM	SAGR
ETFS Daily Short Softs DJ-UBSCI SM	The Dow Jones-UBS Softs Sub-Index SM	SSFT
ETFS Daily Short Livestock DJ-UBSCI SM	The Dow Jones-UBS Livestock Sub-Index SM	SLST
ETFS Daily Short Grains DJ-UBSCI SM	The Dow Jones-UBS Grains Sub-Index SM	SGRA

Leveraged Individual Securities and Leveraged Index Securities

Details of the daily exposure to the underlying Commodity Index (before fees and adjustments and subject to the impact of Market Disruption Events) and LSE Code for each class of Leveraged Individual Security and Leveraged Index Security available for issue are set out below:

Leveraged Individual Security	Daily Exposure to Individual Commodity Index	LSE Code
	+2 x daily percentage change in the following	
	Dow Jones-UBS Sub-Index:	
ETFS Daily Leveraged Aluminium	The Dow Jones-UBS Aluminum Sub-Index SM	LALU
ETFS Daily Leveraged Cocoa	The Dow Jones-UBS Cocoa Sub-Index SM	LCOC
ETFS Daily Leveraged Coffee	The Dow Jones-UBS Coffee Sub-Index SM	LCFE
ETFS Daily Leveraged Copper	The Dow Jones-UBS Copper Sub-Index SM	LCOP
ETFS Daily Leveraged Corn	The Dow Jones-UBS Corn Sub-Index SM	LCOR
ETFS Daily Leveraged Cotton	The Dow Jones-UBS Cotton Sub-Index SM	LCTO
ETFS Daily Leveraged WTI Crude Oil	The Dow Jones-UBS WTI Crude Oil Sub-Index SM	LOIL
ETFS Daily Leveraged Gasoline	The Dow Jones-UBS Unleaded Gasoline Sub-Index SM	LGAS
ETFS Daily Leveraged Gold	The Dow Jones-UBS Gold Sub-Index SM	LBUL
ETFS Daily Leveraged Heating Oil	The Dow Jones-UBS Heating Oil Sub-Index SM	LHEA
ETFS Daily Leveraged Lead	The Dow Jones-UBS Lead Sub-Index SM	LLEA
ETFS Daily Leveraged Lean Hogs	The Dow Jones-UBS Lean Hogs Sub-Index SM	LLHO
ETFS Daily Leveraged Live Cattle	The Dow Jones-UBS Live Cattle Sub-Index SM	LLCT
ETFS Daily Leveraged Natural Gas	The Dow Jones-UBS Natural Gas Sub-Index SM	LNGA
ETFS Daily Leveraged Nickel	The Dow Jones-UBS Nickel Sub-Index SM	LNIL
ETFS Daily Leveraged Platinum	The Dow Jones-UBS Platinum Sub-Index SM	LPLA
ETFS Daily Leveraged Silver	The Dow Jones-UBS Silver Sub-Index SM	LSIL
ETFS Daily Leveraged Soybean Oil	The Dow Jones-UBS Soybean Oil Sub-Index SM	LSYO
ETFS Daily Leveraged Soybeans	The Dow Jones-UBS Soybeans Sub-Index SM	LSOB
ETFS Daily Leveraged Sugar	The Dow Jones-UBS Sugar Sub-Index SM	LSUG
ETFS Daily Leveraged Tin	The Dow Jones-UBS Tin Sub-Index SM	LTIM
ETFS Daily Leveraged Wheat	The Dow Jones-UBS Wheat Sub-Index SM	LWEA
ETFS Daily Leveraged Zinc	The Dow Jones-UBS Zinc Sub-Index SM	LZIC
ETFS Daily Leveraged Brent Crude	The Dow Jones-UBS Brent Crude Sub-Index SM	LBRT
ETFS Daily Leveraged Gas Oil	The Dow Jones-UBS Gas Oil Sub-Index SM	LGSO
Leveraged Index Security	Daily Exposure to Composite Commodity Index	LSE Code
	+2 x daily percentage change in the following	
	Dow Jones-UBS Index or Sub-Index:	
ETFS Daily Leveraged All Commodities DJ-UBSCI SM	The Dow Jones-UBS Commodity Index SM	LALL
ETFS Daily Leveraged Energy DJ-UBSCI SM	The Dow Jones-UBS Energy Sub-Index SM	LNRG
ETFS Daily Leveraged Petroleum DJ-UBSCI SM	The Dow Jones-UBS Petroleum Sub-Index SM	LPET
ETFS Daily Leveraged Ex-Energy DJ-UBSCI SM	The Dow Jones-UBS Ex-Energy Sub-Index SM	LNEY
ETFS Daily Leveraged Precious Metals DJ-UBSCI SM	The Dow Jones-UBS Precious Metals Sub-Index SM	LPMT
ETFS Daily Leveraged Industrial Metals DJ-UBSCI SM	The Dow Jones-UBS Industrial Metals Sub-Index SM	LIME
ETFS Daily Leveraged Agriculture DJ-UBSCI SM	The Dow Jones-UBS Agriculture Sub-Index SM	LAGR
ETFS Daily Leveraged Softs DJ-UBSCI SM	The Dow Jones-UBS Softs Sub-Index SM	LSFT
ETFS Daily Leveraged Livestock DJ-UBSCI SM	The Dow Jones-UBS Livestock Sub-Index SM	LLST
ETFS Daily Leveraged Grains DJ-UBSCI SM	The Dow Jones-UBS Grains Sub-Index SM	LGRA

Pricing and Trading of Short and Leveraged Commodity Securities

The Price for the first Short or Leveraged Commodity Security of any particular class to be issued (including of any BG Securities and Short or Leveraged Commodity Securities not specifically described in this Prospectus) will be \$50.00. Thereafter the Price of a Short or Leveraged Commodity Security will be calculated daily to reflect the daily movement in the relevant Commodity Index on each Pricing Day and a daily Capital Adjustment as follows:

$$P_{i,t} = P_{i,t-1} \times \{1 + CA_{i,t} + LF_i \times (I_{i,t}/I_{i,t-1} - 1)\}$$

where:

$P_{i,t}$ is the Price of a Short or Leveraged Commodity Security of class i for day t;

$P_{i,t-1}$ is the Price of a Short or Leveraged Commodity Security of class i for day t-1;

i refers to the relevant class of Short or Leveraged Commodity Security;

t refers to the applicable calendar day;

t-1 refers to the calendar day prior to day t;

$I_{i,t}$ is the closing settlement price level of the Commodity Index applicable to a Short or Leveraged Commodity Security of class i for day t. If day t is not a Pricing Day for class i then $I_{i,t}$ shall be the closing settlement price level of the Commodity Index applicable to a Short or Leveraged Commodity Security of class i for day t-1;

$I_{i,t-1}$ is the closing settlement price level of the Commodity Index applicable to a Short or Leveraged Commodity Security of class i for day t-1;

$CA_{i,t}$ is the Capital Adjustment applicable to class i on day t, expressed as a decimal; and

LF_i is the Leverage Factor applicable to class i, expressed as a number. For Short Commodity Securities, $LF = -1$ and for Leveraged Commodity Securities, $LF = +2$.

No Price will be calculated for a class of Short or Leveraged Index Security for a Market Disruption Day or in certain other circumstances as specified in the Conditions and on any day when, in accordance with the Conditions, a Price is not calculated, the Conditions provide for an Indicative Price to be calculated instead, and once a Price can again be calculated it will be based on the preceding day's Indicative Price.

In the case of an extreme fall in the Price of a Short or Leveraged Commodity Security, the relevant Short or Leveraged Commodity Security could be Compulsorily Redeemed if (i) the Intra-day Price falls to or below zero or (ii) the Price of a Short or Leveraged Commodity Security falls below 2.5 times the Principal Amount and the Issuer has not obtained the sanction of Security Holders of the relevant class to reduce the Principal Amount by Extraordinary Resolution.

Publication of Pricing Information

The Capital Adjustments and the Price for all classes of Short and Leveraged Commodity Securities, will be calculated by or on behalf of the Issuer as at the end of each Pricing Day (after the Individual Commodity Indices and Composite Commodity Indices have been published for that day) and prior to trading commencing on the following Pricing Day.

The Issuer's calculations of the Capital Adjustments and all Prices or, where applicable, Indicative Prices, will be posted on the Issuer's website at <http://www.etfsecurities.com/csl>.

Listing and Trading

The Issuer has applied to the UK Listing Authority for all Short and Leveraged Commodity Securities to be issued within 12 months of the date of this document to be admitted to the Official List and to the London Stock Exchange for all such Short and Leveraged Commodity Securities to be admitted to trading on its Main Market.

In order to provide liquidity to investors and to minimise any tracking error, the Issuer hopes at all times to have at least two Authorised Participants making a market on the London Stock Exchange in some

or all of the Short and Leveraged Commodity Securities (or on other exchanges if the Issuer decides to apply for listing of Short and Leveraged Commodity Securities on such exchanges). Authorised Participants will have the right to effect applications or redemptions — see below under “Applications and Redemptions” and Part 3 (*Description of Short and Leveraged Commodity Securities*) under the heading “Applications and Redemptions” for further details.

Each class of Short and Leveraged Commodity Securities traded on the London Stock Exchange may have different market makers, bid/offer spreads and depth of liquidity and may be traded using different platforms. The Issuer hopes that some of the more liquid Short and Leveraged Commodity Securities will be traded on the Sets-MM platform but can give no assurance as to which Short and Leveraged Commodity Securities might attract the most and the least amount of trading activity.

Commodity Contracts and Facility Agreements

The liability of the Issuer to Security Holders upon redemption of Short and Leveraged Commodity Securities will be backed by Commodity Contracts with corresponding terms. Each time Short and Leveraged Commodity Securities are issued or redeemed by the Issuer, corresponding Commodity Contracts will be created or terminated by the Issuer under a Facility Agreement.

All Commodity Contracts of a particular class will be attributable to the same Pool as the existing Commodity Contracts of that class and newly issued Short and Leveraged Commodity Securities will be backed by the same assets (including the newly created and existing Commodity Contracts of that class) as the existing Short and Leveraged Commodity Securities of that class.

The Issuer has entered into a Facility Agreement with UBS and a Facility Agreement with MLCI (UBS and MLCI respectively as the counterparty to the Commodity Contracts). The Issuer has also entered into Security Agreements with UBS and MLCI and Control Agreements with UBS and The Bank of New York Mellon (as Securities Intermediary) and with MLCI and The Bank of New York Mellon, the terms of which are described below. Information relating to UBS and MLCI is set out in Part 10 (*Particulars of the Commodity Contract Counterparties*).

Under the terms of the Facility Agreements, the Issuer can create and terminate Commodity Contracts on a continuous basis, subject to the Creation Limits and the Redemption Limit (and days not being Market Disruption Days) and certain other conditions. Further information on the Creation Limits and the Redemption Limit is set out below.

The Issuer is only permitted to issue new Short and Leveraged Commodity Securities if it can create corresponding Commodity Contracts under a Facility Agreement.

Further information on Commodity Contracts, the Facility Agreements, the Security Agreements and the Control Agreements are set out in Part 4 (*Description of Facility Agreement and Commodity Contracts*).

Provision of Collateral by the Commodity Contract Counterparties

Security Agreements and Control Agreements

The Issuer has entered into the UBS Security Agreement (which was entered into in relation to and supplements the UBS Facility Agreement and the UBS Classic and Longer Dated Facility Agreement) and the MLCI Security Agreement (which was entered into in relation to and supplements the MLCI Facility Agreement and the MLCI Classic and Longer Dated Facility Agreement) under which UBS and MLCI (respectively) have agreed to provide Collateral in respect of their Collateral Exposure at any time. The Collateral Exposure applicable to a Commodity Contract Counterparty is calculated each Business Day by both the Issuer and that Commodity Contract Counterparty and is verified between the parties each Business Day.

The Issuer has also entered into the UBS Control Agreement with UBS and The Bank of New York Mellon (as Securities Intermediary) and the MLCI Control Agreement with MLCI and The Bank of New York Mellon (as Securities Intermediary). Under the terms of each Security Agreement and Control Agreement, the relevant Commodity Contract Counterparty is required to post the Collateral to the Collateral Account in its name at The Bank of New York Mellon.

Each Business Day in respect of each Commodity Contract Counterparty the Securities Intermediary is required to calculate the value (in accordance with the valuation provisions in the Control Agreement

described in more detail below) of the Collateral in the relevant Collateral Account as at the close of business (New York time) on the previous Business Day and each Commodity Contract Counterparty must report the Collateral Exposure calculated as at close of business on the immediately preceding Business Day. Under the Security Agreements and Control Agreements, UBS and MLCI (respectively) are required to transfer to its Collateral Account, securities and obligations to the value (taking into account the value of Eligible Collateral already credited to such account) of the Issuer's total exposure to UBS or MLCI (as applicable) under (*inter alia*) the fully paid Commodity Contracts between the Issuer and that Commodity Contract Counterparty at the close of business on the immediately preceding Business Day (or, in the case of UBS, the second immediately preceding Business Day, but see below). If on any Business Day the aggregate value of the Collateral in the relevant Collateral Account is greater than such exposure, then the relevant Commodity Contract Counterparty may request that the Securities Intermediary transfers Collateral from the Collateral Account to another account of the relevant Commodity Contract Counterparty's choosing and such transferred Collateral will no longer form part of the Collateral for the purposes of the relevant Security Agreement. The Securities Intermediary may not permit a Commodity Contract Counterparty to transfer assets out of a Collateral Account (i) such that the total value of Collateral in the Collateral Account would equal less than such exposure, or (ii) without the Issuer's consent. For these purposes references to the "value" of the Collateral constitute references to the value thereof determined by the Securities Intermediary in accordance with the valuation provisions in the Control Agreements described in more detail below. Notwithstanding the foregoing, UBS posts Collateral on each Business Day to the value of the Issuer's total exposure to UBS at the close of business on the immediately preceding Business Day under all Commodity Contracts and Classic and Longer Dated Commodity Contracts with it backing such Commodity Securities and Classic and Longer Dated Commodity Securities as were in issue on such immediately preceding Business Day.

Under the terms of the Security Agreements and the Control Agreements, the Issuer may take control of the Collateral Account and any Collateral in the Collateral Account in certain circumstances including, *inter alia*: (i) the occurrence of a Counterparty Event of Default in respect of the relevant Commodity Contract Counterparty that was not caused by a breach by the Issuer of its obligations under the relevant Facility Agreement or by any Authorised Participant under the relevant Authorised Participant Agreement and, after giving effect to any applicable notice requirement or grace period, there occurs under the Facility Agreement (or the relevant Classic and Longer Dated Facility Agreement) a liquidation of, or an acceleration of all of the obligations of the relevant Commodity Contract Counterparty under the relevant Facility Agreement (or the relevant Classic and Longer Dated Facility Agreement); (ii) failure by the relevant Commodity Contract Counterparty to transfer Collateral to the relevant Collateral Account when due and such failure continues for two Business Days; (iii) failure by the relevant Commodity Contract Counterparty to comply with or perform any other provisions of or obligations under the relevant Security Agreement (other than as set out in (ii)) and such failure continues for 30 days after receipt by the relevant Commodity Contract Counterparty of notice of such failure; or (iv) the relevant Commodity Contract Counterparty (a) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (c) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (d) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (X) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (Y) is not dismissed, discharged, stayed or restrained in each case within 60 days of the institution or presentation thereof; (e) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (f) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (g) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 60 days thereafter; (h) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (a) to (g) (inclusive); or (i) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

Description of Collateral

Under the terms of the Security Agreements, each Commodity Contract Counterparty may only transfer "Eligible Collateral" into its Collateral Account. For these purposes Eligible Collateral means:

- (A) cash in US Dollars, British Pounds or Euro or, in the case of MLCI, in US Dollars provided in each case that it is invested in AAA rated, government or treasury money market funds;
- (B) debt securities or obligations issued by the United States Government;
- (C) (1) non-U.S. debt securities or obligations issued by (a) any of the governments of Belgium, Canada, France, Germany, Italy, Japan, The Netherlands, Sweden, Switzerland or the United Kingdom, or (b) any of the governments of Austria, Australia, Denmark, Finland, Luxembourg, New Zealand, Norway, Portugal or Spain where such government has a long-term issuer rating of not lower than "AA" by Standard & Poor's Rating Services or (but only in the case of MLCI) "Aa2" by Moody's Investors Inc.;
- (2) supranational bonds issued by the International Bank for Reconstruction and Development, the European Investment Bank, the Council of Europe, the Asian Development Bank or the Inter-American Development Bank with a long term issuer rating not lower than "AAA" by Standard & Poor's Rating Services or "Aaa" by Moody's Investors Inc.;
- (D) in the case of UBS, unsubordinated bonds issued by Government National Mortgage Association (for so long as the obligations of the same are guaranteed by the United States Government); and
- (E) Eligible Equities (which in the case of MLCI includes common or preferred shares that are constituents only of specified non-U.S. indices),

provided that, *inter alia*:

- (i) none of the foregoing securities or obligations is a security or obligation of the relevant Commodity Contract Counterparty or certain related entities;
- (ii) in the case of (D) above, a liquid market for such securities or obligations is generally available and that bid prices are generally available in the market for such securities as shall be determined by the Securities Intermediary, except that the absence of bid prices for any such securities or obligations on one day shall not necessarily mean that this requirement is not satisfied;
- (iii) securities meeting the criteria in (C)(1), (C)(2) and (E) above shall only constitute Eligible Collateral to the extent that the value of such securities does not exceed the relevant jurisdiction limit (as set out below) applicable to the jurisdiction of the relevant issuer or issuers, as the case may be; and
- (iv) securities comprising Eligible Equities shall only constitute Eligible Collateral to the extent that the value of such securities does not exceed any applicable issuer concentration limit (as set out below).

The following concentration limits apply to each type of Eligible Collateral which may be contained in the Collateral Account:

- (i) in the case of any collateral falling within paragraph (C)(1) above in the definition of "Eligible Collateral", the Securities Intermediary will exclude from its calculation of the value of the collateral in the Collateral Account any such securities or obligations in the Collateral Account to the extent that the total value of all such securities or obligations (i) of any of the governments of the United Kingdom, Japan, Germany or France exceeds 50 per cent. of the value of the collateral in the Collateral Account or (ii) of any of the governments of the other countries listed in C(1) above exceeds 25 per cent. of the total value of the collateral in the Collateral Account;

- (ii) in the case of any Collateral falling within paragraph (C)(2) above in the definition of "Eligible Collateral", the Securities Intermediary will exclude from its calculation of the value of the Collateral in the Collateral Account any such securities or obligations in the Collateral Account to the extent that the total value of all such securities or obligations issued by any issuer listed in paragraph (C)(2) above exceeds 25 per cent. of the total value of the Collateral in the Collateral Account;
- (iii) in the case of any Collateral falling within paragraph (E) above in the definition of "Eligible Collateral", the Securities Intermediary will exclude from its calculation of the value of the Collateral in the Collateral Account any such Eligible Equities to the extent that (a) the total value of any Eligible Equities in the Collateral Account issued by one issuer represents: (i) 3.3 per cent. of the value of the collateral in the Collateral Account or in the case of UBS \$10 million (whichever is greater); (ii) 2.5 per cent. of the aggregate issued and outstanding share capital of that issuer; or (iii) 100 per cent. of the 30 day average daily volume of such Eligible Equities as determined by the Securities Intermediary; (b) in the case of UBS the value of all Eligible Equities in the Collateral Account issued by United States issuers exceeds 75 per cent. of the value of the Collateral in the Collateral Account; (c) the value of all Eligible Equities in the Collateral Account issued by issuers from each of the United Kingdom, Japan, Germany or France exceeds 25 per cent. of the value of the Collateral in the Collateral Account; and (d) the value of all Eligible Equities in the Collateral Account issued by an issuer from a country other than the United States, the United Kingdom, Japan, German and France or issued by any authority or agency exceeds 10 per cent. of the value of the Collateral in the Collateral Account; and
- (iv) so long as the Issuer has not taken control of the Collateral Account in accordance with the terms of the Control Agreement and the Commodity Contract Counterparty has fulfilled all of its obligations to transfer collateral under the Security Agreement, the Commodity Contract Counterparty will be entitled to instruct the Securities Intermediary to return to it any Collateral that has been excluded from the Security Intermediary's calculations by virtue of these concentration limits.

For the purpose of valuing the collateral in the Collateral Account the Securities Intermediary will divide the sum of the values of what it determines to be the market value of each asset of a particular type by the following percentages:

- (i) for Cash or money market funds described in clause (A) of the definition of "Eligible Collateral": 100 per cent.;
- (ii) for any security or obligation falling within clauses (B) and (C) of the definition of "Eligible Collateral", a percentage determined by the Securities Intermediary based on the remaining time to stated maturity of such security or obligation as follows:
 - (A) less than five years, 100 per cent.,
 - (B) greater than or equal to five years and less than 10 years, 101 per cent. and
 - (C) 10 years or greater, 102 per cent.;
- (iii) for the unsubordinated bonds falling within clause (D) of the definition of "Eligible Collateral", 102 per cent.; and
- (iv) for any security eligible under clause (E) of the definition of "Eligible Collateral" either 105 per cent. or 110 per cent. depending on the particular index to which such Eligible Equity belongs.

BAC Guarantee

MLCI is required under the terms of the MLCI Facility Agreement to ensure that its obligations thereunder and any Commodity Contracts issued pursuant to the MLCI Facility Agreement have the benefit of credit support provided by BAC. In fulfilment of that requirement, BAC has entered into the BAC Guarantee. The principal provisions of the BAC Guarantee are as follows:

- BAC unconditionally guarantees to the Issuer the prompt payment of any and all obligations and liabilities of MLCI under the terms of the MLCI Facility Agreement, the MLCI Security Agreement and the MLCI Control Agreement including, in case of default, interest on any amount due, when and as the same shall become due and payable, whether on the

scheduled payment dates, at maturity, upon declaration of termination or otherwise, after giving effect to any applicable notice requirement or grace period and, at all times, in accordance with the terms of that Agreement.

- In the event that MLCI fails to make any payment under such Agreements when due after giving effect to any applicable notice requirement and grace period, BAC agrees to make such payment, or cause any such payment to be made, promptly upon receipt of written demand from the Issuer to BAC; provided that delay by the Issuer in giving such demand shall in no event affect BAC's obligations under the BAC Guarantee.
- BAC agrees that its obligations under the BAC Guarantee will be unconditional, irrespective of (i) the validity, regularity or enforceability (except as may result from any applicable statute of limitations) of the MLCI Facility Agreement, MLCI Security Agreement and MLCI Control Agreement, (ii) the absence of any action to enforce the same, (iii) any waiver or consent by the Issuer concerning any provisions thereof, (iv) the rendering of any judgment against MLCI or any action to enforce the same or (v) any other circumstances that might otherwise constitute a legal or equitable discharge of a guarantor or a defense of a guarantor, other than defense of payment.
- BAC agrees that the BAC Guarantee will not be discharged except by complete payment of the amounts payable under the MLCI Facility Agreement, MLCI Security Agreement and MLCI Control Agreement.
- BAC shall not be required to pay, or otherwise be liable to, the Issuer for any consequential, indirect or punitive damages (including, but not limited to, opportunity costs or lost profits).
- The BAC Guarantee is governed by and construed in accordance with the internal laws of the State of New York as applicable to contracts or instruments made and to be performed therein.

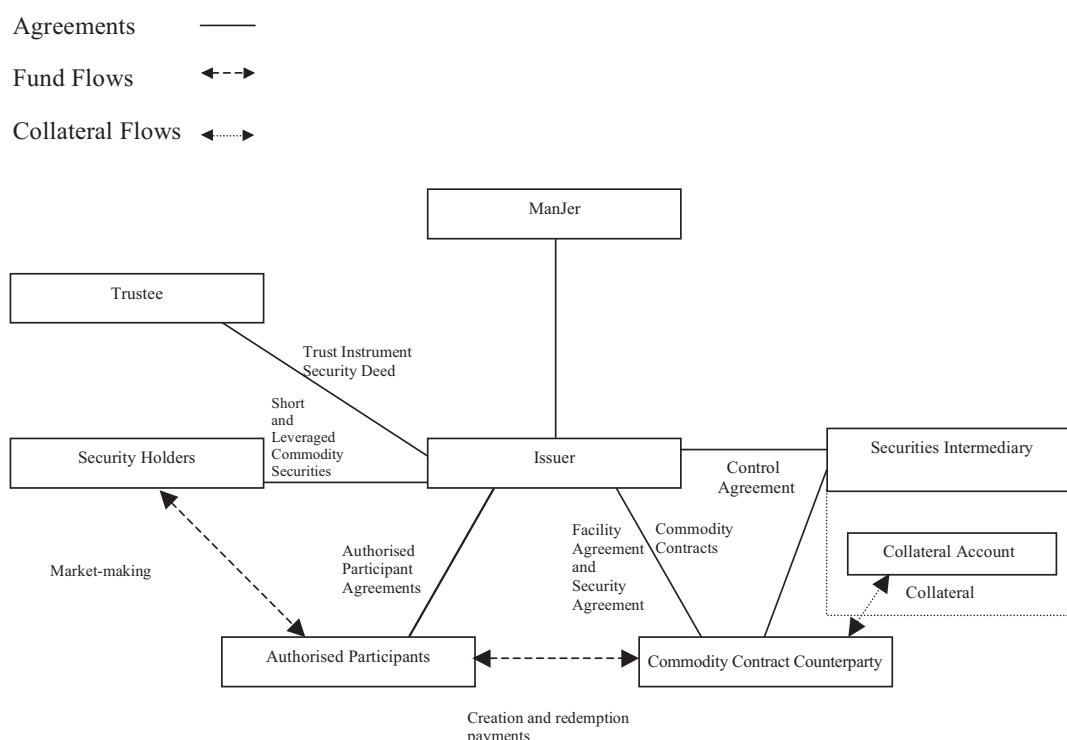
The BAC Guarantee may be terminated by BAC at any time by written notice to the Issuer by BAC, effective immediately following receipt of such written notice by the Issuer or at such later date as may be specified in such written notice, but will continue in full force and effect with respect to any obligation of MLCI under the MLCI Facility Agreement, MLCI Security Agreement and MLCI Control Agreement entered into prior to the effectiveness of such written notice of termination.

Contract Structure for Short and Leveraged Commodity Securities

Short and Leveraged Commodity Securities are constituted by the Trust Instrument. Under the terms of the Trust Instrument, the Trustee acts as trustee for the Security Holders of each class of Short and Leveraged Commodity Securities.

The obligations of the Issuer in respect of each class of Short and Leveraged Commodity Securities will be secured by a charge over the equivalent class of Commodity Contracts held by the Issuer and over the rights of the Issuer in respect of those Commodity Contracts under the Facility Agreements, the Security Agreements and the Control Agreements.

A diagrammatic representation of the principal aspects of the structure relating to the Short and Leveraged Commodity Securities as currently in place appears below. The principal aspect of the structure are the same whether the Commodity Contract Counterparty is UBS or MLCI.



Applications and Redemptions

Short and Leveraged Commodity Securities can be issued or redeemed at any time, subject to conditions (including not exceeding the Creation Limits and Redemption Limits), by Authorised Participants. The issue and redemption mechanism is intended to ensure that Short and Leveraged Commodity Securities have sufficient liquidity and that the price at which they trade on the London Stock Exchange tracks the relevant Price formula. Only an Authorised Participant may apply for or (unless there are at any given time no Authorised Participants or as otherwise announced by the Issuer) redeem Short and Leveraged Commodity Securities — all other persons must buy and sell Short and Leveraged Commodity Securities through trading on the London Stock Exchange or other exchanges on which the Short and Leveraged Commodity Securities are admitted to trading.

Short and Leveraged Commodity Securities can only be issued or redeemed if corresponding Commodity Contracts can be created or terminated. There are limits on the creation and termination of Commodity Contracts, which means that there are corresponding limits on the issue and redemption of Short and Leveraged Commodity Securities.

Creation and Redemption Limits

There are two separate types of Creation Limits, one a total limit and the other a daily limit, which apply under the Facility Agreements on each Pricing Day. These limits will not apply if waived by a Commodity Contract Counterparty. Any redemptions will be netted against creations when applying these limits.

Unless otherwise agreed by a Commodity Contract Counterparty, the total limit is that Commodity Contracts cannot be created under the Facility Agreement with it to the extent that the Aggregate Outstanding Contracts Price would exceed US\$7.0 billion (US\$7,000,000,000).

The daily limits, which are commodity-specific, are that unless otherwise agreed by a Commodity Contract Counterparty, Commodity Contracts of any particular class may not be created under the Facility Agreement with it if the aggregate Net Exposure to any Relevant Commodity relating to such class of all Commodity Contracts of any class would, for that relevant Commodity, exceed an amount equal to (i) for Cocoa, Lead, Platinum, Tin, Brent Crude and Gas Oil, US\$7,500,000 and (ii) for any other Relevant Commodity, the product of US\$250,000,000 and the CIP of the Relevant Commodity, save that if the DJ-UBS CISM is subsequently calculated by reference to prices of commodities including

any such Relevant Commodity (such as Brent crude with effect from January 2012), the limit in respect of such Relevant Commodity will be the higher of US\$7.5 million and the product of US\$250 million and the CIP of the Relevant Commodity.

The Redemption Limit is also a daily limit, and also commodity-specific. It is the same amount per commodity as the daily Creation Limit (unless the Commodity Contract Counterparty otherwise agrees).

For the purposes of the Creation Limits and Redemption Limit, Application and Redemption Forms are dealt with in strict time priority by reference to the date and time of their receipt.

The Creation Limits and Redemption Limit in a Facility Agreement may be amended by written agreement of the Issuer and the relevant Commodity Contract Counterparty. If they are amended, the Issuer will make an announcement by RIS.

Authorised Participants

The Issuer has agreed to use reasonable endeavours to ensure that at all times there are at least two Authorised Participants. However, if at any given time there are no Authorised Participants, Security Holders are permitted to redeem Short and Leveraged Commodity Securities held by them.

As at the date of this document ABN AMRO Clearing Bank N.V. (London Branch), Bluefin Europe LLP, Knight Capital Europe Limited, Merrill Lynch International, Morgan Stanley & Co. International plc, The Royal Bank of Scotland plc, Susquehanna International Securities Limited, Susquehanna Ireland Limited, UBS AG, UniCredit Bank AG and Virtu Financial Ireland Limited are Authorised Participants. Additional Authorised Participants may be introduced in due course.

Payments for Applications and Redemptions

Payment for the issue of Short and Leveraged Commodity Securities (and the corresponding creation of Commodity Contracts) will be made directly from the relevant Authorised Participant(s) to the relevant Commodity Contract Counterparty, and payment upon redemption of Short and Leveraged Commodity Securities (and termination of the corresponding Commodity Contracts) will (save where there are no Authorised Participants or in the case of compulsory redemptions or if the Issuer has announced that redemptions may be made by Security Holders in accordance with the Conditions) be made directly from the relevant Commodity Contract Counterparty to the relevant Authorised Participant(s). Payments from or to Authorised Participants will be made via the CREST system on a delivery versus payment basis. In the cases of compulsory redemptions and redemptions where there are no Authorised Participants, the relevant Commodity Contract Counterparty will make payment to accounts of the Issuer secured for the benefit of the Security Holders of the relevant classes or to the Trustee for the benefit of such Security Holders.

Further details of the application and redemption process are set out in Part 3 (*Description of Short and Leveraged Commodity Securities*) under the heading "Applications and Redemptions".

Security Structure

A security structure has been established to provide security for the payment obligations of the Issuer to Security Holders upon redemption of Short and Leveraged Commodity Securities.

The Issuer has been established as an "umbrella" or "multi-class" company with separate Pools of assets so that the Issuer can issue separate classes of securities, based on different prices or having some other different characteristics, but on terms that holders of any particular class of Short or Leveraged Commodity Securities will only have recourse to the Pool attributable to that class and not to the assets attributable to any other class. The assets and liabilities attributable to each class of Short and Leveraged Commodity Securities will represent the Pool for that class.

Thus there are 70 separate Pools applicable to Short and Leveraged Commodity Securities. A single Pool secures all Short and Leveraged Commodity Securities of a single class.

The Issuer has also created 50 separate pools in respect of the Classic and Longer Dated Securities, which it has issued and made available as set out in a separate base prospectus of the Issuer dated the same date as this document (and as referred to under the heading "Classic and Longer Dated Securities" below) and which are constituted by the Classic and Longer Dated Trust Instrument.

Holders of any particular type of Classic and Longer Dated Securities will not have recourse to any Pool created in respect of a class of Short and Leveraged Commodity Securities and correspondingly the Short and Leveraged Commodity Securities will not have recourse to any pools in respect of the Classic and Longer Dated Securities of any type.

Short and Leveraged Commodity Securities are constituted under the Trust Instrument. The Trustee holds all rights and entitlements under the Trust Instrument on trust for the Security Holders.

In addition, the Issuer and the Trustee have entered into a separate Security Deed in respect of each Pool. The rights and entitlements held by the Trustee under each Security Deed are held by the Trustee on trust for the Security Holders of that particular class of Short and Leveraged Commodity Securities.

Under the terms of each Security Deed the Issuer has assigned to the Trustee by way of security the contractual rights of the Issuer relating to such class under the Facility Agreement, and granted a first-ranking floating charge in favour of the Trustee over all of the Issuer's rights in relation to the Secured Property attributable to the applicable Pool, including but not limited to its rights under each Facility Agreement, all Commodity Contracts for the relevant class created pursuant to the Facility Agreements, the BAC Guarantee and the rights of the Issuer under each Security Agreement and each Control Agreement, in each case insofar as it relates to the relevant Pool.

If the amounts received from the relevant Secured Property are insufficient to make payment of all amounts due in respect of the relevant Pool, no other assets of the Issuer shall be available to meet that shortfall and all further claims of the holders in respect of such class of Short or Leveraged Commodity Securities will be extinguished.

Under the terms of the Trust Instrument, it is agreed that the Security Holders, or the Trustee on their behalf, will not, in relation to Short and Leveraged Commodity Securities, institute against, or join any person in instituting against, the Issuer any bankruptcy, suspension of payments, moratorium of any indebtedness, winding-up, re-organisation, arrangement, insolvency or liquidation proceeding or other proceeding under any similar law (except for the appointment of a receiver and manager pursuant to the relevant Security Deed) in relation to the Issuer for two years (or, if later, the longest suspense period, preference period or similar period (howsoever described) ending with the onset of insolvency in respect of which transactions entered into by the Issuer within such period may be subject to challenge under applicable insolvency or other proceeding) plus one day after the date on which all amounts payable for all outstanding Short and Leveraged Commodity Securities issued by the Issuer are repaid.

The securitised assets backing the issue being the Commodity Contracts, the UBS Facility Agreement, the UBS Security Agreement, the UBS Control Agreement, the MLCI Facility Agreement, the MLCI Security Agreement and the MLCI Control Agreement, have characteristics that demonstrate the capacity to produce funds to service any payments due and payable on the Short and Leveraged Commodity Securities.

Further details of the Trust Instrument are set out in Part 6 (*Trust Instrument and Short and Leveraged Commodity Securities*). Further details of the Security Deeds are set out in Part 7 (*Particulars of the Security Deeds*).

Classic and Longer Dated Securities

The Issuer has separately made available the Classic and Longer Dated Securities which have different characteristics as described in a separate base prospectus of the Issuer dated the same date as this document. The Classic and Longer Dated Securities are constituted by a separate trust instrument entered between the Issuer and The Law Debenture Trust Corporation p.l.c. and are backed by commodity contracts created under a separate facility agreement or facility agreements (currently being the facility agreement relating to Classic and Longer Dated Commodity Contracts between UBS and the Issuer and the facility agreement relating to Classic and Longer Dated Commodity Contracts between MLCI and the Issuer) and each authorised participant in respect of the Classic and Longer Dated Securities is required to enter into a separate authorised participant agreement in respect of the Short and Leveraged Commodity Securities. Accordingly the rights attached to the Classic and Longer Dated Securities are separate from and different to the rights attached to the Short and Leveraged Commodity Securities.

The Issuer

The Issuer is a public company incorporated in Jersey for the purpose of issuing debt securities the price of which is related to commodities or commodity indices and entering into the Documents and agreements relating to other types or classes of commodity securities.

The shares in the Issuer are all held by HoldCo, a company incorporated in Jersey which is wholly-owned by ETFSL, and ManJer acts as the manager of the Issuer. The Issuer is neither directly or indirectly owned or controlled by any other party to the Programme. The Issuer is dependent upon ManJer to provide management and administration services to it, as further described below under the heading "Administration". ManJer intends to promote and to provide management and other services to both the Issuer and other companies issuing asset-backed securities and currently also provides such services to the Issuer in relation to the programme for the Issue of Classic and Longer Dated Securities and to ETFS Metal Securities Limited, ETFS Metal Securities Australia Limited, ETFS Oil Securities Limited, Gold Bullion Securities Limited, ETFS Foreign Exchange Limited and ETFS Industrial Metal Securities Limited, ETFS Hedged Commodity Securities Limited, ETFS Commodity Securities Australia Limited.

The Issuer is a special purpose company whose only assets attributable to Short and Leveraged Commodity Securities of each class are the Commodity Contracts of each class and rights under the Facility Agreements, the Security Agreements and the BAC Guarantee (together, if there are any other Commodity Contract Counterparties, with any Facility Agreements and Commodity Contracts with such other Commodity Contract Counterparties and any related credit support) to the extent attributable to that class. The Issuer has also issued and made available for issue Classic and Longer Dated Securities, secured as described in a separate base prospectus of the Issuer dated the same date as this document. The Issuer's obligations are primarily its obligations under the Classic and Longer Dated Securities and the Short and Leveraged Commodity Securities.

The Directors of the Issuer are also directors of HoldCo and their respective biographies are set out below under the heading "Directors and Secretary".

ETFSL

ETFSL is a Jersey company which was incorporated under the Companies (Jersey) law 1991 on 20 August 2004. Its registered office is Ordnance House, 31 Pier Road, St. Helier, Jersey, JE4 8PW, Channel Islands. ETFSL is the ultimate holding company of a group of companies which includes the Issuer and HoldCo. It is not engaged in business activities other than as are related to the establishment of schemes similar to that of the Issuer.

Administration and Registrar Services

ManJer will, pursuant to the Services Agreement, supply certain management and administration services for the Issuer and will pay all the management and administration costs of the Issuer (including those of the Secretary and Registrar – as defined below). ManJer may engage third parties to provide some or all of these services. The Service Agreement may be terminated by ManJer at any time on three months' notice or earlier in the event of certain breaches or the insolvency of either party.

The Issuer has entered into a corporate administration agreement with R&H Fund Services (Jersey) Limited (the "**Secretary**") whereby the Secretary will perform certain administration duties for the Issuer. R&H Fund Services (Jersey) Limited is a Jersey company which was incorporated under the Companies (Jersey) law 1991 on 29 November 1988.

The Issuer, the Trustee and Computershare Investor Services (Jersey) Limited (the "**Registrar**") have entered into an agreement pursuant to which the Registrar is to provide registry and associated services. The Registrar will maintain the Registers in Jersey. The Registrar is a Jersey company which was incorporated under the Companies (Jersey) law 1991 on 2 September 1999.

Management Fee and Licence Allowance

In return for ManJer supplying to the Issuer all management and administration services, the Issuer is liable under the Services Agreement to pay ManJer a fee equal to the Management Fee paid to the Issuer by the Commodity Contract Counterparties under the Capital Adjustment Agreements. The Management Fee, as at the date of this Prospectus, is 0.98 per cent. per annum of the aggregate Price on that day of all Short and Leveraged Commodity Securities outstanding.

The fee rate may be varied by the Issuer from time to time.

The Commodity Contract Counterparties will pay to the Issuer in respect of the Commodity Contracts to which each is party amounts equal to the Management Fee and a Licence Allowance, which will be used to pay licence fees to CME Indexes due under the Licence Agreement (with any difference being payable to/by ManJer). The Licence Allowance payable by each Commodity Contract Counterparty is 0.05 per cent. per annum of the aggregate daily Price of all fully paid Commodity Contracts outstanding with that Commodity Contract Counterparty, and this rate will be varied to match approximately the fees payable to CME Indexes under the Licence Agreement.

The Issuer will only be liable to pay the fees to ManJer upon receipt of the relevant amounts from the Commodity Contract Counterparties.

ManJer will pay the Licence Allowance to ETFSL to enable ETFSL to pay any fees due under the Licence Agreement.

The rate of the Management Fee and Licence Allowance will be reflected in the adjustments to the Capital Adjustment each day, commencing upon the relevant Short and Leveraged Commodity Securities first being issued.

If the Management Fee or the Licence Allowance is amended, such amendment will be notified through an RIS, and will not take effect for at least 30 days following the publication of the RIS.

Commodity Contract Counterparty fees

The Commodity Contract Counterparties do not charge any fees or expenses to the Issuer, ManJer or ETFSL in relation to the Facility Agreements, the Security Agreements or the Control Agreements. However the Commodity Contract Counterparties will have the use of the funds paid to them for the creation of Commodity Contracts (net of redemptions) and the amount they pay for this benefit will be reflected in the rate of the Capital Adjustment, which rate will be agreed from time to time by the Commodity Contract Counterparties and the Issuer. The rate of the Capital Adjustment is currently the three month U.S. Treasury Bill rate less a spread of 0.85 per cent. per annum in respect of the Short Commodity Securities and 1.30 per cent. per annum in respect of the Leveraged Commodity Securities (reflecting the risk taken by the Commodity Contract Counterparties) and less the Management Fee and the Licence Allowance.

Each Commodity Contract Counterparty is responsible for all costs associated with it hedging its exposures and managing the cash arising from the Issuer purchasing and terminating Commodity Contracts at any time. To the extent that the cost to a Commodity Contract Counterparty of the Capital Adjustment (before deduction of the Management Fee and the Licence Allowance) differs from the value to it of managing the exposures and having the use of cash, such Commodity Contract Counterparty will make a profit or loss from the transaction.

If the Issuer has Commodity Contracts outstanding with more than one Commodity Contract Counterparty in relation to any Pool, the Capital Adjustment for that Pool will be the weighted average of the daily adjustment on all Commodity Contracts attributable to that Pool.

The Capital Adjustment may or may not be less than the rate of interest which an investor could earn by depositing funds in money markets at overnight rates, or by fully collateralising an investment in futures contracts. As at 26 November 2012, the rate of the Capital Adjustment was as follows:

	Daily†	Annual*
Short Commodity Securities	-0.00489%	-1.77%
Leveraged Commodity Securities	-0.00612%	-2.22%

† as of 26 November 2012 (rate changes weekly)

* is the Daily rate compounded over total number of days in a year

Calculation Agent

UBS is required to act as Calculation Agent under and solely for the purposes of the UBS Facility Agreement, the MLCI Facility Agreement and any other Facility Agreement that may be entered into with other Commodity Contract Counterparties.

More information on the role of UBS as Calculation Agent is set out in Part 4 (*Description of Facility Agreements and Commodity Contracts*) under the heading “Calculation Agent”.

Directors and Secretary of the Issuer

The Directors and the secretary of the Issuer (and of HoldCo) at the date of this document are:

Graham Tuckwell — Chairman

Mr Tuckwell is the founder and chairman of ETF Securities Limited, ManJer, HoldCo and the Issuer and of eight other companies issuing exchange-traded commodities or other exchange-traded products: Gold Bullion Securities Limited in Jersey, ETFS Metal Securities Australia Limited (formerly known as Gold Bullion Securities Limited) in Australia (which two companies obtained the world’s first listings of an exchange traded commodity on a stock exchange), ETFS Oil Securities Limited, ETFS Metal Securities Limited, ETFS Foreign Exchange Limited, ETFS Industrial Metal Securities Limited, ETFS Hedged Commodity Securities Limited and ETFS Commodity Securities Australia Limited. He is also a director of ETFX Fund Company Public Limited Company and of its manager ETFX Management Company Limited in Ireland as well as the President and Chief Executive Officer of ETF Securities USA LLC. Assets under management in those companies are in excess of US\$25 billion. Previously, Mr Tuckwell was the founder and managing director of Investor Resources Limited, a boutique corporate advisory firm which specialised in providing financial, technical and strategic advice to the resources industry. He has more than 20 years of corporate and investment banking experience. Prior to the above activities, Mr Tuckwell was Head of Mining Asia/Pacific at Salomon Brothers, Group Executive Director at Normandy Mining responsible for Strategy and Acquisitions and Head of Mergers and Acquisitions at Credit Suisse First Boston in Australia. He holds a Bachelor of Economics (Honours) and a Bachelor of Laws degree from the Australian National University.

Tom Quigley — Non-Executive Director

Mr Quigley is the Chief Financial Officer of ETF Securities Limited and is also a non-executive director of HoldCo, the Issuer, ETFS Metal Securities Limited, ETFS Oil Securities Limited, ETFS Foreign Exchange Limited, ETFS Industrial Metal Securities Limited, Gold Bullion Securities Limited, ETFS Hedged Commodity Securities Limited and ETFS Commodity Securities Australia Limited. Mr Quigley is also the Chief Financial Officer and Treasurer of ETF Securities USA LLC. Previously, Mr Quigley held senior management positions in investment banking where he was a Managing Director at ING Barings Investment Banking and, prior to that, at Close Brothers Corporate Finance in London. More recently, he was a Director of Terra Firma Capital Partners, the private equity firm, and a Managing Director at W.P. Carey & Co LLC, the asset management firm. He is a Chartered Accountant and a member of the Institute of Chartered Accountants of England and Wales having trained with Price Waterhouse in London. Mr Quigley holds an MA in Physics from Oxford University, England.

Graeme Ross — Non-Executive Director

Mr Ross graduated from Abertay University in 1980 and joined Arthur Young McClelland Moores in Perth, Scotland. He qualified as a chartered accountant in 1984 and joined KPMG Peat Marwick’s practice in Jersey shortly afterwards. Mr Ross joined the Jersey practice of Rawlinson & Hunter in 1986 as a manager in the fund administration division. In 1994 he was admitted to the Jersey partnership. Mr Ross has been the managing director of R&H Fund Services (Jersey) Limited since 1996 and has in-depth knowledge and experience of the fund management industry and in particular retail funds. He has worked in the offshore fund management industry for 28 years and also served as a committee member of the Jersey Fund Managers Association for three years. As a director of R&H Fund Services (Jersey) Limited, Mr Ross maintains the day to day operations in Jersey of the Issuer and of Gold Bullion Securities Limited, ETFS Oil Securities Limited, ETFS Metal Securities Limited, ETFS Foreign Exchange Limited, ETFS Industrial Metal Securities Limited, ETFS Hedged Commodity Securities Limited and ETFS Commodity Securities Australia Limited (he is a non-executive director of each of those companies and of ManJer and HoldCo).

Craig Stewart — Non-Executive Director

Mr Stewart graduated from Edinburgh University in 1987 with a degree in Politics and worked in commercial roles for two blue chip companies headquartered in London. In 1993, he joined Arthur Andersen’s Audit and Business Advisory practice in Jersey and qualified as a chartered accountant in

1997. He has specialised in the investment fund sector and been particularly involved with retail, institutional and private equity funds. In 1997, he was promoted to manager with sole responsibility for Andersen's asset management clients in European offshore jurisdictions. In April 2000, he joined Rawlinson & Hunter's fund administration division and in January 2001 he was promoted to Director of R&H Fund Services (Jersey) Limited. He was admitted to the partnership of Rawlinson & Hunter, Jersey, in 2003. Mr Stewart has worked in the offshore fund management industry for almost 18 years and also served as a committee member of the Jersey Fund Managers Association for three years. Mr Stewart is also a non-executive director of HoldCo, Gold Bullion Securities Limited, ETFS Oil Securities Limited, ETFS Metal Securities Limited, ETFS Foreign Exchange Limited, ETFS Industrial Metal Securities Limited, ETFS Hedged Commodity Securities Limited and ETFS Commodity Securities Australia Limited.

R&H Fund Services (Jersey) Limited — Company Secretary

R&H Fund Services (Jersey) Limited is a company incorporated in Jersey on 29 November 1988 with limited liability whose issued and paid up share capital is £25,000. It is not involved in any other business activities other than that of acting as manager and administrator of collective investment schemes and is a wholly owned subsidiary of Rawlinson & Hunter, Jersey. The directors of R&H Fund Services (Jersey) Limited are:

Graeme David Ross
Craig Andrew Stewart
Hilary Patricia Jones

Directors and Secretary of ManJer

The directors of ManJer at the date of this Prospectus are Graham Tuckwell, Tim Armour, Graham Birch, Ben Cukier, Vince Fitzgerald and Graeme Ross. The secretary of ManJer at the date of this document is R&H Fund Services (Jersey) Limited. The biographies of Mr Tuckwell and Mr Ross are set out under the heading "Directors and Secretary of the Issuer" above. The biographies of the other directors are as follow:

Timothy K. Armour

Mr Armour has been a member of the board of directors of ManJer and ETFSL since March 2011. Mr Armour has been a director of Janus Capital Group since April 2008. He serves as a director of AARP Services Inc. (a non-profit organization for retired persons) and as chairman of the trustees of AQR Mutual Funds (a mutual fund investment trust). He was managing director of Morningstar Inc., a public company traded on NASDAQ, from 2000 until his retirement in March 2008. Mr Armour was Morningstar Inc.'s president from 1999 to 2000 and its chief operating officer from 1998 to 1999. Morningstar provides investment research, including stock and fund analysis, reports and tools, as well as company, investing, and financial news. From 1992 to 1998, he served as president of the Mutual Funds Division of Stein Roe & Farnham, Inc. Mr Armour received his B.A. from Gettysburg College and his M.B.A. from Columbia University Graduate School of Business.

Dr Graham Birch

Dr Birch has been a member of the board of directors of ManJer and ETFSL since March 2011. Dr Birch served as a Managing Director of BlackRock, where he was also the head of BlackRock's natural resources team, from 2006 until his retirement in February 2010. During Dr Birch's tenure as head of the natural resources team assets under management grew to a peak of US\$50 billion. Dr Birch has won numerous awards as the lead fund manager of the BlackRock World Mining Trust, the BlackRock Gold and General Fund and the BlackRock Agriculture Fund. He also comanaged the BlackRock Natural Resources Hedge Fund. Beginning in 1993, Dr Birch worked at Mercury Asset Management where he was subsequently appointed head of natural resources investment and which was acquired by Merrill Lynch Investment Managers in 1997 and which was itself acquired by BlackRock in 2006. Between 1984 and 1993, Dr Birch worked as a metals, mining and natural resources equity analyst with Panmure Gordon, Kleinwort Benson Securities and Ord Minnett. At each of these firms, Dr Birch was responsible for the launch of funds aimed at broadening the depth and range of the natural resources product offering. Dr Birch is Vice Chairman of Rothamsted Research, a leading agricultural research laboratory in the United Kingdom. In addition, Dr Birch serves as senior non-executive director of Petropavlovsk, a publicly traded gold mining company listed on the London Stock Exchange with assets

in Russia and as a non-executive director of Hochschild Mining, a London listed precious metals mining company with operations in Peru, Argentina, Mexico and Chile. He holds a Bachelor of Science and Ph.D. in mining geology from Imperial College, London.

Benjamin M. Cukier

Mr Cukier has been a member of our board of directors since December 2006. Mr Cukier is a partner at FTV Capital, which he joined in 1999. Mr Cukier leads investments in asset management, lending and banking for FTV. He led FTV's investment into and sat on the boards of PowerShares, LLC, and ETF Securities. He also sits on the board of Velocity Shares, LLC, Aspire, LLC and Financial Development Corp, LLC Mr Cukier was previously with the Telecommunications and Media Team at Madison Dearborn Partners in Chicago. Prior to joining Madison Dearborn Partners, Mr Cukier was with McKinsey & Co. in New York, where he consulted to clients in the telecommunications, Internet, and healthcare industries. Mr Cukier received a B.S. and B.A. from the University of Pennsylvania and an M.B.A. from Stanford University.

Dr Vince FitzGerald

Dr FitzGerald has been a member of our board of directors since February 2005. In addition, Dr FitzGerald was a founding board member of Gold Bullion Securities and has served on its board since 2003. Dr FitzGerald is a director (formerly chairman) of The Allen Consulting Group Pty Ltd, an Australian consulting company in the fields of economics, public policy and economic and financial regulation, and has been a director there since 1989, soon after its foundation. Prior to that, he was a senior government official in Canberra, with assignments in the Departments of the Treasury, Prime Minister and Cabinet, Finance (Deputy Secretary), Trade (Secretary) and Employment, Education and Training (Secretary). From 1994 to 2004, he was a director of ING Australia Holdings Ltd and its subsidiaries, and was chairman of its audit and risk management committees. Dr FitzGerald has been involved in the superannuation (pension fund) industry in Australia, and is a fund trustee. He is president of the Victorian Division of the Australian Institute of Company Directors and is a member of its national board. He is also a member of the governing councils of the National Gallery of Victoria and the Australian National University; he chairs the audit, risk and compliance committee of the former. He holds a Bachelor of Economics (First class Honors in Econometrics) from the University of Queensland and a Ph.D. in Economics from Harvard University.

Conflicts of Interest

Mr Tuckwell and Mr Ross are also directors of ManJer, a provider of services to the Issuer and all of the Directors are also directors of HoldCo, the sole shareholder of the Issuer. Mr Ross and Mr Stewart are also directors of R&H Fund Services (Jersey) Limited, the secretary of the Issuer. The Directors do not believe there are any actual or potential conflicts of interest between the duties which the directors and/or members of the administrative, management and supervisory bodies of the Issuer owe to the Issuer, and the private interests and/or other duties which they have.

Save as specifically stated herein, none of the principal activities performed by the Directors outside the Issuer are significant with respect to the Issuer and they have no interests that are material to the Programme.

Further Information

Information regarding taxation in the United Kingdom, Jersey, Austria, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain and Sweden in respect of the Programme and Short and Leveraged Commodity Securities is set out in Part 11 (Additional Information). If an investor is in any doubt about the tax position, it should consult a professional adviser.

Your attention is drawn to the remainder of this document which contains further information relating to the Programme and Short and Leveraged Commodity Securities.

PART 2

DOW JONES — UBS COMMODITY INDICES

Dow Jones — UBS Commodity Index and Sub-Indices

All Short and Leveraged Commodity Securities will be priced off Commodity Indices published by CME Indexes. These indices are constructed and published pursuant to a joint arrangement between UBS Securities and CME Indexes. The DJ-UBS CISM and its sub-indices (including the Individual Commodity Indices and the other Composite Commodity Indices) are published on CME Indexes' website at <http://www.djindexes.com/ubs/index.cdfm>.

The web-site provides simulated historical values of each of the indices on a daily basis from the beginning of 1991, save that in the cases of the Cocoa, Lead, Platinum and Tin Commodity Indices this information was available only from March 2008 in the cases of the Brent Crude and Gas Oil Commodity Indices, only from December 2011 and in the cases of Kansas Wheat and Soybean Meal, only from December 2012 and June 2010 respectively. The data file is updated each day and is provided in Excel format, enabling users to calculate historic performance and volatility.

The methodology used to calculate these indices is set out in the DJ-UBS CISM Handbook, which at the date of this Prospectus is available at the above website and also at: <http://www.djindexes.com/commodity>. The DJ-UBS CISM is a widely followed index which has been published since 1998, with simulated historical data calculated back to January 1991. At the beginning of 1991 each index started at 100 and is increased or decreased each day pursuant to the calculation methodology set out in the DJ-UBS CISM Handbook by reference to prices of the relevant constituent futures contracts. Consequently the Commodity Indices are excess return indices.

The same input components used for the DJ-UBS CISM are also used by UBS Securities and CME Indexes to construct the other Composite Commodity Indices and the Individual Commodity Indices, other than Cocoa, Platinum, Tin, Lead, Gas Oil, Kansas wheat and Soybean meal which are not currently included in the DJ-UBS CISM.

A Supervisory Committee reviews and approves (in consultation with an Advisory Committee comprising persons drawn from the financial and academic communities) amendments to the DJ-UBS CISM Handbook, which sets out the procedures for determining, amongst other things:

- the commodities to be included in the DJ-UBS CISM;
- the Exchanges and the Designated Contracts to be used to price each Commodity Index;
- the Roll Period for each Designated Contract;
- the weighting of each commodity in the DJ-UBS CISM;
- determining when a Market Disruption Event occurs and the consequences of such;
- the formulae to calculate each index; and
- changes to any of the above.

Any changes implemented by the Supervisory Committee which are reflected in the DJ-UBS CISM Handbook and which affect the Individual Commodity Indices or the Composite Commodity Indices will be notified to Security Holders through an RIS made as soon as practical after the change is notified to the Issuer.

Composition and Weightings

The weightings of the components in the DJ-UBS CISM, and hence in the other Composite Commodity Indices, are subject to change periodically. Apart from changes to the weightings, there can be changes to the actual commodities and Designated Contracts included in the DJ-UBS CISM and the Commodity Indices. At present there are 26 commodity futures eligible for inclusion in the DJ-UBS CISM but four of those commodities (cocoa, lead, platinum, tin, Kansas wheat and Soybean meal) are currently not included in the DJ-UBS CISM. CME Indexes in conjunction with Dow Jones also calculates and CME

Indexes publishes Individual Commodity Indexes for three other commodities (gas oil, orange juice and feeder cattle) not currently eligible for inclusion in the DJ-UBS CISM.

A complete description of the procedures involved in recalculating the composition of the DJ-UBS CISM each year is set out in the Handbook and the appendices thereto. As part of those procedures, the following diversification rules are applied in determining the Commodity Index Percentages (CIPs), i.e. the weights, in the DJ-UBS CISM:

- no single commodity may constitute less than 2 per cent. or more than 15 per cent. of the Index;
- no single commodity, together with its derivatives (e.g., crude oil, together with heating oil and gasoline), may constitute more than 25 per cent. of the Index; and
- no related group of commodities (e.g., energy, precious metals, livestock or grains) may constitute more than 33 per cent. of the Index.

The DJ-UBS CISM is re-balanced annually on a price percentage basis, within the confines of the above parameters, and each sub-index is rebalanced proportionally (without any further limitations on the weights). Once approved by the Supervisory Committee, the target composition of the revised Index is announced in July and takes effect the following January. At the time of a rebalancing of the DJ-UBS CISM, it is possible that additional commodities not presently represented in the DJ-UBS CISM will be added, or that one or more commodities presently represented will be removed.

Designated Contracts

For each Commodity Index a particular futures contract on a futures exchange is selected and for that contract, certain designated contract months are selected. For most of the commodities the Designated Contract is a futures contract traded on various exchanges in the United States, with the balance being futures contracts traded on the LME in London. Within each Designated Contract, there are a number of futures contracts for delivery in different months. Not all of them are used for the calculation of the Commodity Indices. Rather, a number of Designated Month Contracts are selected, and intermediate futures contracts are ignored for the purposes of this calculation. This reduces the number of Roll Periods required for each commodity while still enabling pricing to be based on one of the more liquid near month contracts.

The Designated Contracts, and Designated Month Contracts, for each of the 26 commodity futures currently eligible for inclusion in the DJ-UBS CISM, and for gas oil, are as follows:

Table 2 — Designated Contracts and Designated Month Contracts

Commodity	Relevant Exchange	Designated Contract and (Exchange Code)	Designated Month Contracts ⁽¹⁾							
Natural Gas	NYMEX ⁽⁴⁾	Henry Hub Natural Gas (NG)	Jan	Mar	May	Jul	Sep	Nov		
WTI Crude Oil	NYMEX ⁽⁴⁾	Light, Sweet Crude Oil (CL)	Jan	Mar	May	Jul	Sep	Nov		
Gasoline	NYMEX ⁽⁴⁾	RBOB Gasoline (RB)	Jan	Mar	May	Jul	Sep	Nov		
Heating Oil	NYMEX ⁽⁴⁾	Heating Oil (HO)	Jan	Mar	May	Jul	Sep	Nov		
Aluminium	LME	High Grade Primary Aluminium (AL)	Jan	Mar	May	Jul	Sep	Nov		
Copper	COMEX	Copper (HG)	Mar	May	Jul	Sep	Dec			
Zinc	LME	Special High Grade Zinc (ZN)	Jan	Mar	May	Jul	Sep	Nov		
Nickel	LME	Primary Nickel (NI)	Jan	Mar	May	Jul	Sep	Nov		
Gold	COMEX	Gold (GC)	Feb	Apr	Jun	Aug	Dec			
Silver	COMEX	Silver (SI)	Mar	May	Jul	Sep	Dec			
Live Cattle	CME ⁽²⁾	Live Cattle (LC)	Feb	Apr	Jun	Aug	Oct	Dec		
Lean Hogs	CME ⁽²⁾	Lean Hogs (LH)	Feb	Apr	Jun	Jul	Aug	Oct	Dec	
Wheat	CBOT ⁽²⁾	Wheat (W)	Mar	May	Jul	Sep	Dec			
Kansas Wheat	KBOT	Kansas Wheat (KW)	Mar	May	Jul	Sep	Dec			
Corn	CBOT ⁽²⁾	Corn (C)	Mar	May	Jul	Sep	Dec			
Soybeans	CBOT ⁽²⁾	Soybeans (S)	Jan	Mar	May	Jul	Nov			
Soybean Meal	CME	Soybean Meal (SM)	Jan	Mar	May	Jul	Dec			
Sugar	NYBOT ⁽³⁾	World Sugar No. 11 (SB)	Mar	May	Jul	Oct				
Cotton	NYBOT ⁽³⁾	Cotton (CT)	Mar	May	Jul	Dec				
Coffee	NYBOT ⁽³⁾	Coffee "C" (KC)	Mar	May	Jul	Sep	Dec			
Soybean Oil	CBOT ⁽²⁾	Soybean Oil (BO)	Jan	Mar	May	Jul	Dec			
Cocoa	NYBOT ⁽³⁾	Cocoa (CC)	Mar	May	Jul	Sep	Dec			
Lead	LME	Refined Standard Lead (LL)	Jan	Mar	May	Jul	Sep	Nov		
Platinum	NYMEX ⁽⁴⁾	Platinum (PL)	Jan	Apr	Jul	Oct				
Tin	LME	Refined Tin (LT)	Jan	Mar	May	Jul	Sep	Nov		
Brent Crude	ICE	Brent Crude Oil (CL)	Jan	Mar	May	Jul	Sep	Nov		
Gas Oil	ICE	Gas Oil (QS)	Jan	Mar	May	Jul	Sep	Nov		

(1) The contract months are as named by the Exchange in question, irrespective of the particular delivery dates.

(2) Chicago Board of Trade and Chicago Mercantile Exchange merged in 2007

(3) ICE Futures U.S.

(4) The New York Mercantile Exchange Inc. merged with CME Group in 2008.

The termination or replacement of a futures contract on an established exchange occurs infrequently. If a Designated Contract were to be terminated or replaced, a comparable futures contract would be selected, if available, to replace that Designated Contract.

Roll Process

The Commodity Indices are calculated each General Trading Day, using the Settlement Prices of near dated futures contracts.

Because futures contracts expire periodically, the Commodity Index calculations must change from using one futures contract (the "**Lead Future**") to using a subsequent futures contract (the "**Next Future**"). This process is called "rolling", and normally happens proportionally over a five day period (the "**Roll Period**"), on the sixth, seventh, eighth, ninth and tenth General Trading Days of a month but only if that day and the prior General Trading Day is a Pricing Day for the relevant commodity. If not, the change for the relevant commodity is deferred until the next following Pricing Day, and implemented in addition to the change which would otherwise be implemented on that day.

The current Designated Month Contracts are listed above in the far right column of Table 2.

For the Commodity Indices, a contract is the Lead Future in the month prior to its named month (so that for Natural Gas, the January contract is the Lead Future in December) and in any earlier months, as required (so that the January contract is also the Lead Future for Natural Gas in November). Pricing is rolled from the Lead Future to the Next Future in the month prior to its named month (so that pricing for Natural Gas rolls in early December from the January contract to the March contract).

As can be seen in Table 2, not all commodities have the same named months or number of Designated Month Contracts. Consequently, the commodities to be rolled each month will vary from month to month.

Market Disruption Days

If a Market Disruption Event occurs in the Relevant Market for an Individual Commodity Index on a General Trading Day which is a Trading Day for such Commodity Index, that Individual Commodity Index may or may not be calculated and published by CME Indexes on such day. Irrespective of whether an Individual Commodity Index is so published by CME Indexes, that day will not be a Pricing Day for the relevant class of Short and Leveraged Individual Security. If a Market Disruption Event occurs in the Relevant Market for one or more futures contracts by reference to which a Composite Commodity Index is calculated on a General Trading Day which is a Trading Day for such Commodity Index, that Composite Commodity Index may or may not be calculated and published by CME Indexes on that day. Irrespective of whether a Composite Commodity Index is published, that day will not be a Pricing Day for the purposes of pricing the relevant class of Short or Leveraged Index Securities. If there are five or more consecutive Market Disruption Days, then on each subsequent Market Disruption Day (up to a maximum continuous period of 30 days (each Trading Day during that period being a Pricing Day)) the Calculation Agent will calculate and publish a substitute value for the relevant Commodity Index and those days will be Pricing Days. If the relevant disruption is continuing on the expiry of that period, the Issuer and the Calculation Agent will negotiate to agree a replacement for that Commodity Index. Failing agreement within a further period of 30 days, the Issuer may exercise its right to redeem the relevant Short and Leveraged Individual Securities.

Simulated Historic Investment Returns

Table 3 shows simulated historical returns for calendar years 1991 (the first year for which data was made available) to 2011 inclusive. In the table:

Index Volatility — is a measure of the average dispersion of the daily Commodity Index returns around their statistical mean. It is calculated for each year as the standard deviation of daily Commodity Index returns and annualised.

Index Return — is the percentage change in the Commodity Index in the calendar year (excluding fees and adjustments).

Short Return — is the percentage change in the Price of the Short Commodity Security in the calendar year (excluding fees and adjustments).

Leveraged Return — is the percentage change in the Price of the Leveraged Commodity Security in the calendar year (excluding fees and adjustments).

The figures in the right hand column “1991 to 2011”, other than for Index Volatility, are compound annual returns.

Table 3 — Simulated Historical Investment Returns

Year		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Individual Securities												
Aluminium	Index Volatility	18%	15%	15%	17%	21%	15%	16%	14%	15%	16%	16%
	Index Return	-33%	1%	-17%	66%	-19%	-16%	-3%	-25%	24%	-7%	-17%
	Short Return	45%	-3%	17%	-42%	18%	17%	1%	30%	-21%	5%	17%
	Leveraged Return	-57%	-1%	-32%	167%	-37%	-32%	-8%	-44%	50%	-16%	-32%
Cocoa	Index Volatility	29%	32%	27%	31%	20%	18%	25%	19%	34%	31%	39%
	Index Return	-11%	-40%	0%	-3%	-12%	-3%	3%	-24%	-48%	-27%	66%
	Short Return	3%	51%	-7%	-6%	9%	0%	-9%	27%	72%	24%	-48%
	Leveraged Return	-26%	-68%	-6%	-14%	-26%	-8%	0%	-44%	-76%	-51%	139%
Coffee	Index Volatility	21%	31%	42%	57%	34%	34%	58%	37%	55%	46%	36%
	Index Return	-25%	-18%	-25%	118%	-44%	51%	115%	-16%	-3%	-58%	-47%
	Short Return	28%	11%	12%	-68%	58%	-41%	-66%	4%	-24%	93%	66%
	Leveraged Return	-47%	-39%	-52%	250%	-72%	103%	229%	-38%	-30%	-86%	-75%
Copper	Index Volatility	17%	13%	21%	22%	20%	30%	24%	23%	24%	18%	19%
	Index Return	-11%	6%	-23%	71%	2%	-5%	-14%	-18%	20%	-7%	-26%
	Short Return	10%	-7%	24%	-44%	-6%	-4%	10%	16%	-21%	4%	30%
	Leveraged Return	-23%	10%	-43%	177%	1%	-17%	-30%	-36%	36%	-16%	-47%
Corn	Index Volatility	19%	16%	15%	19%	14%	24%	23%	20%	22%	21%	21%
	Index Return	-4%	-24%	23%	-30%	44%	-10%	2%	-32%	-21%	-11%	-28%
	Short Return	1%	28%	-21%	39%	-32%	5%	-7%	41%	20%	7%	33%
	Leveraged Return	-12%	-43%	48%	-53%	103%	-24%	-1%	-56%	-40%	-23%	-50%
Cotton	Index Volatility	19%	21%	19%	20%	25%	18%	13%	19%	21%	23%	29%
	Index Return	-10%	-10%	10%	36%	34%	-9%	-19%	-14%	-21%	3%	-52%
	Short Return	7%	6%	-12%	-29%	-30%	6%	22%	13%	21%	-8%	91%
	Leveraged Return	-22%	-22%	16%	77%	70%	-20%	-36%	-29%	-40%	1%	-79%
Crude Oil	Index Volatility	52%	19%	21%	26%	17%	29%	26%	38%	33%	38%	41%
	Index Return	-14%	3%	-34%	25%	22%	98%	-32%	-50%	111%	33%	-25%
	Short Return	-9%	-6%	46%	-25%	-20%	-54%	38%	74%	-58%	-35%	14%
	Leveraged Return	-48%	2%	-59%	47%	44%	261%	-57%	-79%	300%	53%	-52%
Heating Oil	Index Volatility	48%	21%	19%	26%	18%	27%	24%	33%	33%	38%	39%
	Index Return	-17%	4%	-31%	14%	8%	70%	-31%	-51%	68%	65%	-34%
	Short Return	-2%	-8%	39%	-18%	-11%	-45%	37%	83%	-47%	-48%	30%
	Leveraged Return	-48%	2%	-54%	22%	13%	168%	-55%	-78%	153%	134%	-62%
Gasoline	Index Volatility	43%	21%	20%	26%	19%	26%	24%	32%	32%	36%	38%
	Index Return	0%	-5%	-34%	13%	29%	52%	-16%	-46%	78%	52%	-19%
	Short Return	-15%	1%	46%	-18%	-25%	-38%	13%	69%	-49%	-42%	8%
	Leveraged Return	-20%	-13%	-58%	20%	60%	115%	-34%	-74%	186%	104%	-43%
Gold	Index Volatility	13%	8%	15%	10%	7%	6%	13%	13%	17%	15%	15%
	Index Return	-14%	-9%	15%	-6%	-4%	-8%	-24%	-4%	-3%	-11%	-1%
	Short Return	14%	9%	-15%	6%	3%	9%	30%	3%	0%	10%	-1%
	Leveraged Return	-27%	-18%	29%	-13%	-8%	-16%	-43%	-10%	-9%	-22%	-4%
Lead	Index Volatility	21%	22%	33%	23%	23%	20%	23%	20%	18%	18%	20%
	Index Return	-19%	-24%	-5%	25%	1%	4%	-23%	-16%	2%	-12%	4%
	Short Return	18%	25%	-6%	-24%	-6%	-8%	23%	15%	-5%	11%	-7%
	Leveraged Return	-37%	-45%	-20%	48%	-4%	5%	-43%	-33%	1%	-26%	3%
Lean Hogs	Index Volatility	17%	16%	19%	20%	20%	19%	16%	33%	33%	21%	23%
	Index Return	-4%	19%	5%	-31%	4%	26%	-22%	-53%	17%	2%	11%
	Short Return	1%	-18%	-8%	39%	-7%	-23%	25%	90%	-24%	-6%	-14%
	Leveraged Return	-10%	39%	6%	-54%	3%	52%	-41%	-80%	23%	-1%	18%
Live Cattle	Index Volatility	11%	9%	10%	13%	13%	15%	12%	16%	12%	9%	13%
	Index Return	-5%	24%	5%	-3%	-4%	0%	-4%	-22%	8%	3%	-13%
	Short Return	4%	-20%	-6%	2%	3%	-3%	3%	25%	-9%	-3%	13%
	Leveraged Return	-10%	51%	10%	-8%	-10%	-1%	-10%	-41%	14%	4%	-25%
Natural Gas	Index Volatility	23%	35%	31%	32%	36%	54%	48%	45%	42%	51%	64%
	Index Return	-34%	49%	6%	-36%	-1%	47%	-12%	-43%	-1%	323%	-79%
	Short Return	45%	-41%	-14%	40%	-11%	-49%	-9%	45%	-15%	-82%	218%
	Leveraged Return	-59%	95%	2%	-63%	-14%	59%	-39%	-74%	-18%	1278%	-97%

													1991 to 2012
Year		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Individual Securities													
Aluminium	Index Volatility	14%	14%	20%	19%	31%	20%	30%	31%	27%	23%	20%	20%
	Index Return	-4%	19%	22%	16%	19%	-19%	-41%	34%	5%	-22%	-8%	-4%
	Short Return	2%	-18%	-21%	-17%	-24%	19%	55%	-32%	-12%	21%	4%	0%
	Leveraged Return	-10%	39%	43%	29%	29%	-37%	-68%	62%	3%	-42%	-18%	-11%
Cocoa	Index Volatility	31%	39%	36%	27%	24%	25%	39%	36%	27%	28%	33%	30%
	Index Return	58%	-17%	-1%	-10%	-2%	15%	25%	18%	-12%	-32%	20%	-5%
	Short Return	-42%	3%	-11%	4%	-4%	-18%	-32%	-26%	6%	37%	-24%	-4%
	Leveraged Return	125%	-41%	-14%	-25%	-9%	24%	33%	23%	-27%	-58%	30%	-18%
Coffee	Index Volatility	39%	31%	36%	37%	27%	24%	33%	30%	30%	30%	30%	37%
	Index Return	-1%	-13%	34%	-12%	1%	-6%	-27%	10%	67%	-11%	-39%	-6%
	Short Return	-13%	5%	-34%	-1%	-8%	1%	24%	-17%	-45%	3%	50%	-7%
	Leveraged Return	-16%	-31%	57%	-32%	-5%	-17%	-53%	11%	153%	-28%	-66%	-24%
Copper	Index Volatility	18%	20%	31%	23%	38%	33%	47%	42%	28%	31%	22%	27%
	Index Return	2%	45%	42%	56%	45%	4%	-54%	130%	29%	-24%	2%	6%
	Short Return	-5%	-34%	-36%	-39%	-41%	-14%	72%	-64%	-29%	21%	-6%	-12%
	Leveraged Return	0%	101%	83%	131%	82%	-3%	-83%	343%	54%	-48%	-1%	5%
Corn	Index Volatility	21%	21%	24%	23%	28%	32%	42%	36%	31%	33%	31%	25%
	Index Return	-4%	-4%	-29%	-18%	40%	-2%	-23%	-10%	30%	1%	28%	-6%
	Short Return	0%	-1%	34%	16%	-34%	-7%	8%	-2%	-30%	-12%	-28%	0%
	Leveraged Return	-12%	-11%	-53%	-37%	82%	-14%	-51%	-29%	55%	-9%	50%	-18%
Cotton	Index Volatility	30%	26%	33%	27%	20%	20%	39%	31%	31%	37%	28%	26%
	Index Return	14%	19%	-44%	-2%	-19%	-2%	-44%	30%	98%	-22%	-17%	-7%
	Short Return	-20%	-21%	61%	-6%	18%	-2%	53%	-30%	-54%	12%	13%	0%
	Leveraged Return	19%	32%	-72%	-10%	-36%	-8%	-73%	53%	255%	-47%	-36%	-18%
Crude Oil	Index Volatility	32%	34%	35%	30%	26%	29%	52%	47%	27%	34%	27%	34%
	Index Return	55%	33%	47%	22%	-17%	40%	-54%	4%	4%	-4%	-15%	4%
	Short Return	-42%	-33%	-40%	-25%	13%	-34%	60%	-23%	-10%	-7%	10%	-14%
	Leveraged Return	117%	58%	92%	36%	-35%	81%	-84%	-13%	0%	-17%	-31%	-5%
Heating Oil	Index Volatility	33%	37%	38%	36%	28%	27%	43%	43%	26%	26%	20%	32%
	Index Return	43%	29%	45%	32%	-26%	47%	-48%	20%	8%	11%	8%	4%
	Short Return	-37%	-32%	-40%	-34%	25%	-37%	56%	-31%	-14%	-16%	-11%	-13%
	Leveraged Return	85%	44%	83%	53%	-50%	100%	-78%	20%	9%	14%	12%	-3%
Gasoline	Index Volatility	33%	37%	39%	38%	35%	30%	52%	45%	27%	31%	22%	33%
	Index Return	49%	33%	24%	36%	-27%	46%	-62%	74%	13%	14%	25%	8%
	Short Return	-40%	-34%	-30%	-37%	22%	-37%	94%	-53%	-17%	-21%	-23%	-17%
	Leveraged Return	99%	54%	33%	62%	-53%	95%	-89%	149%	19%	19%	49%	4%
Gold	Index Volatility	14%	17%	16%	12%	24%	17%	30%	22%	16%	21%	17%	16%
	Index Return	23%	18%	3%	14%	16%	24%	2%	23%	29%	10%	11%	4%
	Short Return	-20%	-17%	-6%	-13%	-19%	-22%	-11%	-22%	-24%	-13%	-12%	-6%
	Leveraged Return	47%	35%	4%	28%	27%	50%	-5%	43%	61%	15%	20%	5%
Lead	Index Volatility	16%	25%	34%	25%	36%	40%	58%	50%	40%	36%	26%	31%
	Index Return	-22%	64%	61%	17%	61%	61%	-61%	133%	1%	-20%	6%	4%
	Short Return	24%	-43%	-45%	-19%	-45%	-47%	82%	-67%	-15%	10%	-12%	-12%
	Leveraged Return	-40%	154%	132%	28%	127%	120%	-90%	321%	-13%	-44%	6%	-2%
Lean Hogs	Index Volatility	33%	27%	24%	20%	21%	22%	25%	30%	21%	20%	19%	23%
	Index Return	-31%	-24%	43%	-13%	-15%	-30%	-33%	-23%	0%	-5%	-1%	-10%
	Short Return	30%	22%	-34%	11%	12%	35%	40%	18%	-5%	1%	-2%	5%
	Leveraged Return	-57%	-46%	93%	-28%	-30%	-53%	-58%	-45%	-4%	-13%	-5%	-23%
Live Cattle	Index Volatility	14%	20%	20%	13%	15%	12%	17%	15%	12%	16%	12%	14%
	Index Return	1%	13%	12%	5%	-7%	-6%	-27%	-10%	15%	-1%	-4%	-2%
	Short Return	-3%	-15%	-14%	-6%	6%	5%	34%	9%	-14%	-1%	2%	0%
	Leveraged Return	1%	23%	22%	9%	-16%	-13%	-49%	-21%	30%	-5%	-8%	-5%
Natural Gas	Index Volatility	50%	53%	47%	46%	55%	41%	45%	58%	40%	31%	47%	45%
	Index Return	37%	26%	-26%	53%	-72%	-23%	-38%	-52%	-41%	-47%	-16%	-18%
	Short Return	-43%	-40%	9%	-47%	166%	9%	32%	47%	44%	72%	-3%	-1%
	Leveraged Return	47%	21%	-57%	90%	-94%	-50%	-69%	-83%	-70%	-75%	-42%	-45%

(1) Index returns are based on historical Excess Return Indices before interest and fees

(2) Short and Leveraged returns are simulated returns before interest and fees

(3) Return 1991 to 2012 is the compound annual return from 1991 to 2012*

(4) Volatility 1991 to 2008 is the annualised daily volatility from 1991 to 2012*

(5) The table has been prepared on the assumption that there were no Market Disruption Days during any of the years in question

* To 26 November 2012

Year		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Individual Securities												
Nickel	Index Volatility	17%	20%	21%	26%	28%	22%	25%	27%	29%	31%	37%
	Index Return	-14%	-21%	-15%	60%	-16%	-23%	-11%	-37%	101%	-8%	-13%
	Short Return	13%	21%	13%	-42%	11%	24%	6%	47%	-54%	-1%	1%
	Leveraged Return	-28%	-40%	-31%	140%	-35%	-44%	-26%	-63%	270%	-24%	-34%
Platinum	Index Volatility	18%	16%	18%	14%	14%	9%	21%	21%	19%	30%	28%
	Index Return	-21%	4%	13%	3%	-6%	-9%	0%	0%	19%	60%	-16%
	Short Return	23%	-6%	-14%	-4%	4%	9%	-4%	-4%	-19%	-43%	11%
	Leveraged Return	-40%	6%	23%	3%	-13%	-18%	-4%	-4%	38%	133%	-35%
Silver	Index Volatility	23%	16%	28%	23%	27%	18%	25%	30%	23%	15%	18%
	Index Return	-12%	-10%	34%	-9%	0%	-13%	18%	-17%	6%	-19%	-5%
	Short Return	8%	8%	-31%	5%	-7%	12%	-21%	10%	-10%	20%	2%
	Leveraged Return	-27%	-20%	65%	-22%	-7%	-27%	32%	-38%	7%	-36%	-13%
Soybeans	Index Volatility	22%	15%	17%	19%	16%	20%	23%	18%	24%	20%	20%
	Index Return	-11%	-3%	21%	-21%	20%	-6%	19%	-19%	-20%	-1%	-18%
	Short Return	7%	1%	-20%	22%	-19%	2%	-20%	19%	19%	-3%	17%
	Leveraged Return	-24%	-9%	42%	-40%	41%	-15%	34%	-36%	-40%	-5%	-35%
Soybean Oil	Index Volatility	23%	18%	20%	21%	19%	17%	19%	17%	25%	20%	22%
	Index Return	-18%	2%	35%	5%	-7%	-16%	0%	-12%	-38%	-20%	-8%
	Short Return	16%	-5%	-29%	-9%	3%	16%	-3%	11%	51%	19%	3%
	Leveraged Return	-36%	0%	76%	5%	-16%	-32%	-3%	-25%	-63%	-38%	-19%
Sugar	Index Volatility	32%	27%	35%	24%	29%	24%	15%	30%	41%	36%	30%
	Index Return	11%	6%	8%	31%	3%	14%	10%	-40%	-24%	63%	-18%
	Short Return	-18%	-12%	-18%	-28%	-11%	-17%	-11%	52%	12%	-46%	12%
	Leveraged Return	11%	4%	2%	61%	-3%	22%	17%	-67%	-51%	134%	-39%
Tin	Index Volatility	9%	15%	16%	19%	24%	13%	14%	13%	16%	9%	17%
	Index Return	-6%	1%	-19%	21%	4%	-10%	-9%	1%	18%	-17%	-27%
	Short Return	5%	-3%	21%	-20%	-9%	9%	8%	-3%	-17%	20%	33%
	Leveraged Return	-12%	0%	-37%	41%	1%	-20%	-19%	1%	35%	-32%	-48%
Wheat	Index Volatility	21%	19%	18%	18%	22%	27%	22%	21%	25%	21%	21%
	Index Return	35%	-12%	22%	3%	24%	-19%	-24%	-33%	-30%	-15%	-17%
	Short Return	-29%	9%	-20%	-6%	-23%	14%	25%	42%	34%	13%	15%
	Leveraged Return	74%	-25%	44%	2%	46%	-39%	-45%	-56%	-54%	-31%	-34%
Zinc	Index Volatility	17%	20%	17%	16%	18%	12%	25%	20%	20%	15%	14%
	Index Return	-8%	4%	-11%	4%	-20%	-5%	9%	-22%	27%	-17%	-30%
	Short Return	5%	-8%	9%	-6%	21%	4%	-14%	23%	-25%	18%	40%
	Leveraged Return	-18%	4%	-22%	4%	-38%	-12%	11%	-41%	55%	-33%	-52%
Index Securities												
Agriculture	Index Volatility	14%	11%	13%	17%	11%	15%	16%	12%	17%	14%	14%
	Index Return	-3%	-12%	15%	4%	17%	-3%	10%	-24%	-24%	-8%	-20%
	Short Return	1%	12%	-14%	-6%	-16%	1%	-11%	30%	28%	7%	23%
	Leveraged Return	-7%	-23%	30%	5%	36%	-8%	19%	-43%	-44%	-17%	-37%
All Commodities	Index Volatility	13%	7%	8%	10%	7%	11%	9%	12%	13%	15%	13%
	Index Return	-11%	0%	-4%	12%	9%	17%	-8%	-31%	19%	24%	-22%
	Short Return	10%	-1%	4%	-11%	-9%	-15%	8%	42%	-17%	-21%	27%
	Leveraged Return	-22%	0%	-8%	24%	18%	35%	-16%	-52%	38%	51%	-41%
Energy	Index Volatility	41%	18%	19%	22%	17%	26%	23%	31%	29%	34%	38%
	Index Return	-16%	9%	-27%	11%	18%	78%	-27%	-49%	73%	108%	-39%
	Short Return	3%	-12%	32%	-14%	-17%	-48%	29%	77%	-47%	-57%	44%
	Leveraged Return	-43%	16%	-48%	17%	35%	197%	-49%	-76%	176%	283%	-68%

													1991 to 2012
Year		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Individual Securities													
Nickel	Index Volatility	29%	30%	50%	28%	42%	44%	56%	50%	38%	37%	26%	34%
	Index Return	30%	136%	-6%	-8%	167%	-17%	-57%	55%	32%	-25%	-12%	3%
	Short Return	-29%	-61%	-17%	0%	-69%	-1%	64%	-50%	-34%	16%	7%	-13%
	Leveraged Return	56%	409%	-31%	-22%	500%	-43%	-87%	87%	50%	-51%	-28%	-6%
Platinum	Index Volatility	17%	19%	23%	13%	23%	16%	44%	27%	21%	22%	20%	22%
	Index Return	30%	45%	10%	14%	13%	30%	-39%	54%	19%	-22%	14%	7%
	Short Return	-25%	-33%	-14%	-14%	-16%	-25%	37%	-40%	-20%	22%	-16%	-11%
	Leveraged Return	63%	102%	15%	28%	21%	64%	-69%	120%	36%	-42%	26%	9%
Silver	Index Volatility	18%	21%	36%	22%	45%	26%	52%	37%	32%	48%	31%	30%
	Index Return	2%	22%	12%	25%	38%	9%	-27%	47%	82%	-10%	21%	6%
	Short Return	-5%	-21%	-22%	-24%	-40%	-14%	4%	-41%	-50%	-11%	-24%	-14%
	Leveraged Return	2%	43%	11%	49%	55%	11%	-59%	89%	198%	-37%	35%	3%
Soybeans	Index Volatility	20%	22%	32%	27%	19%	23%	41%	31%	22%	22%	24%	23%
	Index Return	39%	53%	-15%	4%	-2%	54%	-22%	23%	35%	-16%	25%	4%
	Short Return	-31%	-38%	6%	-11%	-2%	-38%	10%	-26%	-29%	14%	-24%	-9%
	Leveraged Return	85%	124%	-34%	1%	-6%	126%	-49%	36%	73%	-33%	48%	2%
Soybean Oil	Index Volatility	21%	21%	32%	28%	21%	19%	41%	30%	21%	21%	20%	23%
	Index Return	30%	33%	-16%	-2%	21%	52%	-37%	14%	34%	-15%	-10%	-2%
	Short Return	-26%	-28%	8%	-6%	-21%	-36%	36%	-20%	-29%	13%	7%	-4%
	Leveraged Return	62%	69%	-37%	-10%	41%	122%	-67%	19%	70%	-31%	-21%	-8%
Sugar	Index Volatility	38%	30%	29%	22%	36%	24%	43%	36%	49%	39%	26%	33%
	Index Return	33%	-21%	22%	45%	-29%	-15%	-21%	86%	24%	-12%	-15%	3%
	Short Return	-35%	15%	-25%	-34%	24%	11%	5%	-53%	-36%	-2%	10%	-13%
	Leveraged Return	53%	-42%	38%	99%	-56%	-31%	-49%	204%	20%	-34%	-32%	-4%
Tin	Index Volatility	19%	17%	29%	25%	32%	30%	48%	39%	29%	34%	29%	25%
	Index Return	7%	53%	27%	-12%	77%	43%	-34%	69%	58%	-29%	9%	6%
	Short Return	-10%	-37%	-28%	7%	-49%	-36%	20%	-49%	-42%	26%	-15%	-11%
	Leveraged Return	11%	127%	49%	-28%	183%	85%	-66%	144%	130%	-55%	9%	6%
Wheat	Index Volatility	26%	28%	28%	24%	28%	33%	51%	38%	36%	39%	33%	28%
	Index Return	1%	4%	-30%	-9%	20%	52%	-39%	-26%	21%	-34%	21%	-7%
	Short Return	-7%	-11%	32%	4%	-23%	-41%	29%	17%	-28%	30%	-25%	-1%
	Leveraged Return	-5%	0%	-55%	-22%	33%	108%	-72%	-53%	28%	-63%	34%	-20%
Zinc	Index Volatility	17%	18%	26%	24%	43%	39%	51%	43%	40%	31%	22%	27%
	Index Return	-11%	24%	17%	45%	127%	-43%	-52%	98%	-9%	-28%	3%	-2%
	Short Return	9%	-22%	-20%	-35%	-63%	51%	61%	-58%	-6%	26%	-8%	-5%
	Leveraged Return	-23%	48%	27%	99%	329%	-72%	-82%	226%	-29%	-53%	2%	-11%
Index Securities													
Agriculture	Index Volatility	15%	14%	19%	18%	17%	17%	34%	25%	22%	23%	20%	18%
	Index Return	17%	13%	-14%	-2%	9%	24%	-29%	14%	38%	-14%	8%	-1%
	Short Return	-16%	-13%	12%	-1%	-11%	-22%	25%	-17%	-31%	11%	-11%	-2%
	Leveraged Return	35%	25%	-29%	-7%	15%	49%	-54%	21%	82%	-31%	12%	-5%
All Commodities	Index Volatility	14%	14%	17%	17%	17%	15%	29%	25%	17%	18%	14%	15%
	Index Return	24%	23%	8%	18%	-3%	11%	-37%	19%	17%	-13%	2%	2%
	Short Return	-21%	-20%	-10%	-17%	0%	-12%	45%	-21%	-17%	12%	-4%	-4%
	Leveraged Return	51%	48%	13%	34%	-8%	21%	-63%	32%	32%	-27%	3%	1%
Energy	Index Volatility	32%	35%	35%	34%	29%	27%	42%	39%	22%	25%	23%	30%
	Index Return	53%	30%	17%	38%	-44%	15%	-48%	-5%	-11%	-16%	-3%	0%
	Short Return	-41%	-32%	-24%	-36%	64%	-19%	61%	-9%	7%	12%	-2%	-8%
	Leveraged Return	110%	51%	22%	69%	-71%	24%	-78%	-23%	-24%	-34%	-10%	-9%

(1) Index returns are based on historical Excess Return Indices before interest and fees

(2) Short and Leveraged returns are simulated returns before interest and fees

(3) Return 1991 to 2012 is the compound annual return from 1991 to 2012*

(4) Volatility 1991 to 2008 is the annualised daily volatility from 1991 to 2012*

(5) The table has been prepared on the assumption that there were no Market Disruption Days during any of the years in question

* To 26 November 2012

Year		1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Index Securities												
Ex-Energy	Index Volatility	8%	6%	8%	10%	8%	8%	9%	9%	10%	9%	9%
	Index Return	-8%	-4%	7%	12%	5%	-4%	-1%	-22%	-3%	-8%	-15%
	Short Return	9%	4%	-7%	-12%	-5%	4%	0%	27%	2%	8%	17%
	Leveraged Return	-17%	-9%	13%	25%	10%	-9%	-3%	-39%	-6%	-16%	-29%
Grains	Index Volatility	18%	14%	14%	16%	14%	20%	19%	17%	21%	18%	18%
	Index Return	2%	-12%	22%	-19%	28%	-9%	4%	-26%	-23%	-7%	-21%
	Short Return	-5%	11%	-20%	20%	-23%	6%	-7%	32%	24%	4%	22%
	Leveraged Return	0%	-23%	46%	-36%	61%	-21%	4%	-47%	-43%	-17%	-39%
Industrial Metals	Index Volatility	11%	10%	13%	16%	16%	17%	16%	17%	18%	15%	15%
	Index Return	-18%	1%	-19%	60%	-9%	-11%	-7%	-23%	30%	-8%	-22%
	Short Return	21%	-2%	21%	-39%	7%	9%	5%	26%	-26%	7%	24%
	Leveraged Return	-34%	1%	-35%	148%	-20%	-23%	-15%	-42%	64%	-18%	-40%
Livestock	Index Volatility	10%	10%	11%	12%	13%	13%	10%	17%	15%	11%	14%
	Index Return	-4%	22%	5%	-14%	-1%	10%	-11%	-32%	9%	2%	-4%
	Short Return	3%	-19%	-6%	14%	-1%	-10%	11%	43%	-11%	-3%	2%
	Leveraged Return	-9%	47%	8%	-26%	-3%	19%	-21%	-55%	17%	3%	-10%
Petroleum	Index Volatility	48%	19%	20%	25%	17%	27%	24%	35%	32%	36%	39%
	Index Return	-11%	1%	-34%	21%	20%	82%	-29%	-50%	94%	44%	-26%
	Short Return	-8%	-5%	45%	-22%	-19%	-49%	33%	75%	-54%	-39%	17%
	Leveraged Return	-42%	-1%	-58%	37%	40%	206%	-52%	-78%	240%	83%	-53%
Precious Metals	Index Volatility	14%	9%	18%	13%	12%	9%	15%	15%	16%	14%	14%
	Index Return	-13%	-9%	20%	-7%	-3%	-10%	-12%	-8%	-1%	-13%	-2%
	Short Return	13%	9%	-19%	6%	1%	10%	11%	6%	-2%	13%	0%
	Leveraged Return	-26%	-18%	40%	-15%	-7%	-19%	-24%	-17%	-4%	-26%	-6%
Softs	Index Volatility	13%	15%	19%	27%	15%	14%	23%	12%	21%	19%	19%
	Index Return	-10%	-15%	-3%	48%	-7%	13%	26%	-22%	-23%	-8%	-22%
	Short Return	9%	15%	-1%	-37%	5%	-13%	-25%	27%	25%	5%	23%
	Leveraged Return	-20%	-29%	-9%	105%	-15%	25%	51%	-41%	-44%	-19%	-41%

													1991 to 2012
	Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Index Securities													
Ex-Energy	Index Volatility	9%	9%	13%	12%	17%	14%	26%	22%	17%	18%	14%	13%
	Index Return	9%	18%	4%	8%	22%	8%	-31%	32%	31%	-12%	5%	1%
	Short Return	-9%	-16%	-5%	-9%	-21%	-9%	35%	-28%	-26%	10%	-6%	-3%
	Leveraged Return	18%	39%	6%	15%	45%	15%	-55%	65%	65%	-25%	8%	1%
Grains	Index Volatility	18%	18%	24%	23%	21%	23%	39%	30%	25%	27%	25%	22%
	Index Return	15%	20%	-25%	-6%	18%	36%	-27%	-2%	30%	-14%	25%	-2%
	Short Return	-16%	-20%	26%	2%	-19%	-30%	19%	-7%	-28%	9%	-24%	-3%
	Leveraged Return	28%	41%	-46%	-17%	33%	75%	-55%	-12%	59%	-32%	48%	-8%
Industrial Metals	Index Volatility	15%	16%	24%	19%	33%	26%	36%	35%	28%	26%	19%	21%
	Index Return	1%	42%	24%	29%	64%	-14%	-49%	80%	16%	-24%	-3%	2%
	Short Return	-3%	-31%	-24%	-25%	-45%	9%	72%	-51%	-20%	24%	0%	-6%
	Leveraged Return	0%	97%	44%	61%	143%	-30%	-77%	185%	25%	-46%	-9%	-1%
Livestock	Index Volatility	16%	18%	17%	13%	15%	13%	16%	16%	13%	15%	13%	14%
	Index Return	-13%	-5%	25%	-3%	-11%	-15%	-29%	-15%	9%	-2%	-3%	-5%
	Short Return	12%	2%	-23%	2%	9%	15%	38%	15%	-10%	0%	1%	3%
	Leveraged Return	-26%	-12%	52%	-8%	-22%	-28%	-52%	-30%	17%	-7%	-7%	-11%
Petroleum	Index Volatility	32%	35%	36%	32%	27%	28%	49%	45%	26%	30%	23%	33%
	Index Return	51%	32%	42%	26%	-21%	43%	-54%	19%	6%	2%	-1%	5%
	Short Return	-40%	-33%	-38%	-28%	17%	-35%	66%	-31%	-12%	-10%	-4%	-14%
	Leveraged Return	107%	56%	78%	45%	-41%	89%	-84%	15%	5%	-6%	-6%	-2%
Precious Metals	Index Volatility	14%	16%	21%	14%	28%	18%	34%	26%	19%	26%	19%	19%
	Index Return	17%	19%	6%	17%	21%	20%	-5%	29%	42%	5%	13%	5%
	Short Return	-16%	-18%	-9%	-16%	-24%	-20%	-6%	-27%	-32%	-11%	-15%	-8%
	Leveraged Return	34%	38%	7%	33%	35%	40%	-20%	56%	95%	2%	24%	6%
Softs	Index Volatility	20%	18%	19%	19%	19%	15%	32%	25%	26%	25%	20%	20%
	Index Return	19%	-4%	1%	7%	-16%	-8%	-30%	44%	60%	-14%	-23%	-2%
	Short Return	-19%	1%	-4%	-10%	15%	6%	28%	-35%	-42%	9%	26%	-2%
	Leveraged Return	36%	-11%	-1%	11%	-32%	-17%	-55%	95%	138%	-31%	-43%	-8%

(1) Index returns are based on historical Excess Return Indices before interest and fees

(2) Short and Leveraged returns are simulated returns before interest and fees

(3) Return 1991 to 2012 is the compound annual return from 1991 to 2012*

(4) Volatility 1991 to 2008 is the annualised daily volatility from 1991 to 2012*

(5) The table has been prepared on the assumption that there were no Market Disruption Days during any of the years in question

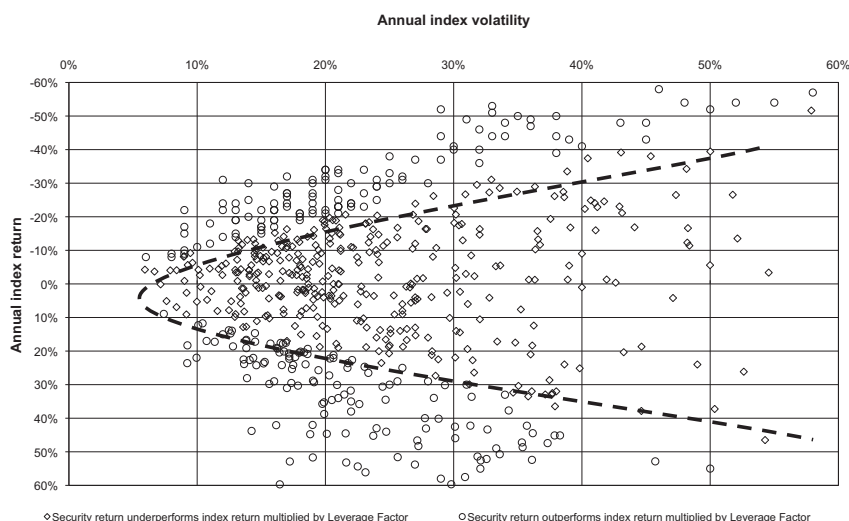
* To 26 November 2012

The table shows that (over a period other than a single day) the returns from Short and Leveraged Commodity Securities are not equal to the return on the Commodity Index multiplied by the relevant Leverage Factor. The actual return will differ for reasons set out in Part 1 (*General*).

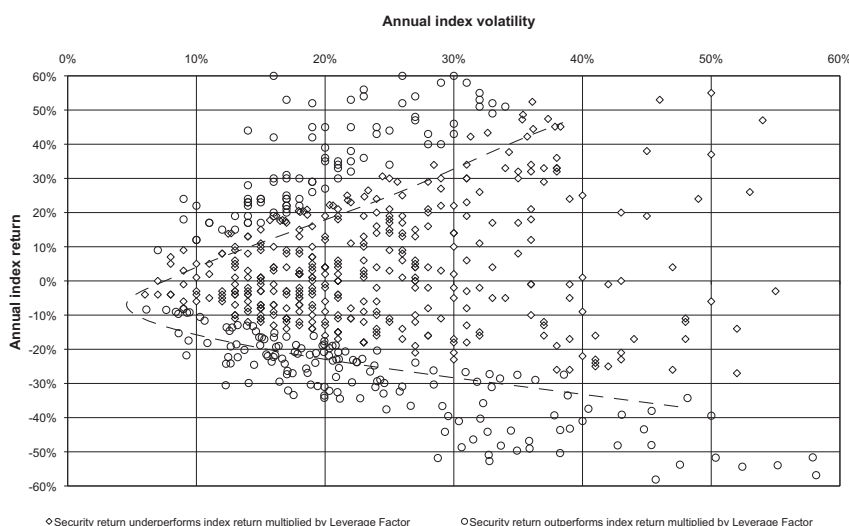
For example, in 1991 the Aluminium Index return was -33 per cent. Multiplying this Aluminium Index return by the relevant Leverage Factor would imply a Short Aluminium return of +33 per cent. and a Leveraged Aluminium return of -66 per cent. However, the simulated historical returns (before fees and adjustments and assuming no Market Disruption Events) were +45 per cent. and -57 per cent., respectively. In both cases the simulated historical return was better than the Commodity Index return multiplied by the Leverage Factor. The opposite result occurred, for example, in 2006. The Aluminium Index experienced a return of +19 per cent. Multiplying this Aluminium Index return by the relevant Leverage Factor would imply a Short Aluminium return of -19 per cent. and a Leveraged Aluminium return of +38 per cent. yet the simulated historical returns (before fees and adjustments and assuming no Market Disruption Events) were -24 per cent. and +29 per cent., respectively. In both cases the simulated historical return was worse than the Commodity Index return multiplied by the Leverage Factor.

The same simulated historical returns have been used to create the two graphs below. Using the data in Table 3, for each Short and Leveraged Commodity Security and calendar year, simulated historical returns are compared to the annual Commodity Index return multiplied by the Leverage Factor. The 637 data points (33 indices times 19 years) in each chart have then been marked either "outperform" or "underperform".

ETFS Short Commodity Securities: Comparison of simulated historical annual returns versus the annual index return multiplied by the Leverage Factor



ETFS Leveraged Commodity Securities: Comparison of simulated historical annual returns versus the annual index return multiplied by the Leverage Factor



For both Short and Leveraged Commodity Securities, when comparing the simulated historical return (before fees and adjustments) to the Commodity Index return multiplied by the Leverage Factor the results show that:

- as the magnitude of the cumulative change in the Commodity Index return increases (whether positive or negative), the simulated historical return for Short and Leveraged Commodity Securities improves relative to the Commodity Index return multiplied by the Leverage Factor; and
- additionally as the Commodity Index volatility increases, the simulated historical return for Short and Leveraged Commodity Securities worsens relative to the Commodity Index return multiplied by the Leverage Factor.

Additionally as the time increases, the simulated historical return for Short and Leveraged Commodity Securities worsens relative to the Commodity Index return multiplied by the Leverage Factor. The last column of Table 3, which shows that if held over the full 19 year period, the simulated historical return underperformed the Commodity Index return multiplied by the Leverage Factor for every security.

If fees and adjustments were included, the performance of Short and Leveraged Commodity Securities could be higher or lower than shown, depending on whether the Capital Adjustment was positive or negative.

Possible Early Redemption

In the case of an extreme fall in the Price of a Short or Leveraged Commodity Security, the relevant Short or Leveraged Commodity Security could be Compulsorily Redeemed if (i) the Intra-day Price falls to or below zero or (ii) the Price of a Short or Leveraged Commodity Security falls below 2.5 times the Principal Amount and the Issuer has not obtained the sanction of Security Holders of the relevant class to reduce the Principal Amount by Extraordinary Resolution. Historical simulations show that:

- between 1 January 1991 and 31 December 2010 the Intra-day Price of any Short or Leveraged Commodity Security never reached zero, i.e. the relevant Commodity Index has never decreased by more than 50 per cent. in one day (in the case of Leveraged Commodity Securities) and nor did the Commodity Index increase by more than 100 per cent. in one day (in the case of Short Commodity Securities); and
- between 1 January 1991 and 31 December 2009 the Price of Short or Leveraged Commodity Securities fell to 2.5 times the Principal Amount a total of 73 times for the 66 classes of Short or Leveraged Commodity Securities. The most any Short or Leveraged Commodity Security fell to below 2.5 times the Principal Amount and requiring a reduction was for Leveraged Natural Gas Commodity Securities occurring seven times between 1991 and 2009.

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The Short and Leveraged Commodity Securities are not sponsored, endorsed, sold or promoted by Dow Jones, CME Indexes, UBS, UBS Securities, or any of their subsidiaries or affiliates. None of Dow Jones, CME Indexes, UBS, UBS Securities or any of their subsidiaries or affiliates makes any representation or warranty, express or implied, to the owners of or counterparts to the Short and Leveraged Commodity Securities or any member of the public regarding the advisability of investing in securities or commodities generally or in the Short and Leveraged Commodity Securities particularly. The only relationship of Dow Jones, CME Indexes, UBS, UBS Securities or any of their subsidiaries or affiliates to the Issuer is the licensing of certain trademarks, trade names and service marks and of the DJ-UBS CISM, which are determined, composed and calculated by CME Indexes in conjunction with UBS Securities without regard to the Issuer or the Short and Leveraged Commodity Securities. CME Indexes and UBS Securities have no obligation to take the needs of the Issuer or the owners of the Short and Leveraged Commodity Securities into consideration in determining, composing or calculating the DJ-UBS CISM. None of Dow Jones, CME Indexes, UBS, UBS Securities or any of their respective subsidiaries or affiliates is responsible for or has participated in the determination of the timing of, prices at, or quantities of the Short and Leveraged Commodity Securities to be issued or in the determination or calculation of the equation by which the Short and Leveraged Commodity Securities are to be converted into cash. None of Dow Jones, CME Indexes, UBS, UBS Securities or any of their subsidiaries or affiliates shall have any obligation or liability, including, without limitation, to Short and Leveraged Commodity Securities customers, in connection with the administration, marketing or trading of the Short and Leveraged Commodity Securities. Notwithstanding the foregoing, UBS and their respective subsidiaries and affiliates may independently issue and/or sponsor financial products unrelated to the Short and Leveraged Commodity Securities currently being issued by the Issuer, but which may be similar to and competitive with the Short and Leveraged Commodity Securities. In addition, UBS and their subsidiaries and affiliates actively trade commodities, commodity indexes and commodity futures (including the DJ-UBS CISM and Dow Jones — UBS Commodity Index Total ReturnSM), as well as swaps, options and derivatives which are linked to the performance of such commodities, commodity indexes and commodity futures. It is possible that this trading activity will affect the value of the DJ-UBS CISM, and Short and Leveraged Commodity Securities.

This Prospectus relates only to Short and Leveraged Commodity Securities and does not relate to the exchange-traded physical commodities underlying any of the DJ-UBS CISM components. Purchasers of the Short and Leveraged Commodity Securities should not conclude that the inclusion of a futures contract in the DJ-UBS CISM is any form of investment recommendation of the futures contract or the underlying exchange-traded physical commodity by Dow Jones, CME Indexes, UBS, UBS Securities or any of their subsidiaries or affiliates. The information in this Prospectus regarding the DJ-UBS CISM components has been derived solely from publicly available documents. None of Dow Jones, CME Indexes, UBS, UBS Securities or any of their subsidiaries or affiliates has made any due diligence inquiries with respect to the DJ-UBS CISM components in connection with Short and Leveraged Commodity Securities. None of Dow Jones, CME Indexes, UBS, UBS Securities or any of their subsidiaries or affiliates makes any representation that these publicly available documents or any other

publicly available information regarding the DJ-UBS CISM components, including without limitation a description of factors that affect the prices of such components, are accurate or complete.

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PART 3

DESCRIPTION OF SHORT AND LEVERAGED COMMODITY SECURITIES

The following is a description of the rights attaching to Short and Leveraged Commodity Securities. The legally binding Conditions of Short and Leveraged Commodity Securities are set out in Part 6 (Trust Instrument and Short and Leveraged Commodity Securities) of this Prospectus. Copies of the Trust Instrument, by which Short and Leveraged Commodity Securities are constituted, are available for inspection as set out in paragraph 19 of Part 11 (Additional Information) under the heading “Documents Available for Inspection”.

Pricing of Short and Leveraged Commodity Securities

A Short and Leveraged Commodity Security entitles an Authorised Participant (subject to certain conditions) to require the redemption of the Short and Leveraged Commodity Security at the Price of that Short and Leveraged Commodity Security calculated on the relevant Pricing Day (day T) and to receive such amount, in US Dollars, on the Redemption Payment Date (normally day T+3).

Short and Leveraged Individual Securities will generally be priced on each calendar day and such price will reflect the daily movement in the relevant Individual Commodity Index published by CME Indexes on any Pricing Day and a daily Capital Adjustment. Any day on which a Market Disruption Event occurs in respect of a class of Short or Leveraged Individual Security will not be a Pricing Day for such class, therefore the Price on that day will not reflect the change (if any) in the relevant Individual Commodity Index on such day, such change being reflected cumulatively in the Price of the Security on the next following Pricing Day.

Short and Leveraged Index Securities will generally be priced on each calendar day and such price will reflect the daily movement in the relevant Composite Commodity Index published by CME Indexes on any Pricing Day and a daily Capital Adjustment, provided that an Indicative Price will be calculated in accordance with the Conditions on any day on which a Market Disruption Event occurs in respect of a class of Short or Leveraged Index Security and an Indicative Price will continue to be calculated on each calendar day thereafter until (but not including) the next Pricing Day for such class. In the event that a Settlement Redemption Form in respect of a class of Short or Leveraged Index Security is received by the Issuer on a day on which an Indicative Price is calculated for that class of Short or Leveraged Index Security then the Price for such application will be determined in accordance with Condition 7.10.

Not all classes of Short and Leveraged Commodity Securities have the same Pricing Days (because the Exchanges used in calculating the Commodity Indices are different). Consequently there will be days on which Prices are calculated and published for some classes of Short and Leveraged Commodity Securities but not others.

Prices will be calculated for each Short and Leveraged Commodity Security following the end of each day which is a Pricing Day for that Short and Leveraged Commodity Security, and the Issuer's calculations of such Prices will be posted on the Issuer's website at <http://www.etfsecurities.com/csl>.

In certain circumstances the Calculation Agent may declare a day to be a Market Disruption Day for one or more Individual Commodity Indices or Composite Commodity Indices under the Facility Agreements and, if so, the mechanism described under the heading “Market Disruption Days” in Part 2 (*Dow Jones - UBS Commodity Indices*) and under the headings “Applications and Redemptions — Settlement Pricing” and “Applications and Redemptions — Redemption Processes” below will operate.

50 classes of Short and Leveraged Individual Securities are currently available for issue under this programme. These are shown in the first column of Table 1 in Part 1 (*General*) and under the heading “Short and Leveraged Commodity Securities available for issue” in Part 1 (*General*).

20 classes of Short and Leveraged Index Securities are currently available for issue under this programme. These are shown in the second column of Table 1 in Part 1 (*General*) and under the heading “Short and Leveraged Commodity Securities available for issue” in Part 1 (*General*).

Short and Leveraged Commodity Securities will be priced and settled in US Dollars. The Individual Commodity Indices and Composite Commodity Indices will be those calculated by CME Indexes in

conjunction with UBS Securities and published by CME Indexes for that Pricing Day. The Indices are currently published to four places of decimals. The Price will be calculated to seven places of decimals with 0.00000005 rounded upwards.

The Price for the first Short or Leveraged Commodity Security of any particular class to be issued (which shall be treated as being the Price for the day on which the Creation Notice (as defined in the relevant Facility Agreement) for the corresponding Commodity Contract is received or deemed received by a Commodity Contract Counterparty pursuant to a Facility Agreement) will be \$50.00. Thereafter the Price of a Short or Leveraged Commodity Security will be calculated daily to reflect the movement in the relevant Commodity Index on each Pricing Day and a daily Capital Adjustment as follows:

$$P_{i,t} = P_{i,t-1} \times \{1 + CA_{i,t} + LF_i \times (I_{i,t}/I_{i,t-1} - 1)\}$$

where:

$P_{i,t}$ is the Price of a Short or Leveraged Commodity Security of class i for day t;

$P_{i,t-1}$ is the Price of a Short or Leveraged Commodity Security of class i for day t-1;

i refers to the relevant class of Short or Leveraged Commodity Security;

t refers to the applicable calendar day;

t-1 refers to the calendar day prior to day t;

$I_{i,t}$ is the closing settlement price level of the Commodity Index applicable to a Short or Leveraged Commodity Security of class i for day t. If day t is not a Pricing Day for class i then $I_{i,t}$ shall be the closing settlement price level of the Commodity Index applicable to a Short or Leveraged Commodity Security of class i for day t-1;

$I_{i,t-1}$ is the closing settlement price level of the Commodity Index applicable to a Short or Leveraged Commodity Security of class i for day t-1;

$CA_{i,t}$ is the Capital Adjustment applicable to class i on day t, expressed as a decimal; and

LF_i is the Leverage Factor applicable to class i, expressed as a number. For Short Commodity Securities, $LF = -1$ and for Leveraged Commodity Securities, $LF = +2$.

No Price will be calculated for a class of Short or Leveraged Index Security for a Market Disruption Day or in certain other circumstances as specified in the Conditions and on any day when, in accordance with the Conditions, a Price is not calculated, the Conditions provide for an Indicative Price to be calculated instead, and once a Price can again be calculated it will be based on the preceding day's Indicative Price.

The Price of a Short or Leveraged Commodity Security will never be negative. However, should the Calculation Agent notify the Issuer that the Intra-day Price of a corresponding class of Commodity Contract has fallen to or below zero at any time during any Trading Day and that such Commodity Contracts have been terminated then such Short or Leveraged Commodity Security will automatically be subject to a Compulsory Redemption. For further details see "Compulsory Redemption" below.

The Conditions provide that the amount payable upon a Redemption of a Short or Leveraged Commodity Security of a particular class under Settlement Pricing will be the higher of the Principal Amount for that class and the Price of such Short or Leveraged Commodity Security on the applicable Pricing Day. As each class of Short or Leveraged Commodity Security is a limited recourse security as described in Condition 3.2, it is in the interests of the Security Holders of each class to ensure that the Price for that class does not fall below its Principal Amount. The Issuer will aim to avoid the Price of a class of Short or Leveraged Commodity Security falling below its Principal Amount: (i) by, where necessary, seeking the sanction of Security Holders by Extraordinary Resolution to reduce the Principal Amount of a class of Short or Leveraged Commodity Security to a level less than its Price; and/or (ii) if on any Pricing Day the Price of any class of Short or Leveraged Commodity Security falls to 2.5 times the Principal Amount of such Short or Leveraged Commodity Security or below, the Issuer may, at any time for so long as the Price remains below such amount and during the period 60 days thereafter, upon not less than two days' notice by RIS announcement elect to redeem the Short or Leveraged Commodity Securities of that class. This right will cease once an Extraordinary Resolution is passed to reduce the Principal Amount such that the Price is more than 2.5 times the Principal Amount subject to

any further fall in the Price of any class of Short or Leveraged Commodity Securities to 2.5 times the Principal Amount.

If the Price of a class of Short or Leveraged Commodity Security falls below its Principal Amount, the Issuer may suspend Redemptions of that class of Short or Leveraged Commodity Security and may terminate any such suspension (giving notice in each case via RNS announcement) for a period of 30 days, and thereafter provided that notice of a meeting has been issued convening a meeting for a date not more than 30 days after the date of the notice for the purpose of considering an Extraordinary Resolution which will have the effect of reducing the Principal Amount to a level less than the Price, the suspension to expire when the meeting (or any adjournment thereof) concludes or, if the Extraordinary Resolution is passed and makes alternative provision, in accordance with the Extraordinary Resolution. Any suspension will not affect any Redemption the Pricing Date for which had passed before the suspension commenced, but any Settlement Redemption Form lodged on an Issuer Business Day when the right to Redeem Short or Leveraged Commodity Securities of that class is suspended will be invalid. If the right to Redeem Short or Leveraged Commodity Securities of that class is suspended at 6.30 p.m. on the second Issuer Business Day prior to a Compulsory Redemption Date for that class pursuant to the occurrence of a Hedging Disruption Event, then, notwithstanding that only some of the Short or Leveraged Commodity Securities of that class were due to be redeemed as a result of the Hedging Disruption Event, all of such class will be redeemed.

Capital Adjustment

As at the date of this Prospectus, the Capital Adjustment is the same for all classes of Short Commodity Securities and is the same for all classes of Leveraged Commodity Securities and for both Commodity Contract Counterparties, however, the Capital Adjustment for Short Commodity Securities and Leveraged Commodity Securities is not the same. In future, the Capital Adjustment could be changed so that it is different for all classes of Short Commodity Securities or all classes of Leveraged Commodity Securities.

The Capital Adjustment for the Short and Leveraged Commodity Securities is a daily rate expressed as a percentage, which will be as agreed from time to time by each Commodity Contract Counterparty and the Issuer. The Capital Adjustment reflects the benefit to the Commodity Contract Counterparty of selling the relevant Commodity Contracts to the Issuer, less the Management Fee and Licence Allowance.

Whenever the Capital Adjustment changes, the Issuer will calculate the Collateral Yield. The Capital Adjustment and the Collateral Yield applying to each class of Short and Leveraged Commodity Security on each day will be posted by the Issuer on its website, at <http://www.etfsecurities.com/csl>.

As at 26 November 2012, the Capital Adjustment and Collateral Yield for all classes of Short Commodity Securities were -0.00489 per cent. (daily basis) and -1.77 (annualised basis) respectively and for all classes of Leveraged Commodity Securities were -0.00612 per cent. (daily basis) and -2.22 per cent. (annualised basis) respectively.

Consolidation and Division of Short and Leveraged Commodity Securities

Circumstances may arise where the Issuer might wish to effect a consolidation or division of a particular class of Short or Leveraged Commodity Security.

For example, if a class of Short Individual Security was secured on corresponding Commodity Contracts from two or more different Commodity Contract Counterparties and one of them (the “**Lower Credit**”) had, for example, a significant credit rating downgrade, it may be necessary or desirable, in order to ensure that the value of the Short Individual Securities reflects the value of the relevant commodity futures contract, for the Commodity Contracts from the Lower Credit to be excluded from that class. This could be effected by the Commodity Contracts from the Lower Credit being transferred into a new Pool and the Issuer creating and issuing new Short Commodity Securities secured by that new Pool on a one-for-one basis with the Price for both classes being adjusted accordingly. Investors of the affected class would then hold two Short Commodity Securities for each one they held previously and the Price would be split between the two. For example, if the Commodity Contracts from the Lower Credit comprised 30 per cent. of the aggregated number of Commodity Contracts in the Pool then the Price following the division would be 70 per cent. of the Price prior to the division for the old class and 30 per cent. for the new class.

The Issuer has the right under the Trust Instrument at any time to effect either a consolidation or division and to allocate Commodity Contracts into a new Pool representing a new class of Short or Leveraged Commodity Securities, and need not obtain Listing for any such new class of Short or Leveraged Commodity Securities. The Issuer will only take such action if it believes it is in the interest of the affected Security Holders to do so.

Authorised Participants

Only Authorised Participants may deal with the Issuer in applying for or redeeming Short and Leveraged Commodity Securities, save where, as noted elsewhere in this document, on the date on which a Redemption Form is lodged there are no Authorised Participants or the Issuer has announced that redemptions by Security Holders will be permitted and the Security Holder submits a notice of redemption in the form prescribed for such circumstances by the Issuer. A person can only be an Authorised Participant if it is: (a) a securities house or other market professional approved by the Issuer (in its absolute discretion); and (b) an Authorised Person, an Exempt Person or an Overseas Person. An Authorised Participant must also have entered into: (a) an Authorised Participant Agreement with the Issuer dealing with, amongst other things, the rights and obligations of the Authorised Participant in relation to applying for and redeeming Short and Leveraged Commodity Securities and (b) a Direct Agreement with UBS and/or MLCI and/or another Commodity Contract Counterparty, under which, amongst other things, the Authorised Participant and UBS or MLCI (or other Commodity Contract Counterparty) provide undertakings to each other regarding the settlement of moneys payable for applications and redemptions.

Authorised Participant Agreements have been entered into with ABN AMRO Clearing Bank N.V. (London Branch), Bluefin Europe LLP, Knight Capital Europe Limited, Merrill Lynch International, Morgan Stanley & Co. International plc, The Royal Bank of Scotland plc, Susquehanna International Securities Limited, Susquehanna Ireland Limited, UBS AG, London Branch, UniCredit Bank AG and Virtu Financial Ireland Limited, the terms of which (as amended) are summarised in paragraph 3 of Part 11 (*Additional Information*).

Under the Facility Agreements, each Commodity Contract Counterparty has the right to give notice (with immediate effect) that an Authorised Participant has ceased to be acceptable to it in certain circumstances, including if it deems such person to be unacceptable to it as an Authorised Participant for credit, compliance, general business policy or reputational reasons. As a result of any exercises of such right there could at any time be no Authorised Participants.

The Issuer will use its reasonable endeavours to ensure that at all times for the duration of the Programme there are at least two Authorised Participants. In the event that at any time there are no Authorised Participants, Security Holders will be permitted to redeem Short and Leveraged Commodity Securities respectively held by them directly from the Issuer.

Applications and Redemptions

All applications for and redemptions of Short and Leveraged Commodity Securities on any Pricing Day and the matching creation and termination of Commodity Contracts, may (in the absence of a Market Disruption Event and certain other circumstances specified in the Conditions) be effected using the pricing formulae described above ("**Settlement Pricing**") which is based on Indices calculated using end of day settlement pricing for the various Designated Contracts.

However, to enable Authorised Participants and Commodity Contract Counterparties to have the flexibility to agree, between themselves, intra-day or other pricing for Short and Leveraged Commodity Securities ("**Agreed Pricing**") and hence for matching Commodity Contracts, issues and redemptions may be effected at any price and in any amount agreed between an Authorised Participant and a Commodity Contract Counterparty and notified to the Issuer. The rights of all other security holders to receive Settlement Pricing for a redemption of their Short and Leveraged Commodity Securities will not be impacted by any Agreed Pricing.

The application and redemption procedures to be followed by Authorised Participants, the Issuer and the Commodity Contract Counterparties are set out in the Authorised Participant Agreements and the Facility Agreement and are summarised below. These procedures may be amended at any time by agreement between the relevant parties.

Application Processes

Short and Leveraged Commodity Securities may be issued on the Application of an Authorised Participant during the period of 12 months from the date of this document. There is no minimum number of Short or Leveraged Commodity Securities that must be applied for (but there is a Minimum Creation Amount for the creation of Commodity Contracts on any Pricing Day, and if that Minimum Creation Amount is not achieved through applications for corresponding Short or Leveraged Commodity Securities by all Authorised Participants, the Commodity Contract Counterparty may elect that no creations of Commodity Contracts of that class will occur, in which case no Short or Leveraged Commodity Securities of that class will be issued). The Issuer will decline Applications if it cannot for any reason create corresponding Commodity Contracts under a Facility Agreement.

The Minimum Creation Amount is as follows:

- (a) for the Creation of Commodity Contracts in relation to the issue of Short Individual Securities, US\$50,000 (fifty thousand US Dollars) per class of Short Individual Security; or
- (b) for the Creation of Commodity Contracts in relation to the issue of Leveraged Individual Securities, US\$50,000 (fifty thousand US Dollars) per class of Leveraged Individual Security;
- (c) for the Creation of Commodity Contracts in relation to the issue of Short Index Securities, US\$100,000 (one hundred thousand US Dollars) per class of Short Index Security; or
- (d) for the Creation of Commodity Contracts in relation to the issue of Leveraged Index Securities, US\$100,000 (one hundred thousand US Dollars) per class of Leveraged Index Security.

An Authorised Participant may subscribe for Short and Leveraged Commodity Securities using Settlement Pricing or, if agreed with a Commodity Contract Counterparty, using Agreed Pricing. In either case, Short and Leveraged Commodity Securities will only be issued if corresponding Commodity Contracts can be created by the Issuer for the same amount.

Application Moneys for all Short and Leveraged Commodity Securities must be paid by Applicants directly to the relevant Commodity Contract Counterparty by the Authorised Participant making the Application, via CREST. Legal title to Short and Leveraged Commodity Securities will be transferred by means of the CREST system and evidenced by an entry on the Register.

Settlement of Short or Leveraged Commodity Securities on issue will only be made against payment in CREST and only after:

- (a) (subject as set out under “The System” below) receipt by the Issuer of a valid Application Form;
- (b) the creation of matching Commodity Contracts; and
- (c) Listing in respect of such Short or Leveraged Commodity Securities having become effective.

If an Applicant does not make payment for the full amount of the Short or Leveraged Commodity Securities to be issued on the due date for payment or the following Business Day, the Issuer may elect by notice to the Applicant to cancel the Application. Alternatively the Issuer may elect to enforce against the relevant Applicant the obligation of that Applicant to pay for the Short or Leveraged Commodity Securities applied for.

The procedures required to be followed when making an Application depend on whether Agreed Pricing or Settlement Pricing is being used.

Agreed Pricing

There are no restrictions on the number of Short and Leveraged Commodity Securities that can be applied for, the time for lodging the Application or the settlement date, other than the requirement for the Issuer to receive the requisite signed documents from both the Authorised Participant and the relevant Commodity Contract Counterparty not later than two London Business Days prior to the proposed settlement date.

Settlement Pricing

The following procedures apply when Settlement Pricing is used in an Application:

- an Application for Short and Leveraged Commodity Securities using Settlement Pricing may only be made on an Issuer Business Day;
- if the day is a Pricing Day for the class of Short or Leveraged Commodity Securities the subject of a valid Application then a Price will be determined on the day of the Application; in the case of a Short or Leveraged Individual Security then (unless the Application is validly withdrawn) if the day of the Application is not a Pricing Day (because it is a Market Disruption Day for the relevant Individual Commodity Index), then the Application will be priced on the next Pricing Day for that Individual Commodity Index; in the case of a Short or Leveraged Index Security then (unless the Application is validly withdrawn) if the day of the Application is not a Pricing Day (because it is a Market Disruption Day for any of the futures contracts by reference to which the relevant Composite Commodity Index is calculated), the Authorised Participant Agreements (and the Facility Agreement in relation to the corresponding Commodity Contracts) contain provisions designed to determine a Price based on the value of equivalent underlying futures contract positions for days following the day of the Application until values can be determined for all equivalent underlying futures contract positions;
- an Application received by the Issuer after 2.30 p.m. (or, if earlier, 30 minutes prior to the applicable Notice Deadline) but before 6.30 p.m. on a General Trading Day will be valid, but will be treated as having been received at 8.00 a.m. on the next following General Trading Day (unless the relevant Commodity Contract Counterparty agrees otherwise, in which case it will be treated as having been received prior to 2.30 p.m. on that General Trading Day);
- an Application received by the Issuer prior to 8.00 a.m. or after 6.30 p.m. on a General Trading Day, or on a day which is not a General Trading Day, will only be valid if the relevant Commodity Contract Counterparty confirms to the Issuer that corresponding Commodity Contracts will be created notwithstanding the time of submission of the Application;
- upon receipt and confirmation of a valid Application, the Issuer will send a Creation Notice to the relevant Commodity Contract Counterparty creating such number of Commodity Contracts as correspond to the Application, and will confirm its receipt of such Creation Notice; and
- following publication by CME Indexes of the relevant Individual Commodity Indices or Composite Commodity Index, the Issuer will calculate the Price of all Short and Leveraged Commodity Securities to be issued to each Applicant and will confirm such Price with each Applicant and the relevant Commodity Contract Counterparty by the following Business Day.

Under each Facility Agreement, the relevant Commodity Contract Counterparty is bound by the creation of Commodity Contracts by the Issuer on any Pricing Day for Short and Leveraged Commodity Securities corresponding to those Commodity Contracts, provided that the applicable Creation Notice is lodged with the relevant Commodity Contract Counterparty by 2.30 p.m. (or, if earlier, 30 minutes prior to the applicable Notice Deadline) on a General Trading Day.

Allocation of Commodity Contracts

Under the Trust Instrument there are no restrictions on the Commodity Contract Counterparty with which Commodity Contracts should be created when Commodity Securities are issued, nor are there any restrictions on the Commodity Contract Counterparty with which Commodity Contracts should be terminated. Subject as may otherwise be agreed from time to time between the Issuer and Commodity Contract Counterparties under the Facility Agreements and for so long as they remain in force and no notices (such as those referred to under the heading “Compulsory Redemptions” in Part 3 (*Description of Short and Leveraged Commodity Securities*)) have been given thereunder, there are no restrictions (other than Creation Limits and any limits imposed by any Commodity Contract Counterparty in relation to any particular Authorised Participant) on the Commodity Contract Counterparty with which Commodity Contracts should be created when Commodity Securities are issued, nor are there any restrictions (other than Redemption Limits and any limits imposed by any Commodity Contract Counterparty in relation to any particular Authorised Participant) on the Commodity Contract Counterparty with which Commodity Contracts should be terminated. Except in the case of Agreed Pricing, the Issuer may determine in each case the relevant Commodity Contract Counterparty.

The Issuer has implemented procedures which (subject to applicable Creation Limits and Redemption Limits, availability of Commodity Contracts and any limits imposed by any Commodity Contract Counterparty in relation to any particular Authorised Participant) are intended to have the following effects:

- in a case where an application is made for Short and Leveraged Commodity Securities by an Authorised Participant which is, or an affiliate of which is, a Commodity Contract Counterparty, the equivalent Commodity Contracts should be entered into with that Commodity Contract Counterparty (and referred to as its “Firm Contracts”); and
- other applications will result in the creation of “Pool Contracts” and will generally be allocated by the Issuer to one or other Commodity Contract Counterparty in accordance with policies and procedures agreed from time to time between them.

The Issuer reserves the right to allocate creations or terminations of Commodity Contracts amongst Commodity Contract Counterparties in a manner other than as described above on a case by case or on a more general basis. If further additional Commodity Contract Counterparties are appointed then they may be appointed on a basis that they are allocated creations (and terminations) relating either to Firm Contracts only, or to both Pool Contracts and Firm Contracts.

In the event that the Issuer determines to divide a Pool as described under the heading “Consolidation and Division of Short and Leveraged Commodity Securities” in Part 3 (*Description of Short and Leveraged Commodity Securities*) and in accordance with Condition 18.3, the Conditions provide that outstanding valid Redemption Forms given (save in the case where notice of a Compulsory Redemption Date was given prior to the division becoming effective in which case certain other timings may apply) prior to the division becoming effective will be treated as having been given in respect of the Pool to which following the division the attributable Commodity Contracts had been allocated. This may have the effect that a Security Holder which has lodged a valid Redemption Form prior to a division becoming effective will be treated following the division as owning only Short and Leveraged Commodity Securities attributable to a single Pool rather than both Pools as described under the heading “Consolidation and Division of Short and Leveraged Commodity Securities” in Part 3 (*Description of Short and Leveraged Commodity Securities*), and this could be the Pool to which Commodity Contracts with the Lower Credit (as defined under the heading “Consolidation and Division of Short and Leveraged Commodity Securities” in Part 3 (*Description of Short and Leveraged Commodity Securities*)) are transferred.

Redemption Processes

A Security Holder who is an Authorised Participant may require the redemption of all or any of its Short or Leveraged Commodity Securities using Settlement Pricing or, if agreed with a Commodity Contract Counterparty, using Agreed Pricing.

A Security Holder who is not an Authorised Participant may only require the redemption of any of its Short or Leveraged Commodity Securities using Settlement Pricing and only if, on a General Trading Day, there are no Authorised Participants and the Security Holder submits a valid Redemption Form on such day. Payment on redemption to persons who are not Authorised Participants may be subject to their giving to the Issuer and the relevant Commodity Contract Counterparty certain beneficial owner certifications to assess whether such payments should be subject to withholding or deduction for taxes.

Payment of the Redemption Amount will be made by the relevant Commodity Contract Counterparty, in respect of the termination of corresponding Commodity Contract from the Issuer, directly to the relevant Authorised Participant redeeming the Short and Leveraged Commodity Securities, via CREST.

The procedures required to be followed when lodging a Redemption Form are the same as for making an Application, other than for the following procedures used for Settlement Pricing:

- if a valid Redemption Form requesting Settlement Pricing is lodged with the Issuer after 8.00 a.m. and before 2.30 p.m. (or, if earlier, 30 minutes prior to the applicable Notice Deadline) on a General Trading Day, and that day is a Pricing Day for each class which is a component of the Short or Leveraged Commodity Securities which are the subject of the Redemption Form, the applicable Redemption Payment Date (on which the redemption will be settled) will be three Business Days following that Pricing Day, or such later date (being a Business Day, or if such date is not a Business Day, the immediately following Business Day) as is specified in the Redemption Form.

- when Short or Leveraged Commodity Securities are to be redeemed, the Issuer will terminate an Equivalent Number of Commodity Contracts, subject to the Issuer's discretion to elect to satisfy Redemption Forms by transfer of the appropriate number of Short and Leveraged Commodity Securities to one or more Applicants from Security Holders seeking redemption.

If the Price of a class of Short or Leveraged Commodity Security falls below its Principal Amount, the Issuer may suspend Redemptions of that class of Short or Leveraged Commodity Security (giving such notice via RNS announcement) for a period of 30 days, and thereafter provided that notice of a meeting has been issued convening a meeting for a date not more than 30 days after the date of the notice for the purpose of considering an Extraordinary Resolution which will have the effect of reducing the Principal Amount to a level less than the Price, the suspension to expire when the meeting (or any adjournment thereof) concludes or, if the Extraordinary Resolution is passed and makes alternative provision, in accordance with the Extraordinary Resolution. Any suspension shall not affect any Redemption the Pricing Date for which had passed before the suspension commenced, but any Settlement Redemption Form lodged on an Issuer Business Day when the right to Redeem Short or Leveraged Commodity Securities of that class is suspended will be invalid.

Further details of the procedure relating to Redemptions are set out in the Conditions in Part 6 (*Trust Instrument and Commodity Securities*) below.

If a Counterparty Event of Default is subsisting, then Security Holders who are not Authorised Participants will not have a right to redeem, however the Trustee may, at its discretion and shall if so directed in writing by Security Holders holding not less than 25 per cent. by Principal Amount (as at the date of the last signature) of all Short and Leveraged Commodity Securities then outstanding or pursuant to an Extraordinary Resolution passed at a duly called meeting of the Security Holders (as a single class), the Trustee having first been indemnified to its satisfaction, take such proceedings and/or other action as it may think fit against or in relation to the Issuer to enforce any obligations of the Issuer under the Trust Instrument and the security constituted by the Security Deeds in respect of all Short and Leveraged Commodity Securities.

The System

The Issuer has implemented a system (the “**System**”) for enabling Authorised Participants to make Applications and request Redemptions by means of a secure website and has agreed provisions with the Commodity Contract Counterparties and certain of the Authorised Participants to enable use of such system in substitution for the lodging of the forms otherwise required by the Facility Agreements, the Authorised Participant Agreements and the Conditions for the purposes of such Applications and Redemptions.

It is expected that all Applications will be made and all Redemptions will be requested using the System. In the event of a failure in the System, Applications may be made and Redemptions may be requested using the forms and notices described under the headings “Applications and Redemptions – Application Processes”, “Applications and Redemptions – Settlement Pricing” and “Applications and Redemptions – Redemption Processes” above and under the heading “Commodity Contracts” in Part 4 (*Description of Facility Agreements and Commodity Contracts*).

Creation Limits and Redemption Limit

There are limits on the number of Commodity Contracts which can be created or terminated at any time under each Facility Agreement (and therefore on the issue or redemption of corresponding Short and Leveraged Commodity Securities). Details of these limits are set out under the heading “Applications and Redemptions — Creation and Redemption Limits” in Part 1 (*General*). The Issuer will reject Application Forms or Redemption Forms to the extent that the acceptance of such would cause the Creation Limits or Redemption Limit to be exceeded, unless a Commodity Contract Counterparty agrees with the Issuer that corresponding Commodity Contracts will be created or terminated notwithstanding that the Creation Limits or Redemption Limit would be exceeded.

Compulsory Redemptions

There are circumstances in which Short and Leveraged Commodity Securities can be compulsorily redeemed by the Issuer, either in whole or in part, as set out fully in the Conditions.

If the Calculation Agent notifies the Issuer that the Intra-day Price of Commodity Contracts of the same class as any Short or Leveraged Commodity Securities has fallen to or below zero at any time during any Trading Day and that such Commodity Contracts have been terminated then the Short or Leveraged Commodity Securities of such class will automatically be subject to a Compulsory Redemption on that day and Security Holders are unlikely in that situation to receive any proceeds as the relevant Pool is unlikely in these circumstances to have sufficient assets to repay Security Holders any material sums on such Compulsory Redemptions as the only assets available for redemption of the affected Short or Leveraged Commodity Securities will be the Commodity Contracts whose value will be zero even if the Price of that class of Short or Leveraged Commodity Securities subsequently increases.

The Issuer may, at any time, upon not less than 30 days' notice (or seven days' notice in the event that a Facility Agreement is terminated) by RIS announcement to the Security Holders, redeem all Short or Leveraged Securities of a particular class. The Trustee may, at any time, where an Issuer Insolvency Event or Counterparty Event of Default has occurred and is continuing, upon 20 Business Days' notice to the Issuer, require the Issuer to redeem all Short and Leveraged Commodity Securities, whereupon the Issuer will exercise its right to redeem such Securities.

CME Indexes may cease to publish a Commodity Index. If so, the Issuer has and may exercise the right to redeem all Short and Leveraged Commodity Securities of the class relating to that Commodity Index.

The Conditions provide that the amount payable upon a Redemption of a Short or Leveraged Commodity Security of a particular class under Settlement Pricing will be the higher of the Principal Amount for that class and the Price of such Short or Leveraged Commodity Security on the applicable Pricing Day. As each class of Short or Leveraged Commodity Security is a limited recourse security as described in Condition 3.2, it is in the interests of the Security Holders of each class to ensure that the Price for that class does not fall below its Principal Amount. The Issuer will aim to avoid the Price of a class of Short or Leveraged Commodity Security falling below its Principal Amount: (i) by, where necessary, seeking the sanction of Security Holders by Extraordinary Resolution to reduce the Principal Amount of a class of Short or Leveraged Commodity Security to a level less than its Price; and/or (ii) if on any Pricing Day the Price of any class of Short or Leveraged Commodity Security falls to 2.5 times the Principal Amount of such Short or Leveraged Commodity Security or below, the Issuer may, at any time for so long as the Price remains below such amount and during the period 60 days thereafter, upon not less than two days' notice by RIS announcement elect to redeem the Short or Leveraged Commodity Securities of that class. This right will cease once an Extraordinary Resolution is passed to reduce the Principal Amount such that the Price is more than 2.5 times the Principal Amount subject to any further fall in the Price of any class of Short or Leveraged Commodity Securities to 2.5 times the Principal Amount or below.

Under each Facility Agreement, each Commodity Contract Counterparty has the right to terminate some or all of the Commodity Contracts of a particular class if for any reason it is unable to maintain the hedging positions which (acting reasonably) it attributes to the hedging of its obligations in connection with the Facility Agreement or Commodity Contracts of one or more classes. In such a case, the Issuer has and will exercise the right to redeem the Short and Leveraged Commodity Securities of that class corresponding to such Commodity Contracts. Where less than all of the Short or Leveraged Commodity Securities of a particular class are to be redeemed, the redemptions will apply to all Security Holders holding Short or Leveraged Commodity Securities of that class, *pro rata* to their holdings.

The Issuer may, at any time by not less than seven nor more than 14 Trading Days written notice, redeem any Short and Leveraged Commodity Securities held by Prohibited US Persons or Prohibited Benefit Plan Investors, held by Security Holders who have not provided appropriate certifications as to their status in accordance with the conditions or in certain other circumstances specified in the Conditions.

UBS has only agreed to provide Commodity Contracts to the Issuer for ten years from 12 August 2009 and MLCI has only agreed to supply Commodity Contracts to the Issuer for ten years from 15 April 2011 (although each Commodity Contract Counterparty may terminate its Facility Agreement on three months' notice). If the relevant Commodity Contract Counterparty does not agree to provide Commodity Contracts beyond such date or if either or both Commodity Contract Counterparties chooses to terminate its Facility Agreement earlier, then the Commodity Contracts with it will expire and unless they are replaced by Commodity Contracts with another Commodity Contract Counterparty the Issuer will elect to redeem some or all of the outstanding Short and Leveraged Commodity Securities.

Where a compulsory redemption occurs, the Short and Leveraged Commodity Securities to be redeemed will be priced in the normal way as set out in Part 3 (*Description of Short and Leveraged Commodity Securities*) and will include an adjustment for interest as more fully described in the Conditions, but depending on the number of Short and Leveraged Commodity Securities to be redeemed this pricing may occur over a period of more than one day. Details of the circumstances in which this could occur are set out in the Conditions.

If at that time Security Holders other than Authorised Participants hold the Short and Leveraged Commodity Securities being redeemed, the Redemption Amount payable to those Security Holders will be paid by the Commodity Contract Counterparties either to accounts of the Issuer secured for the benefit of the Security Holders of the relevant classes or to the Trustee for the benefit of such Security Holders, and will be paid to those Security Holders by the Issuer or the Trustee.

Application Fees and Redemption Fees

Application Fees and Redemption Fees will only be payable on the issue and redemption of Short or Leveraged Commodity Securities and not by investors who buy and sell Short or Leveraged Commodity Securities on the secondary market, including the London Stock Exchange.

The Issuer will charge Authorised Participants an Application Fee of £500 (including any applicable VAT) (or such other amount as may be accepted by the Issuer, either generally or on any particular occasion) for each Application, regardless of the number of Short or Leveraged Commodity Securities being issued.

The Issuer will also charge Authorised Participants a Redemption Fee of £500 (including any applicable VAT) (or such other amount as may be accepted by the Issuer, either generally or on any particular occasion) for each Redemption Form, regardless of the number of Short or Leveraged Commodity Securities being redeemed. In the event of a compulsory redemption or a Security Holder who is not an Authorised Participant submitting a Redemption Form in circumstances where there is no Authorised Participant, as described above, the Issuer will reduce the Redemption Fee to an amount equal to the Issuer's cost in satisfying such Redemption Form, including costs of enquiries under Condition 13 (Enquiries as to status of Security Holders) and of giving the redemption notice (but not exceeding £500), and that amount will be charged by the Issuer by way of a deduction from the redemption proceeds due to such Security Holder.

No additional amounts will be charged by the Issuer to an Applicant or a Security Holder in respect of VAT payable in connection with Application Fees or Redemption Fees.

The Issuer may vary the Application Fees and Redemption Fees at any time after giving 30 days' written notice to Authorised Participants and through a RIS.

Right to Satisfy Applications and Redemptions by Transfer

Notwithstanding the provisions above, the Issuer may, in its discretion, elect to satisfy Application Forms and Redemption Forms by transfer of the appropriate number of Short or Leveraged Commodity Securities to one or more Applicants from the Security Holder(s) seeking redemption. For this purpose, a Security Holder seeking redemption will be deemed to have authorised the Issuer to transfer such Security Holder's Short or Leveraged Commodity Securities as are the subject of the Redemption Form to a third party, on such Security Holder's behalf, provided that the amount payable by the Authorised Participant shall still be an amount equal to the relevant Price on the applicable Pricing Day (plus the Application Fee) and the amount receivable by the Security Holder shall still be the relevant Price on the applicable Pricing Day (less the Redemption Fee), and the relevant Redemption Payment Date will be the date of the transfer.

Security

All rights of the Issuer in relation to the Facility Agreements, the Commodity Contracts, the BAC Guarantee, the Security Agreements and the Control Agreements, to the extent applicable to each Pool, will be the subject of a first-ranking floating charge in favour of the Trustee under the applicable Security Deed to secure the obligations owed by the Issuer to the Trustee and the Security Holders in respect of Short or Leveraged Securities of the relevant class.

Accounts

The Issuer's financial statements are presented in US Dollars. The value of any assets and liabilities denominated in currencies other than US Dollars is converted into US Dollars at rates quoted by independent sources.

The valuation of the assets and liabilities of the Issuer attributable to any Pool is determined under the supervision of the Board.

The Commodity Contracts constitute an asset of the Issuer. For the purposes of the valuation of the Issuer's assets, the Commodity Contracts are valued at the Price as at the date of valuation.

PART 4

DESCRIPTION OF FACILITY AGREEMENTS AND COMMODITY CONTRACTS

All Short and Leveraged Commodity Securities will be backed by corresponding Commodity Contracts with corresponding terms. Each class of Short and Leveraged Commodity Securities has a corresponding class of Commodity Contract. Each time Short and Leveraged Commodity Securities are issued or redeemed the Issuer will create or terminate corresponding Commodity Contracts, exactly matching the number and classes of Short and Leveraged Commodity Securities in question. Commodity Contracts will be created and terminated by the Issuer under the UBS Facility Agreement, the MLCI Facility Agreement or a Facility Agreement with another Commodity Contract Counterparty. At the date of this Prospectus, the Issuer has Facility Agreements only with UBS and with MLCI. As the Issuer is a special purpose company, whose only assets attributable to Short and Leveraged Commodity Securities will be rights under the Facility Agreements and the Commodity Contracts, the Security Agreements and the BAC Guarantee, the ability of the Issuer to meet its obligations upon redemption of Short and Leveraged Commodity Securities will be wholly dependent on its ability to receive payment on termination of Commodity Contracts from UBS or the realisation of Collateral provided by UBS under the UBS Security Agreement and the UBS Control Agreement and to receive payment on termination of Commodity Contracts from MLCI or from BAC under the BAC Guarantee or the realisation of Collateral provided by MLCI under the MLCI Security Agreement and the MLCI Control Agreement. The Facility Agreements, the Commodity Contracts provided thereunder, the Security Agreements and the BAC Guarantee have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Short and Leveraged Commodity Securities and are each governed by English law, except the Security Agreements, which are governed by New York Law.

Facility Agreements

The Issuer has entered into the Facility Agreements with UBS and with MLCI under which the Issuer can create and terminate on a continuous basis, subject to the Creation Limits and the Redemption Limits and certain other conditions, any class of Commodity Contracts. The UBS Facility Agreement runs until at least 4 August 2019, subject to earlier termination in accordance therewith, and as more fully described below. The MLCI Facility Agreement runs until at least 15 April 2021, subject to earlier termination in accordance therewith, and as more fully described below. The Issuer hopes to procure an increase in the total number of Commodity Contracts available from the Commodity Contract Counterparties in the event that demand for Short and Leveraged Commodity Securities necessitates such additional capacity.

The Facility Agreements may each be terminated by the Commodity Contract Counterparty on three months' notice (simultaneously with the relevant Classic and Longer Dated Facility Agreement) or by not less than two Business Days' notice following the occurrence of an event of default in respect of the Issuer, provided that the event of default was not caused by a breach by the Commodity Contract Counterparty of its obligations under the relevant Facility Agreement. Other termination rights in favour of the Commodity Contract Counterparties include on the occurrence of a material adverse change (which itself includes a change in tax law).

Each of the Facility Agreements may be terminated by the Issuer by not less than two Business Days' notice following the occurrence of a Counterparty Event of Default in respect of the relevant Commodity Contract Counterparty, provided that the same was not caused by a breach by the Issuer of its obligations under the relevant Facility Agreement or by any Authorised Participant under the relevant Authorised Participant Agreement, on not less than 30 days' notice if the Commodity Contract Counterparty gives a notice that a withholding or deduction is or may be required from payments to be made by it under United States law and upon 30 days' notice in respect of any one or more classes of Commodity Contracts if all Short and Leveraged Commodity Securities of such classes are to be redeemed. The Issuer may also terminate a Facility Agreement at any time upon giving not less than three months' notice.

Each of the Commodity Contract Counterparties may elect to amend its Facility Agreement if the Issuer enters into a Facility Agreement with another Commodity Contract Counterparty to substantially conform its Facility Agreement to that new Facility Agreement and for this purpose the consent of the Trustee will not be required.

Under the Facility Agreements the Issuer may appoint Commodity Contract Counterparties in its sole discretion, save that if any then existing Commodity Contract Counterparty considers in its reasonable belief and acting in good faith that such proposed new Commodity Contract Counterparty should not be appointed for credit, operational, reputational or any other reasonable reasons (other than on grounds of competition) and so notifies the Issuer giving reasons within ten Business Days, such appointments may not become effective.

The MLCI Facility Agreement is substantially on the same terms as the UBS Facility Agreement, save that:

- UBS will act as Calculation Agent as referred to under the headings “Calculation Agency Agreement” and “Calculation Agent” below for the purposes of the MLCI Facility Agreement, as well as under the UBS Facility Agreement;
- in the event that UBS ceases to be the Calculation Agent under the Calculation Agency Agreement, a new Calculation Agent, which (save in the case of an interim Calculation Agent) is or will be a Commodity Contract Counterparty selected by the Issuer, shall be appointed to act as Calculation Agent for the purposes of the MLCI Facility Agreement; and
- in the event that UBS ceases to be the Calculation Agent under the Calculation Agency Agreement following an Insolvency Event in relation to UBS or certain breaches thereof, UBS shall cease to act as Calculation Agent under the UBS Facility Agreement and the Calculation Agent appointed for the purposes of the MLCI Facility Agreement shall be appointed to act as Calculation Agent for the purposes of the UBS Facility Agreement.

The Issuer may, but is not required to, enter into other Facility Agreements with other Commodity Contract Counterparties. UBS will (save as referred to in relation to the MLCI Facility Agreement above and under the heading “Calculation Agency Agreement” below) act as Calculation Agent under any other such Facility Agreement. **Other Facility Agreements may not be on the same terms as the UBS Facility Agreement or the MLCI Facility Agreement.** It is not the Issuer’s intention to enter into Facility Agreements for the purpose of spreading counterparty risk. In the event that the Issuer enters into a Facility Agreement with a new Commodity Contract Counterparty, the Issuer will include in a supplementary prospectus such information relating to that new Commodity Contract Counterparty of which it is aware or is able to ascertain from information published by such new Commodity Contract Counterparty, as is required by Annex VIII of the Prospectus Regulation (Regulation Number 809/2004/EC).

Calculation Agency Agreement

The Issuer, UBS, UBS Securities and MLCI have entered into the Calculation Agency Agreement pursuant to which UBS will act as Calculation Agent for the purposes of the MLCI Facility Agreement. The Calculation Agency Agreement contains customary exculpatory terms including provisions that neither the Trustee nor any holder or potential holder of Commodity Securities will be entitled to rely as against the Calculation Agent upon any determination of the Calculation Agent and that no duty will be owed by the Calculation Agent to the Trustee or any holder or potential holder of Commodity Securities in connection with any such determination.

The Calculation Agency Agreement will terminate automatically on the termination of either the MLCI Facility Agreement or the UBS Facility Agreement and upon the occurrence of an Insolvency Event with respect to UBS. CSL and MLCI may together terminate UBS’ appointment as calculation agent upon not less than 45 days’ written notice and either may do so earlier on certain breach events. UBS will be entitled to resign as calculation agent upon not less than 45 days’ written notice if at the time of giving such notice there are no and have not for 30 days been any Commodity Contracts outstanding under the UBS Facility Agreement or the UBS Classic and Longer Dated Facility Agreement. If UBS’ role as calculation agent is terminated (other than by CSL and MLCI together absent such breach events) its role as calculation agent under the UBS Facility Agreement will also terminate. Where UBS’ role as calculation agent is terminated, CSL must identify and appoint a replacement calculation agent (being a Commodity Contract Counterparty).

Security Agreements and Control Agreements

The Issuer has entered into the UBS Security Agreement (which was entered into in relation to and supplements the UBS Facility Agreement and the UBS Classic and Longer Dated Facility Agreement) and the MLCI Security Agreement (which was entered into in relation to and supplements the MLCI Facility Agreement and the MLCI Classic and Longer Dated Facility Agreement) under which UBS and MLCI (respectively) have agreed to provide Collateral in respect of their Collateral Exposure at any time. The Collateral Exposure applicable to a Commodity Contract Counterparty is calculated each Business Day by both the Issuer and that Commodity Contract Counterparty and is verified between the parties each Business Day.

The Issuer has also entered into the UBS Control Agreement with UBS and The Bank of New York Mellon (as Securities Intermediary) and the MLCI Control Agreement with MLCI and The Bank of New York Mellon (as Securities Intermediary). Under the terms of the Security Agreements and the Control Agreements, each Commodity Contract Counterparty is required to post the Collateral to the Collateral Account in its name at the Securities Intermediary.

Under the terms of the Control Agreements, the Securities Intermediary may (in certain circumstances) utilise depositaries and sub-custodians in connection with its duties under the Control Agreements.

A description of the arrangements for the provision of Collateral by each Commodity Contract Counterparty under its respective Security Agreement and Control Agreement is set out under the heading "Provision of Collateral by the Commodity Contract Counterparties – Security Agreements and Control Agreements" in Part 1 (*General*).

Commodity Contracts

70 classes of Commodity Contracts are available under the Facility Agreements to be created by the Issuer, corresponding to the 70 classes of Short and Leveraged Commodity Securities.

Where an Authorised Participant has agreed with a Commodity Contract Counterparty the pricing for the issue or redemption of Short or Leveraged Commodity Securities and the creation or termination of the corresponding Commodity Contracts ("Agreed Pricing") the Issuer will create or terminate Commodity Contracts at that pricing, but otherwise the creation or termination price per Commodity Contract will be the Price of the corresponding Short or Leveraged Commodity Security on the applicable Pricing Day ("Settlement Pricing").

Whenever Settlement Pricing is used:

- upon receipt by the Issuer of a valid Application Form or Redemption Form, the Issuer will send to the relevant Commodity Contract Counterparty a Creation Notice or Cancellation Notice (together with a copy of the applicable Application Form or Redemption Form, as the case may be) creating or terminating, as the case may be, an Equivalent Number of Commodity Contracts corresponding to the Short or Leveraged Commodity Securities which are the subject of the Application Form or Redemption Form; and
- within 30 minutes of the Notice Deadline (or, if later, within 30 minutes of any Creation Notice or Cancellation Notice having been sent by the Issuer to the relevant Commodity Contract Counterparty), the Issuer will contact the relevant Commodity Contract Counterparty by telephone to seek confirmation of acceptance by it of such Creation Notice or Cancellation Notice. The relevant Commodity Contract Counterparty will confirm such Creation Notice or Cancellation Notice provided that it complies with certain formalities (set out in the Facility Agreement) as to form, quantum, procedure, timing and substance.

As referred to under the heading "Applications and Redemptions - The System" in Part 3 (*Description of Short and Leveraged Commodity Securities*), the Issuer intends to implement the System for enabling Authorised Participants to make Applications and request Redemptions by means of a secure website and has agreed provisions with the Commodity Contract Counterparties and certain of the Authorised Participants to enable use of such system in substitution for the lodging of the forms otherwise required by the Facility Agreements, the Authorised Participant Agreements and the Conditions for the purposes of such Applications and Redemptions. Once this System has become effective it is expected that all Applications will be made and all Redemptions will be requested using this system.

Separate Pools

All Short and Leveraged Commodity Securities of the same class will have recourse only to the Secured Property of the Pool attributable to that class and not to the Secured Property of any Pool attributable to any other class. The principal assets to be included in each Pool are the Commodity Contracts of that class with UBS and MLCI, the rights of the Issuer under the Facility Agreements for that class, and the rights in respect of that class of Commodity Contracts under the Security Agreements, the Control Agreements and the BAC Guarantee. The Issuer may issue other types of commodity securities, based on different prices or having some other different characteristics, but any such securities will have recourse only to the Secured Property of the Pool attributable to such new type and not to the assets attributable to any other type.

Corresponding Terms of Commodity Contracts with Short and Leveraged Commodity Securities

Whenever Short or Leveraged Commodity Securities are issued or redeemed, the Issuer will always create or terminate corresponding Commodity Contracts of the corresponding class(es) as those Short or Leveraged Commodity Securities.

Payment for the issue of Short or Leveraged Commodity Securities and for the creation of Commodity Contracts will be made by an Authorised Participant directly to the relevant Commodity Contract Counterparty, via CREST. Payment on the redemption of Short or Leveraged Commodity Securities will be made by the relevant Commodity Contract Counterparty, in respect of the termination of the corresponding Commodity Contracts by the Issuer, directly to the Authorised Participant redeeming the Short or Leveraged Commodity Securities, via CREST, subject to certain set-off arrangements in respect of creation amounts due and unpaid by the Authorised Participant in relation to the issue of Short or Leveraged Securities.

Unless Agreed Pricing is used, the amount payable upon creation or termination of Commodity Contracts is always determined in the same manner as the Price on the applicable Pricing Day for the corresponding Short and Leveraged Commodity Securities which are applied for or redeemed. Under the Facility Agreements, a Market Disruption Day is determined in the same manner as the determination of a Market Disruption Day under the Programme. Accordingly, any day that is a Market Disruption Day for the purposes of a Facility Agreement is also a Market Disruption Day for the purposes of the Programme. Commodity Contracts have no equivalent of a Principal Amount.

If Agreed Pricing is used to determine the amount payable upon creation or termination of Commodity Contracts, the same Agreed Pricing applies to the corresponding Short and Leveraged Commodity Securities which are applied for or redeemed.

Consequently, save in the event of a compulsory redemption in the circumstances described in the risk factors entitled "Realisation of Collateral" and "Enforcement by the Trustee" above, the amounts payable between Authorised Participants and the Issuer on the issue or redemption of Short or Leveraged Commodity Securities (other than Application Fees and Redemption Fees which are payable by Authorised Participants to the Issuer and save where the Principal Amount of a class of Short or Leveraged Commodity Securities exceeds its Price) will always be identical to the amounts payable between the Issuer and a Commodity Contract Counterparty on the creation and termination of the corresponding Commodity Contracts.

Elections

Upon an Application Form being lodged for new Short or Leveraged Commodity Securities:

- the Issuer will only issue new Short or Leveraged Commodity Securities if it can create corresponding Commodity Contracts under a Facility Agreement; and
- the Issuer may in its absolute discretion elect to satisfy such Application by the transfer of the appropriate number and class of Short or Leveraged Commodity Securities from one or more Security Holders seeking redemption. In that event, to the extent of the number and class of Short or Leveraged Commodity Securities transferred, no new Commodity Contracts will be created.

Management Fee

The Management Fee, together with the Licence Allowance, will be reflected in the daily adjustments to the Capital Adjustment. The Management Fee and the Licence Allowance will be paid by the Commodity Contract Counterparties to the Issuer.

No other cash payments are settled between the Commodity Contract Counterparties and the Issuer. The net amounts payable on creation or termination of Commodity Contracts are paid directly between the relevant Commodity Contract Counterparty and the Authorised Participant which is applying for or redeeming the Short or Leveraged Commodity Securities, via CREST.

Calculation Agent

UBS is required to act as Calculation Agent under and solely for the purposes of the UBS Facility Agreement, the MLCI Facility Agreement and each other Facility Agreement that may be entered into with other Commodity Contract Counterparties.

UBS has three separate roles as Calculation Agent, as follows:

- (a) UBS will determine the existence of a Market Disruption Event in respect of any Individual Commodity Index or Composite Commodity Index or commodity in connection with a Commodity Index;
- (b) if a Commodity Index is not calculated and/or published and a substitute value is required to be calculated and published pursuant to the Facility Agreement UBS will calculate a substitute value for that Commodity Index in accordance with the Facility Agreement; and
- (c) UBS will make the determinations of the Calculation Agent expressly contemplated in the definition of "Intra-day Price" for the purposes of Condition 8.8 (Compulsory Redemption when Intra-day Price falls to zero).

In acting as Calculation Agent, UBS is required under the terms of the UBS Facility Agreement and the Calculation Agency Agreement to act in good faith and in a commercially reasonable manner, and in accordance with its obligations under the UBS Facility Agreement and the Calculation Agency Agreement. Subject to those requirements, the calculations of the Calculation Agent are final and conclusive in the absence of manifest error.

The Issuer may provide copies of determinations notified to the Issuer by the Calculation Agent under a Facility Agreement to the Trustee (but no other person) and/or notify the Trustee (and any other persons) of such determinations by the Calculation Agent, but in each case on the express basis that they are for information purposes only; neither the Trustee nor any actual or potential Security Holder can rely as against the Calculation Agent upon any determination of the Calculation Agent; and no duty is owed by the Calculation Agent to the Trustee or any actual or potential Security Holder.

PART 5

THE PROGRAMME

Overview of the Programme

The rights attached to Short and Leveraged Commodity Securities are summarised in Part 3 (*Description of Short and Leveraged Commodity Securities*), Part 4 (*Description of Facility Agreements and Commodity Contracts*), Part 5 (*The Programme*) and Part 6 (*Trust Instrument and Short and Leveraged Commodity Securities*).

Short and Leveraged Commodity Securities are being made available by the Issuer for subscription only to Authorised Participants. Only Authorised Participants may apply for and/or redeem Short and Leveraged Commodity Securities (except that a Security Holder who is not an Authorised Participant may request redemption of Short or Leveraged Commodity Securities which it holds in the event that on any given Trading Day there are no Authorised Participants, or as may be announced by the Issuer from time to time in accordance with the conditions) and such Security Holder submits a valid Redemption Form on such day.

Short and Leveraged Commodity Securities are available to be issued in Certificated Form; or in Uncertificated Form in the CREST System. See “CREST” below.

Passporting

The Issuer has requested the FSA to provide the competent authority in Austria, the *Österreichische Finanzmarktaufsicht* (Austrian Financial Market Authority), the competent authority in Denmark, the *Finanstilsynet* (Financial Supervisory Authority), the competent authority in Finland, the *Finanssivalvonta* (Finnish Financial Supervisory Authority), the competent authority in France, the *Autorité des Marchés Financiers* (Authority for the Financial Markets), the competent authority in Germany, the *Bundesanstalt für Finanzdienstleistungsaufsicht* (the Federal Financial Supervisory Authority), the competent authority in Italy, the *Commissione Nazionale per le Società e la Borsa* (CONSOB), the competent authority in the Netherlands, the *Autoriteit Financiële Markten* (Authority for the Financial Markets), the competent authority in Portugal, the *Comissão do Mercado de Valores Mobiliários* (Portuguese Securities Market Commission), the competent authority in Spain, the *Comisión Nacional del Mercado de Valores* (Securities Market Commission), the competent authority in Sweden, *Finansinspektionen* (Financial Supervisory Authority), the competent authority in Ireland, the Central Bank of Ireland, and the competent authority in Norway, the *Kredittilsynet* (Norwegian Financial Supervision Authority), with certificates of approval attesting that this Prospectus has been drawn up in accordance with Directive 2003/71/EC.

The Issuer may request the FSA to provide competent authorities in other EEA Member States with such certificates whether for the purposes of making a public offer in such Member States or for admission to trading of all or any Short and Leveraged Commodity Securities on a regulated market therein or both.

The Short and Leveraged Commodity Securities (other than the BG Securities) have been admitted to listing on the Regulated Market (General Standard) (*Regulierter Markt [General Standard]*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*). The Short and Leveraged Commodity Securities specified in paragraph 18(d) of Part 11 (*Additional Information*) have been admitted to listing on the ETFplus market of Borsa Italiana S.p.A. and all other classes of Short and Leveraged Commodity Securities (other than the BG Securities) have admitted to listing on the ETFplus market of the Borsa Italiana since 9 January 2012.

The ETFS Daily Short Brent Crude Individual Securities and the ETFS Daily Leveraged Brent Crude Individual Securities have been listed on the ETFplus Market of the Borsa Italiana since 30 August 2012.

Procedure for Application

Only Authorised Participants may make an Application. An Authorised Participant who wishes to apply for Short and Leveraged Commodity Securities should complete the Application Form in accordance with the instructions thereon and send it to the Issuer. As described under the heading “Applications and

Redemptions” in Part 3 (*Description of Short and Leveraged Commodity Securities*), the Issuer intends to implement the System for enabling Authorised Participants to make Applications and request Redemptions by means of a secure website in substitution for the lodging of the forms otherwise required by the Facility Agreements, the Authorised Participant Agreements and the Conditions for the purposes of such Applications and Redemptions. Once this System has become effective it is expected that all Applications will be made and all Redemptions will be requested using this system.

For those Applicants who wish to hold their Short or Leveraged Commodity Securities in Certificated Form, certificates in respect of the Short or Leveraged Commodity Securities will be dispatched within 10 Business Days of the Short or Leveraged Commodity Securities being issued. For those Applicants who desire to hold their Short or Leveraged Commodity Securities in Uncertificated Form, the relevant CREST account will be credited on the day on which the Short or Leveraged Commodity Securities are issued against payment. The Issuer considers it preferable that Short or Leveraged Commodity Securities be held in Uncertificated Form. Notwithstanding any other provision in this document, the Issuer reserves the right to issue any Short or Leveraged Commodity Securities in Certificated Form. In normal circumstances this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST), or on the part of the facilities and/or systems operated by the Registrar in connection with CREST. This right may also be exercised if the correct details (such as participant ID and member account details) are not provided as requested on the Application Form. No temporary documents of title will be issued and, pending despatch of security certificates, transfers will be certified against the register.

By completing and delivering an Application Form or lodging an Application order through the System the Applicant confirms and agrees that:

- (a) it is not relying on any information or representation other than such as may be contained in this document;
- (b) no person responsible solely or jointly for this document or any part of it shall have any liability for any information or representation not contained in this document;
- (c) it is an Authorised Person, an Exempt Person or an Overseas Person;
- (d) it understands that Short and Leveraged Commodity Securities are direct, limited recourse obligations of the Issuer alone; and
- (e) it understands that the obligations of the Issuer under Short and Leveraged Commodity Securities are not guaranteed by UBS or any member of the UBS Group, MLCI, BAC or any other member of the BAC Group or any other Commodity Contract Counterparty or Guarantor.

Further details on new issues are set out in Part 3 (*Description of Short and Leveraged Commodity Securities*).

Subscription for Commodity Securities

All Application Moneys for Short and Leveraged Commodity Securities must be paid through CREST in accordance with the procedures set out in the Application Form.

Short and Leveraged Commodity Securities in respect of which the Application has been made will not be issued unless the Commodity Contracts created and to be paid for with the Application Moneys for that Application are in force.

Settlement

CREST

The Issuer is a participating issuer in, and the Short and Leveraged Commodity Securities are participating securities in, CREST, a paperless multi-currency electronic settlement procedure enabling securities (including debt securities) to be evidenced otherwise than by written instrument, and transferring such securities electronically with effective delivery versus payment. Accordingly, to the extent that the Short and Leveraged Commodity Securities are issued in Uncertificated Form, settlement of transactions in the Short and Leveraged Commodity Securities will take place within the CREST system.

Settlement and Delivery on the Frankfurt Stock Exchange (Frankfurter Wertpapierbörse)

For the purpose of good delivery of the Short and Leveraged Commodity Securities on the Frankfurt Stock Exchange, Clearstream Banking Aktiengesellschaft (“**Clearstream**”) will issue, for each class and the relevant number of Short and Leveraged Commodity Securities, a Global Bearer Certificate (each a “**Global Bearer Certificate**”) in the German language created under German law (“**Collective Safe Custody**”). The Global Bearer Certificates will have the following German ISIN Codes:

Type of Global Bearer Certificate	ISIN
ETFS Daily Short Aluminium	DE000AOV9XT2
ETFS Daily Short Cocoa	DE000AOV9YF9
ETFS Daily Short Coffee	DE000AOV9XU0
ETFS Daily Short Copper	DE000AOV9XV8
ETFS Daily Short Corn	DE000AOV9XW6
ETFS Daily Short Cotton	DE000AOV9XX4
ETFS Daily Short Crude Oil	DE000AOV9XY2
ETFS Daily Short Gasoline	DE000AOV9XZ9
ETFS Daily Short Gold	DE000AOV9X09
ETFS Daily Short Heating Oil	DE000AOV9X17
ETFS Daily Short Lead	DE000AOV9YC6
ETFS Daily Short Lean Hogs	DE000AOV9X25
ETFS Daily Short Live Cattle	DE000AOV9X33
ETFS Daily Short Natural Gas	DE000AOV9X41
ETFS Daily Short Nickel	DE000AOV9X58
ETFS Daily Short Platinum	DE000AOV9YD4
ETFS Daily Short Silver	DE000AOV9X66
ETFS Daily Short Soybean Oil	DE000AOV9X74
ETFS Daily Short Soybeans	DE000AOV9X82
ETFS Daily Short Sugar	DE000AOV9X90
ETFS Daily Short Tin	DE000AOV9YE2
ETFS Daily Short Wheat	DE000AOV9YA0
ETFS Daily Short Zinc	DE000AOV9YB8
ETFS Daily Short Agriculture DJ-UBSCI SM	DE000AOV9XH7
ETFS Daily Short All Commodities DJ-UBSCI SM	DE000AOV9XJ3
ETFS Daily Short Energy DJ-UBSCI SM	DE000AOV9XK1
ETFS Daily Short Ex-Energy DJ-UBSCI SM	DE000AOV9XL9
ETFS Daily Short Grains DJ-UBSCI SM	DE000AOV9XM7
ETFS Daily Short Industrial Metals DJ-UBSCI SM	DE000AOV9XN5
ETFS Daily Short Livestock DJ-UBSCI SM	DE000AOV9XP0
ETFS Daily Short Petroleum DJ-UBSCI SM	DE000AOV9XQ8
ETFS Daily Short Precious Metals DJ-UBSCI SM	DE000AOV9XR6
ETFS Daily Short Softs DJ-UBSCI SM	DE000AOV9XS4
ETFS Daily Leveraged Aluminium	DE000AOV9YS2
ETFS Daily Leveraged Cocoa	DE000AOV9ZE9
ETFS Daily Leveraged Coffee	DE000AOV9YT0
ETFS Daily Leveraged Copper	DE000AOV9YU8
ETFS Daily Leveraged Corn	DE000AOV9YV6
ETFS Daily Leveraged Cotton	DE000AOV9YW4
ETFS Daily Leveraged Crude Oil	DE000AOV9YX2
ETFS Daily Leveraged Gasoline	DE000AOV9YY0
ETFS Daily Leveraged Gold	DE000AOV9YZ7
ETFS Daily Leveraged Heating Oil	DE000AOV9Y08
ETFS Daily Leveraged Lead	DE000AOV9ZB5
ETFS Daily Leveraged Lean Hogs	DE000AOV9Y16
ETFS Daily Leveraged Live Cattle	DE000AOV9Y24
ETFS Daily Leveraged Natural Gas	DE000AOV9Y32
ETFS Daily Leveraged Nickel	DE000AOV9Y40

Type of Global Bearer Certificate	ISIN
ETFS Daily Leveraged Platinum	DE000AOV9ZC3
ETFS Daily Leveraged Silver	DE000AOV9Y57
ETFS Daily Leveraged Soybean Oil	DE000AOV9Y65
ETFS Daily Leveraged Soybeans	DE000AOV9Y73
ETFS Daily Leveraged Sugar	DE000AOV9Y81
ETFS Daily Leveraged Tin	DE000AOV9ZD1
ETFS Daily Leveraged Wheat	DE000AOV9Y99
ETFS Daily Leveraged Zinc	DE000AOV9ZA7
ETFS Daily Leveraged Agriculture DJ-UBSCI SM	DE000AOV9YG7
ETFS Daily Leveraged All Commodities DJ-UBSCI SM	DE000AOV9YH5
ETFS Daily Leveraged Energy DJ-UBSCI SM	DE000AOV9YJ1
ETFS Daily Leveraged Ex-Energy DJ-UBSCI SM	DE000AOV9YK9
ETFS Daily Leveraged Grains DJ-UBSCI SM	DE000AOV9YL7
ETFS Daily Leveraged Industrial Metals DJ-UBSCI SM	DE000AOV9YM5
ETFS Daily Leveraged Livestock DJ-UBSCI SM	DE000AOV9YN3
ETFS Daily Leveraged Petroleum DJ-UBSCI SM	DE000AOV9YP8
ETFS Daily Leveraged Precious Metals DJ-UBSCI SM	DE000AOV9YQ6
ETFS Daily Leveraged Softs DJ-UBSCI SM	DE000AOV9YR4

A non-binding English language translation of the conditions of the Global Bearer Certificates is set out in Part 9 (*Global Bearer Certificates*) and the definitive German language text is annexed hereto in Annexes 1 and 2.

For each Global Bearer Certificate, the relevant number and class of the Short and Leveraged Commodity Securities will be registered in the name of Vidacos Nominees Limited, London, England (the “**Nominee**”) in the relevant Register of Security Holders and credited to a separate safe custody account of Clearstream with Citibank N.A., London, England (the “**Custodian**”). The safe custody account assigned to the Short and Leveraged Commodity Securities (the “**Safe Custody Account**”) of each class will be designated “Clearstream Banking Aktiengesellschaft (Clearstream) — Special Safe Custody Account for ETFS Short and Leveraged Commodity Securities Global Bearer Certificate —” followed by the name of the class of Short and Leveraged Commodity Security concerned as set out in Annex 2.

In accordance with the conditions governing each Global Bearer Certificate:

- each co-owner thereof will be entitled, at his expense, to demand at any time that Clearstream arrange for the registration of the co-owner or a third party designated by him, in the relevant Register of Security Holders of the number and class of Short and Leveraged Commodity Securities corresponding to his co-ownership share or any portion thereof in the Global Bearer Certificate of the same class; and
- any registered holder of Short and Leveraged Commodity Securities of any relevant class will be entitled, at his expense, to have his Short and Leveraged Commodity Securities delivered to the Custodian for crediting to the Safe Custody Account against a corresponding co-ownership share in the Global Bearer Certificate.

Whenever the number of Short or Leveraged Commodity Securities represented by the Global Bearer Certificate of any class changes (as a result, for example, of deliveries to the Safe Custody Account, withdrawals from the Safe Custody Account or issues or redemptions of Short or Leveraged Commodity Securities), Clearstream will amend the relevant Global Bearer Certificate accordingly.

Unless otherwise agreed, the Issuer will treat the Nominee as one single security holder so far as fractional rights and entitlements are concerned.

Cash Payments and Exercise of Subscription Rights and Other Rights: Cash payments are credited to Clearstream’s cash account with the Custodian and paid by Clearstream to the respective co-owners. Any subscription rights or other rights and any fractional rights relating to the Short and Leveraged Commodity Securities in the Safe Custody Account will be held by Clearstream at the disposal of HSBC Trinkaus & Burkhardt AG (the “**Bank**”). Upon the request of the Bank, Clearstream will give instructions to the Custodian for the exercise, purchase or sale of such subscription rights, other rights or fractional rights. In case of any flow of cash amounts resulting out of such transactions, Clearstream will without

delay inform the Bank by fax of the net proceeds or the net costs, respectively, and the related value date. The net proceeds or the net costs, respectively, must be credited or debited to the Bank's cash account with Clearstream or as otherwise agreed between Clearstream and the Bank.

Clearstream Banking AG: Clearstream is a company that was incorporated on 12 July 1949 in Frankfurt under the laws of the Federal Republic of Germany. Clearstream is a regulated credit institution under the German Banking Act and licensed as the German Central Securities Depository pursuant to the German Securities Deposit Act, i.e. a professional depository that holds securities for its customers and facilitates the clearance and settlement of securities transactions among them through electronic book-entry transfers between their accounts, thereby eliminating the need for physical movement of the securities. Clearstream also provides other services to its customers, including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Clearstream's customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations.

Clearstream conducts its business in the legal form of a German stock corporation (*Aktiengesellschaft*), registered in the commercial register at the local court in Frankfurt under number HRB 7500, and with registered office at Neue Börsenstraße 1, D60487 Frankfurt am Main, Federal Republic of Germany.

Supply and Inspection of Documents in Germany

For the duration of the Programme or so long as any Short and Leveraged Commodity Securities remain outstanding, copies of this Prospectus (or any replacement prospectus), the German translation of the summary thereto and all financial information as well as the contracts required to be disclosed by the Issuer pursuant to the applicable rules will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Bank, and a copy of the documents referred above may be requested by contacting the Bank.

Settlement and Delivery on the ETFplus Market of Borsa Italiana S.p.A.

All Short and Leveraged Commodity Securities traded on Borsa Italiana S.p.A. will be recorded in the Register in the name of Monte Titoli S.p.A. and held beneficially for persons who have bought through Borsa Italiana S.p.A. For those persons, Monte Titoli S.p.A. will maintain its own record of holders ("**Italian sub-register**"). All Short and Leveraged Commodity Securities traded on Borsa Italiana S.p.A. are eligible for settlement through the normal Monte Titoli S.p.A. settlement systems on the deposit accounts opened with Monte Titoli S.p.A. Market makers and other account holders at Monte Titoli S.p.A. will be permitted to transfer securities between the Register and the Italian sub-register and any other sub-registers applicable to other markets to which the Short and Leveraged Commodity Securities may be admitted to trading, and thereby be able to move securities between the London Stock Exchange, such other markets and Borsa Italiana S.p.A.

For the purposes of discharging any obligations under the Short and Leveraged Commodity Securities held through Monte Titoli S.p.A., the Issuer will treat Monte Titoli S.p.A. (or such nominee) as the single security holder of such Short and Leveraged Commodity Securities and the holders recorded in the Italian sub-register must look to Monte Titoli S.p.A. to receive any and all entitlements under such Short and Leveraged Commodity Securities.

Registers

The Registrar will maintain the Registers in Jersey.

UCITS and CIS

The Issuer has received legal advice that Short and Leveraged Commodity Securities do not constitute units in a collective investment scheme. The Issuer has also received legal advice that the Short and Leveraged Commodity Securities are capable of constituting transferable securities and do not give rise to an investment in precious metals or constitute certificates representing precious metals and are therefore capable of being eligible investments for a UCITS Scheme. Prospective investing UCITS Schemes would need to satisfy themselves that an investment in the Short and Leveraged Commodity Securities in their own circumstances would be in line with their investment objectives and comply with relevant parts of the FSA Handbook.

Money Laundering Regulations

The verification of identity requirements of Jersey's anti-money laundering laws and regulations and/ or any subsequent equivalent legislation will apply to the Programme and verification of the identity of the Authorised Participants for Short and Leveraged Commodity Securities may be required. The anti-money laundering laws and regulations of other jurisdictions may also apply to the Programme and verification of the identity of the Authorised Participants.

By lodging an Application Form, or lodging an Application order through the System each Authorised Participant confirms that it is subject to the Money Laundering (Jersey) Order 2008 (as amended from time to time) (in relation to Jersey), the Money Laundering Regulations 2007 (in relation to the UK) and/or any other applicable anti-money laundering laws and regulations and/or undertakes to provide such other evidence of identity as is required by the Issuer at the time of lodging the Application Form or order, or, at the absolute discretion of the Issuer, at such specified time thereafter as may be requested to ensure compliance with the Money Laundering (Jersey) Order 2008, the Money Laundering Regulations 2007 and/or any other applicable legislation.

The secretary is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any Authorised Participant and whether such requirements have been satisfied. Neither the Issuer nor the Registrar shall be responsible or liable to any person for any loss or damage suffered as a result of the exercise of their discretion hereunder.

No Application will be accepted by the Issuer unless evidence of such Authorised Participant's identity satisfactory to the Issuer and its agents is provided.

PART 6

TRUST INSTRUMENT AND SHORT AND LEVERAGED COMMODITY SECURITIES

The issue of Short and Leveraged Commodity Securities of the Issuer (each having the Principal Amount stated in paragraph 5 of Part 11 (*Additional Information*)) having an aggregate Principal Amount of up to US\$1,000,000,000, of any of the classes described in this Prospectus (other than the BG Securities), was authorised pursuant to a resolution of the Board passed on 24 January 2008 and the Short and Leveraged Commodity Securities are constituted by a Trust Instrument dated 8 February 2008, as amended by supplemental trust instruments dated 8 October 2008, 11 December 2008, 29 June 2009, 7 August 2009, 13 January 2010, 14 March 2011, 22 December 2011, an eighth supplemental trust instrument dated 26 January 2012 and a ninth supplemental trust instrument dated 14 December 2012 (together, the “**Trust Instrument**” which expression includes further deeds or documents supplemental thereto from time to time), which is governed by Jersey law between the Issuer and The Law Debenture Trust Corporation p.l.c. (the “**Trustee**”) (as amended) and in each case secured by a security deed governed by English Law dated 8 February 2008 between the Issuer and the Trustee, as amended.

Under the terms of the Trust Instrument the Trustee may (subject to certain conditions) delegate all or any of its trusts, rights, powers, authorities, duties and discretions in respect of the Short and Leveraged Commodity Securities upon such terms and subject to such conditions and regulations as the Trustee may in the interests of the Security Holders think fit.

The issue of up to 1,000,000,000 in number of BG Securities of each class of the Issuer (each having the Principal Amount stated in paragraph 5 of Part 11 (*Additional Information*)) was authorised pursuant to a resolution by the Board passed on 8 December 2011 and such securities of each class are constituted by the Trust Instrument and in each case secured by a security deed relating to the relevant Pool governed by English law dated 8 December 2011 between the Issuer and the Trustee.

The following are the Conditions applicable to all types of Short and Leveraged Commodity Securities:

“The Conditions

The Short and Leveraged Commodity Securities are undated, limited recourse, secured debt securities of ETFS Commodity Securities Limited and are constituted by, are issued subject to and have the benefit of, a trust instrument dated 8 February 2008 between the Issuer and The Law Debenture Trust Corporation p.l.c. as trustee for the holders of Short and Leveraged Commodity Securities as amended by a supplemental trust instrument dated 8 October 2008, a second supplemental trust instrument dated 11 December 2008, a third supplemental trust instrument dated 29 June 2009, a fourth supplemental trust instrument dated 7 August 2009, a fifth supplemental trust instrument dated 13 January 2010, a sixth supplemental trust instrument dated 14 March 2011, a seventh supplemental trust instrument dated 22 December 2011, an eighth supplemental trust instrument dated 26 January 2012 and a ninth supplemental trust instrument dated 14 December 2012 governed by Jersey law.

The Security Holders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of, all the provisions of the Trust Instrument and the Security Deeds (each as defined below) and the Conditions set out below.

1. DEFINED TERMS AND INTERPRETATION

1.1 In these Conditions, the following words and expressions have the following meanings:

Acceptable Credit Rating means a long term senior debt credit rating of at least BBB+ from Standard & Poor's Rating Services, a division of the McGraw-Hill Companies Inc. (or any successor to the ratings business thereof), and of at least Baa1 from Moody's Investors Service Inc. (or any successor to the ratings business thereof);

Affiliate means, in relation to any person, any entity controlled, directly or indirectly, by that person, any entity that controls, directly or indirectly, that person, or any entity directly or indirectly under common control with that person; and for this purpose, **control** of any entity or person means ownership of a majority of the voting power of the entity or person;

Agreed Pricing has the meaning given in Condition 7.1(b);

Agreed Redemption Form means a notice in the form prescribed from time to time by the Issuer requesting Redemption of Short and Leveraged Commodity Securities using Agreed Pricing;

Applicable Date means the date of the ninth supplemental trust instrument between the Issuer and the Trustee expressed to be supplemental to the Trust Instrument;

Authorised Participant means a person which has entered into an Authorised Participant Agreement with the Issuer in relation to Short and Leveraged Commodity Securities and (except in the case of a Commodity Contract Counterparty which has entered into an Authorised Participant Agreement with the Issuer) has entered into a corresponding Direct Agreement with at least one Commodity Contract Counterparty, and which is not an Unacceptable Authorised Participant in respect of that Commodity Contract Counterparty, *provided that* no person shall be an Authorised Participant in respect of a Commodity Contract Counterparty unless and until the Security Conditions (if any) with respect to the Authorised Participant and that Commodity Contract Counterparty shall have been satisfied and *provided further that* a person can be an Authorised Participant in respect of one Commodity Contract Counterparty but not another;

Authorised Participant Agreement means a written agreement between the Issuer and another person under which such person is appointed to act as an “Authorised Participant”, distribution agent or in a substantially similar function in relation to Short and Leveraged Commodity Securities and if such agreement is subject to conditions precedent, provided that such conditions have been satisfied;

Business Day means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in both London and New York;

Calculation Agent means the person from time to time appointed by the Issuer and each Commodity Contract Counterparty for the purposes referred to in Condition 14;

Capital Adjustment means an adjustment factor to be included in the calculation of the Price which is agreed from time to time by a Commodity Contract Counterparty and the Issuer;

Certificated or **Certificated Form** means not in Uncertificated Form;

CIP means “Commodity Index Percentage” as defined in the Handbook from time to time;

class means a class of Short Commodity Securities or Leveraged Commodity Securities under which the Issuer’s obligations to make payment, and the corresponding class of Commodity Contracts under which any Commodity Contract Counterparty’s obligations to make payment, are determined by reference to a particular Commodity Index;

Classic and Longer Dated Facility Agreements means the agreements entitled “Facility Agreement relating to Classic and Longer Dated Commodity Contracts” between the Issuer and different persons defined for the purposes of the Classic and Longer Dated Trust Instrument as Commodity Contract Counterparties providing for the creation and termination of Commodity Contracts (as defined for the purposes of the Classic and Longer Dated Trust Instrument), including such an agreement between the Issuer and UBS dated 5 August 2009 (*the UBS Classic and Longer Dated Facility Agreement*) and such an agreement between the Issuer and MLCI dated 14 March 2011 (*the MLCI Classic and Longer Dated Facility Agreement*);

Classic and Longer Dated Securities means the securities of the Issuer known as Classic and Longer Dated Securities constituted by the Classic and Longer Dated Trust Instrument as more fully described in the prospectus of the Issuer dated on or about the Applicable Date;

Classic and Longer Dated Trust Instrument means the trust instrument between the Issuer and the Trustee dated 21 September 2006 as amended as at the date of the Trust Instrument and as may be amended further from time to time;

Collateral means all Posted Collateral as defined in any Security Agreement to the extent attributable to the obligations of a Commodity Contract Counterparty under a Facility Agreement;

Commodity Contract means in relation to Short or Leveraged Commodity Securities of a particular class, a contract between the Issuer and a Commodity Contract Counterparty created in accordance with a Facility Agreement and giving rise to matching rights and obligations to such Short or Leveraged Commodity Securities;

Commodity Contract Counterparty means the counterparty to each Facility Agreement with the Issuer, and for so long as the UBS Facility Agreement remains in force includes UBS and for so long as the MLCI Facility Agreement remains in force includes MLCI;

Commodity Contract Termination means the termination of Commodity Contracts by a Commodity Contract Counterparty in accordance with a Facility Agreement;

Commodity Index means an Individual Commodity Index or a Composite Commodity Index, as appropriate, and "**Commodity Indices**" means all of them and in relation to a class of Short or Leveraged Commodity Securities (and the corresponding class of Commodity Contracts) means the Commodity Index specified in relation to such class in the Sixth Schedule (*Classes of Short and Leveraged Commodity Securities*) to the Trust Instrument;

Composite Commodity Index means an index for a group of commodities (which may change from time to time with respect to such index), as calculated by Dow Jones in conjunction with UBS Securities and published by Dow Jones from time to time;

Compulsory Daily Pricing Number means, in respect of a Compulsory Redemption and a class of Short or Leveraged Commodity Securities, the number of outstanding Short or Leveraged Commodity Securities of the relevant class which, in relation to each Pricing Day on which Short and Leveraged Commodity Securities of that class are required to be priced under the relevant Facility Agreement, shall be:

- (a) if the Compulsory Redemption Number is not more than the Redemption Limit (in each case for the class), the Compulsory Redemption Number;
- (b) if the Compulsory Redemption Number is equal to or more than five times the Redemption Limit, 20 per cent. of the Compulsory Redemption Number; and
- (c) otherwise, the amount shall be the Redemption Limit on the first and on each consecutive Pricing Day thereafter except on the last Pricing Day when the amount shall be the Compulsory Redemption Number minus the sum of the Compulsory Number Priced on each preceding Pricing Day for that class in relation to that Compulsory Redemption;

Compulsory Number Priced means in respect of a Pricing Day and a class of Short or Leveraged Commodity Securities, the Compulsory Daily Pricing Number; provided that where the Compulsory Redemption Date is notified in accordance with Condition 8.6 the Compulsory Number Priced in respect of a class of Short or Leveraged Commodity Securities for any Pricing Day shall be reduced by the number of Short or Leveraged Commodity Securities of that class which are subject to a Redemption Form submitted in respect of that Pricing Day and, if such reduction would result in a negative number, that negative number shall be carried forward and applied to reduce the Compulsory Number Priced for the next following Pricing Day and any negative number on the last Pricing Day will be ignored;

Compulsory Redemption means a Redemption of Short or Leveraged Commodity Securities in accordance with Condition 8.13;

Compulsory Redemption Date means a date notified in accordance with Conditions 8.1, 8.2, 8.5, 8.6, 8.7, 8.8 or 8.9;

Compulsory Redemption Number means in respect of a Compulsory Redemption Date and a class of Short or Leveraged Commodity Securities, where such Compulsory Redemption Date is notified in accordance with:

- (a) Conditions 8.1, 8.2, 8.7 or 8.8, the total number of Short or Leveraged Commodity Securities of that class outstanding as at the end of the Business Day immediately preceding the Compulsory Redemption Date;

- (b) Condition 8.5, provided that the Commodity Index relates to that class, the total number of Short or Leveraged Commodity Securities of that class outstanding as at the end of the Business Day immediately preceding the Compulsory Redemption Date;
- (c) Condition 8.6, the number of that class of outstanding Short or Leveraged Commodity Securities in respect of which notice was given by the Issuer in accordance with Condition 8.6 (unless Condition 7.18(d) applies, in which case it means all the Short or Leveraged Commodity Securities of that class outstanding as at the end of the Business Day immediately preceding the Compulsory Redemption Date); and
- (d) Condition 8.9, the number of Short or Leveraged Commodity Securities of that class in respect of which notice was given by the Issuer in accordance with Condition 8.9 with respect to the Security Holder in question;

Conditions means these terms and conditions on and subject to which Short and Leveraged Commodity Securities are issued;

Control Agreement means in relation to any Security Agreement the Control Agreement as defined in such Security Agreement;

Controller means, in relation to any company, a person who:

- (a) holds 10 per cent. or more of the shares in such company;
- (b) is able to exercise significant influence over the management of such company by virtue of his shareholdings in such company;
- (c) holds 10 per cent. or more of the shares in a parent undertaking of such company;
- (d) is able to exercise significant influence over the management of the parent undertaking of such company;
- (e) is entitled to exercise, or control the exercise of, 10 per cent. or more of the voting power in such company;
- (f) is able to exercise significant influence over the management of such company by virtue of his voting power in such company;
- (g) is entitled to exercise, or control the exercise of, 10 per cent. or more of the voting power in the parent undertaking of such company; or
- (h) is able to exercise significant influence over the management of the parent undertaking of such company by virtue of his voting rights;

Counterparty Event of Default means:

- (a) the failure of any Commodity Contract Counterparty to make a payment it is due to make in respect of a Commodity Contract Termination in accordance with the relevant Facility Agreement, where such failure is not rectified within five Business Days following the day on which the Commodity Contract Counterparty receives notice of the failure sent by the Issuer, or being in any other breach of the Facility Agreement provided that such breach (if capable of being rectified) is not rectified within (5) five Business Days of the Commodity Contract Counterparty receiving written notice from the Issuer of such breach;
- (b) any Guarantor failing to pay an amount due under the relevant Guarantee, when due;
- (c) any Commodity Contract Counterparty or Guarantor suffering an Insolvency Event; or
- (d) the expiration or termination of any Guarantee (other than where a replacement guarantee (or other form of credit support) acceptable to the Issuer and the Trustee in their sole discretion is provided to the Issuer in lieu of a Guarantee upon or prior to such expiration or termination) or the failing or ceasing of a Guarantee to be in full force and effect for the purpose of the relevant Facility Agreement, in each case other than in accordance with its terms, prior to the satisfaction of all obligations of a Commodity Contract Counterparty under the Facility Agreement to which such Guarantee relates and without the written

consent of the Issuer (and this paragraph (d) shall apply *mutatis mutandis* to any replacement guarantee (or other form of credit support));

- (e) in the case of a Commodity Contract Counterparty that is a party with the Issuer to a Classic and Longer Dated Facility Agreement, a Counterparty Default (as defined in such Classic and Longer Dated Facility Agreement) shall have occurred under such Classic and Longer Dated Facility Agreement; or
- (f) in the case of a Commodity Contract Counterparty that is a party with the Issuer to a Security Agreement, the occurrence of any Security Agreement Event falling within the definition of Counterparty Default in the relevant Facility Agreement;

CREST means the system of paperless settlement of transfers and the holding of securities in Uncertificated Form administered by Euroclear UK & Ireland Limited;

Default Rate means a rate per annum of interest equal to LIBOR plus 2 per cent., compounding daily;

Defaulted Obligation means the failure of the Issuer to make or procure any payment in respect of the Redemption of any Short or Leveraged Commodity Securities when due, and such failure is not remedied within 48 hours of receipt of notice requiring remedy of the same provided that if the amount paid by a Commodity Contract Counterparty under the terms of a Facility Agreement in respect of a Commodity Contract Termination as a result of such Redemption is subject to any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any relevant jurisdiction or any political sub-division thereof or any authority thereof having power to tax, as required by law (as modified by the practice of any relevant governmental revenue authority) then in effect, and that Commodity Contract Counterparty is not obliged under that Facility Agreement to make any additional payment in respect of the withholding or deduction and the net amount is so paid or procured to be paid by the Issuer in respect of that Redemption, that shall not be a Defaulted Obligation;

Direct Agreement means an agreement entered into between a Commodity Contract Counterparty and an Authorised Participant or a person proposed by the Issuer to become an Authorised Participant;

DJ-UBS CISM means the Dow Jones — UBS Commodity IndexSM calculated by UBS Securities in conjunction with Dow Jones, and published by Dow Jones;

Dow Jones means Dow Jones & Company, Inc. and/or CME Group Index Services LLC and/or the Affiliate of any of them;

ETFS Short and Leveraged Commodity Securities and **Short and Leveraged Commodity Securities** means Short Commodity Securities and Leveraged Commodity Securities and **ETFS Short or Leveraged Commodity Securities** or **Short or Leveraged Commodity Securities** means any of them;

Extraordinary Resolution means in respect of one or more classes of Short or Leveraged Commodity Securities either (a) a resolution passed at a meeting of the holders of the Short or Leveraged Commodity Securities of such class or classes duly convened and held in accordance with the provisions contained in the Trust Instrument and carried by a majority consisting of not less than 75 per cent. in number of the persons voting thereat upon a show of hands or, if a poll is duly demanded, by a majority consisting of the holders of not less than 75 per cent. by Principal Amount of the Short or Leveraged Commodity Securities of such class or classes voting on such poll or (b) a resolution in writing of holders of the Short or Leveraged Commodity Securities of such class or classes holding not less than 75 per cent. by Principal Amount of the Short or Leveraged Commodity Securities of such class or classes;

Facility Agreements means the agreements entitled “Facility Agreement relating to Short and Leveraged Commodity Contracts” between the Issuer and different Commodity Contract Counterparties providing for the creation and termination of Commodity Contracts thereunder, including such an agreement between the Issuer and UBS dated 5 August 2009 (the **UBS**

Facility Agreement) and such an agreement between the Issuer and MLCI dated 14 March 2011 (the **MLCI Facility Agreement**);

FSA means the Financial Services Authority of the United Kingdom;

FSMA means the Financial Services and Markets Act 2000;

Funding Rate means a rate per annum of interest equal to LIBOR, compounding daily;

Further Securities means securities issued by the Issuer in accordance with Condition 18.1;

General Notice means any notice given in accordance with these Conditions other than a Pricing Notice;

General Trading Day means a "Business Day" as defined in the Handbook from time to time (and meaning as at the date of the Trust Instrument "any day on which the sum of the CIPs for those Index Commodities that are open for trading is greater than 50 per cent." where "Index Commodities" has the meaning given to it in the Handbook);

Guarantee means in respect of any Commodity Contract Counterparty, any guarantee or other credit support agreement provided by a guarantor or other credit support provider in respect of such Commodity Contract Counterparty's obligations under the relevant Facility Agreement insofar as it relates to the relevant Pool;

Guarantor means in respect of any Commodity Contract Counterparty, any guarantor or other credit support provider who has entered into a Guarantee in respect of such Commodity Contract Counterparty's obligations under the relevant Facility Agreement insofar as it relates to the relevant Pool;

Handbook means the document called "DJ-UBS CISM Handbook" which sets out the methodology for calculation of the DJ-UBS CISM prepared and as amended from time to time by Dow Jones and UBS Securities, a copy of which, as at the Applicable Date, can be obtained from the following address:
http://www.djindexes.com/mdsidx/downloads/ubs/DJUBSCI_handbook.pdf;

Hedging Disruption Event means an event, circumstance or cause that a Commodity Contract Counterparty reasonably and in good faith determines has had or would reasonably be expected to have a materially adverse effect on that Commodity Contract Counterparty's ability to hedge its positions in connection with the relevant Facility Agreement or Commodity Contracts of the relevant class, including, without limitation, any limitation or prohibition associated with acquiring, establishing, re-establishing, substituting, maintaining, unwinding or disposing of any hedging transaction in connection with the relevant Facility Agreement or such Commodity Contracts, in each case whether due to market illiquidity, position limits in respect of any futures contract, illegality, the adoption of or change in any law or other regulatory instrument, lack of availability of hedging transaction market participants or the occurrence or existence of any other circumstance or event;

Indicative Price means, in respect of a particular class of Short or Leveraged Index Security on a calendar day, the value calculated in accordance with Condition 5.5;

Individual Commodity Index means an index for an individual commodity (as adjusted through the addition or removal of other Individual Commodity Indices) as calculated by Dow Jones in conjunction with UBS Securities and published by Dow Jones from time to time;

Insolvency Event means, in relation to a person other than the Issuer, such person (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of

an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts;

Intra-day Price means at any time between 8.00 a.m. and 2.30 p.m. New York Time on a Trading Day in respect of a Commodity Contract, the Price, calculated in accordance with Condition 5, using as $I_{i,t}$ the most recent value of the relevant Commodity Index published as of such time by Dow Jones provided, that (i) if the Calculation Agent reasonably determines that such published value is incorrect, the Calculation Agent shall instead use a special value of the relevant Commodity Index calculated using the most recently reported prices for the futures contracts by reference to the Settlement Price for which that Commodity Index is calculated (in whole or in part), (ii) if the Calculation Agent determines that as the result of a material trading disruption or anomaly the value of any futures contract used in calculating such published value manifestly does not reflect a fair market value for that futures contract having regard to the principles in the Facility Agreement described in Condition 14.3, the Calculation Agent shall instead determine fair market values for such futures contracts having regard to the principles in the Facility Agreement described in Condition 14.3 and calculate a special value of the relevant Commodity Index calculated using such fair market values and (iii) if the Calculation Agent reasonably determines that a Market Disruption Event has occurred with respect to any applicable futures contract, the Calculation Agent shall instead use a special value of the relevant Commodity Index calculated using the most recently reported prices for the relevant futures contracts, if any, that are not subject to a Market Disruption Event and using a fair market value determined in accordance with the principles set out in the Facility Agreement described in Condition 14.3 for the relevant commodity futures that are subject to a Market Disruption Event;

Investment Company Act means the Investment Company Act of 1940 of the U.S.;

Issuer means ETFS Commodity Securities Limited, a company incorporated and registered in Jersey with registered number 90959;

Issuer Business Day means a day which is both a General Trading Day and a London Business Day;

Issuer Insolvency Event means the Issuer (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) has a declaration made against it declaring the assets of the Issuer *en désastre* pursuant to the Bankruptcy (Désastre) (Jersey) Law 1990, as amended; (5) institutes or has instituted against it any other proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (6) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (7) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (8) has a secured party take possession of all or substantially all

its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (9) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (8) (inclusive); or (10) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; *provided that* no action taken by the Trustee in respect of the Issuer shall constitute an Issuer Insolvency Event save where acts of the Trustee fall within one or more of clauses (1) to (9) and are taken in respect of security taken over Commodity Contracts, a Facility Agreement or a Guarantee;

Issuer's Website means the website having the following internet address: [http:// www.etfsecurities.com/csl](http://www.etfsecurities.com/csl) or such other internet address as may be notified to Security Holders and the Trustee by RIS announcement;

Jersey means the Island of Jersey, Channel Islands;

Lead Future means (a) for an Individual Commodity Index and a Trading Day with respect thereto, the particular futures contract which is the "Lead Future" (as defined in the Handbook) for that Individual Commodity Index on that Trading Day and (b) for a commodity comprised in a Composite Commodity Index but which is not the subject of an Individual Commodity Index and a Trading Day with respect thereto, the particular futures contract which is the "Lead Future" (as defined in the Handbook) for that commodity in relation to that Composite Commodity Index on that Trading Day;

Leverage Factor means with respect to each class of Short and Leveraged Commodity Securities the number specified in Condition 5;

Leveraged Commodity Securities means Leveraged Index Securities and Leveraged Individual Securities;

Leveraged Index Security means a Short and Leveraged Commodity Security of a class specified as such in Part D of Schedule 6 (*Classes of Short and Leveraged Commodity Securities*) to the Trust Instrument constituted by the Trust Instrument and recorded on the relevant Register;

Leveraged Individual Security means a Short and Leveraged Commodity Security of a class specified as such in Part C of Schedule 6 (*Classes of Short and Leveraged Commodity Securities*) to the Trust Instrument constituted by the Trust Instrument and recorded on the relevant Register;

Liability means any loss, damage, cost, charge, claim, demand, expense, judgement, action, proceeding or other liability whatsoever (including, without limitation, in respect of Taxes) and including any VAT or similar Tax charged or chargeable in respect thereof and legal and professional fees and expenses on a full indemnity basis, and Liabilities shall be construed accordingly;

LIBOR means, in respect of any date of determination:

- (a) the rate for overnight deposits in U.S. Dollars which appears on the Reuters LIBOR01 page (or any successor page) as of 11:00 a.m. on the day that is two London Business Days preceding such date of determination; or
- (b) in the event of the unavailability of the Reuters LIBOR01 page (or any successor page), the rate for such determination date will be determined on the basis of the rates at which deposits in US Dollars are offered by four major banks in the London interbank market ("**Reference Banks**") at approximately 11:00 a.m. on the day that is two London Business Days preceding the relevant determination date to prime banks in the London interbank market for overnight deposits commencing on that date and in an amount (a "**Representative Amount**") that is representative for a single transaction in the relevant market at the relevant time. The Issuer will request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the rate for such date will be the arithmetic mean of the quotations. If fewer than

two quotations are provided as requested, the rate for such determination date will be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Issuer, at approximately 11:00 a.m., New York City time, on such determination date for loans in US Dollars to leading European banks for overnight deposits commencing on the determination date and in a Representative Amount;

Listing means the admission of a particular class of Short or Leveraged Commodity Securities to the Official List in accordance with the Listing Rules and admission of a particular class of Short or Leveraged Commodity Securities to trading on the London Stock Exchange's market for listed securities (or any of such markets if the London Stock Exchange has at any time more than one such market) becoming effective;

Listing Failure means the refusal of the UK Listing Authority to admit to the Official List any Short or Leveraged Commodity Securities issued or to be issued under the Programme;

Listing Failure Date means the day which was or would have been the date on which payment would have been made for Commodity Contracts pursuant to the terms of the relevant Facility Agreement corresponding to the Short or Leveraged Commodity Securities in respect of which a Listing Failure has occurred;

Listing Rules means the Listing Rules of the UK Listing Authority from time to time, made under section 73A of the FSMA;

London Business Day means a day (other than a Saturday or a Sunday) on which banks are open for the transaction of general business in London;

London Stock Exchange means London Stock Exchange plc or its market for listed securities (or any of such markets if the London Stock Exchange has at any time more than one such market), as the context may require;

Market Disruption Day means:

- (i) in respect of an Individual Commodity Index, a General Trading Day which is a Trading Day for that Individual Commodity Index on which a Market Disruption Event occurs or is continuing in the Relevant Market on the Relevant Exchange for that Individual Commodity Index;
- (ii) in respect of a Composite Commodity Index, a General Trading Day which is a Trading Day in respect of each futures contract by reference to the Settlement Price for which that Composite Commodity Index is calculated (in whole or in part) but on which a Market Disruption Event occurs or is continuing in the Relevant Market on the Relevant Exchange for any such futures contract;
- (iii) in respect of a futures contract the Settlement Price for which is included in the calculation of a Commodity Index, a General Trading Day which is a Trading Day for that futures contract and on which a Market Disruption Event occurs or is continuing in the Relevant Market on the Relevant Exchange on which that futures contract is traded; or
- (iv) in respect of a commodity in connection with a Commodity Index (or class of Short or Leveraged Commodity Securities), a Market Disruption Day for a futures contract in respect of that commodity the Settlement Price for which is included in the calculation of that Commodity Index (or the Commodity Index relating to that class of Short or Leveraged Commodity Securities);

Market Disruption Event means:

- (a) in respect of a particular Individual Commodity Index, any of the following events:
 - (i) the Relevant Exchange fails to determine, announce or publish the relevant Settlement Price(s); or
 - (ii) the termination or suspension of, or material limitation or disruption in the trading of, any Lead Future or Next Future used in the calculation of an Individual Commodity Index; or

- (iii) the Settlement Price of the Lead Future or Next Future used in the calculation of the Individual Commodity Index reflects the maximum permitted price change (as set from time to time by the Relevant Exchange for that Lead Future or Next Future) from the previous day's Settlement Price; and
- (b) in respect of any Composite Commodity Index means any event described in paragraphs (a)(i), (ii) or (iii) of this definition in relation to any futures contract the Settlement Price for which is included in the calculation of that Composite Commodity Index (and, for such purposes, references in sub-paragraphs (a)(ii) and (iii) of this definition to "any Lead Future or Next Future used in the calculation of an Individual Commodity Index" shall be construed, in relation to a commodity comprised in a Composite Commodity Index, as references to the Lead Future or Next Future with respect to that commodity the Settlement Price of which is used in the calculation of that Composite Commodity Index); and
- (c) in respect of a commodity in connection with a Commodity Index (or a class of Short or Leveraged Commodity Securities), any event described in sub-paragraph (a)(i), (ii) or (iii) of this definition in relation to the futures contract in respect of that commodity the Settlement Price of which is included in the calculation of that Commodity Index (or the Commodity Index relating to that class of Short or Leveraged Commodity Securities) (and, for such purposes, references in sub-paragraphs (a)(ii) and (iii) of this definition to "any Lead Future or Next Future used in the calculation of an Individual Commodity Index" shall be construed, in relation to such commodity, as references to the Lead Future or Next Future with respect to that commodity used in the calculation of that Composite Commodity Index (or the Commodity Index relating to that class of Short or Leveraged Commodity Securities)),

in each case as determined by the Calculation Agent for the purposes of one or more Facility Agreements;

MLCI means Merrill Lynch Commodities, Inc., a corporation established under the laws of the State of Delaware, United States and whose principal place of business is at 20 East Greenway Plaza, Ste 700, Houston, Texas 77046, USA;

month means calendar month;

New York Business Day means a day (other than a Saturday or a Sunday) on which banks are open for the transaction of general business in New York;

Next Future means (a) for an Individual Commodity Index and a Trading Day with respect thereto, the particular futures contract which is the "Next Future" (as defined in the Handbook) for that Individual Commodity Index on that Trading Day and (b) for a commodity comprised in a Composite Commodity Index but which is not the subject of an Individual Commodity Index and a Trading Day with respect thereto, the particular futures contract which is the "Next Future" (as defined in the Handbook) for that commodity in relation to that Composite Commodity Index on that Trading Day;

Notice Deadline means, on a General Trading Day, the earlier of 2.30 p.m. or such other time determined by the Issuer as the Notice Deadline in respect of a particular General Trading Day or generally;

Official List means the official list maintained by the UK Listing Authority for the purpose of Part VI of FSMA;

outstanding means in relation to each class of Short or Leveraged Commodity Securities, all the Short or Leveraged Commodity Securities of that class issued and in respect of which there is for the time being an entry in the Register other than:

- (a) Short or Leveraged Commodity Securities which have been redeemed and cancelled pursuant to the Trust Instrument; and
- (b) Short or Leveraged Commodity Securities which have been purchased and cancelled pursuant to the Trust Instrument;

provided that for the purpose of the right to attend and vote at any meeting of the Security Holders or any of them and certain other purposes of the Trust Instrument, Short or Leveraged Commodity Securities (if any) which are for the time being held by, for the benefit of, or on behalf of, (A) the Issuer, (B) a Commodity Contract Counterparty, (C) ETFS Securities Limited or a Guarantor, (D) any subsidiary of the Issuer or of a Commodity Contract Counterparty, (E) any individual Controller of the Issuer or Guarantor or (F) any person controlled by any such persons listed in (A) to (E) above shall (unless and until ceasing to be so held) be deemed not to remain outstanding and accordingly the holders of such Short and Leveraged Commodity Securities shall be deemed not to be Security Holders;

Pool means a separate fund or pool to which Short or Leveraged Commodity Securities of a particular class are attributable;

Price means the price determined in accordance with Condition 5 and **Pricing** (other than when used in the terms Pricing Date and Pricing Day) shall be construed accordingly;

Pricing Date means:

- (a) in the case of an Agreed Redemption Form, the day upon which that form is deemed to have been received by the Issuer; or
- (b) in the case of a Settlement Redemption Form, the Pricing Day upon which the Redemption Amount is determined;

Pricing Day means:

- (a) for each class of Short or Leveraged Individual Securities, a General Trading Day which is a Trading Day for the Individual Commodity Index applicable to that class of Short or Leveraged Commodity Securities that is not a Market Disruption Day for that Individual Commodity Index (other than a Market Disruption Day for which a substitute value for that Individual Commodity Index is determined by the Calculation Agent in accordance with the provisions of the Facility Agreements);
- (b) for each class of Short or Leveraged Index Securities, a General Trading Day which is a Trading Day for each of the futures contracts by reference to the Settlement Price for which the Composite Commodity Index relating to that class of Short or Leveraged Index Security is calculated (in whole or in part) that is not a Market Disruption Day for any such futures contracts (other than a Market Disruption Day for which a substitute value for that Composite Commodity Index is determined by the Calculation Agent in accordance with the provisions of the Facility Agreements);
- (c) for each futures contract the Settlement Price for which is included in the calculation of a Commodity Index, a General Trading Day which is a Trading Day for that futures contract and which is not a Market Disruption Day for that futures contract; or
- (d) for each commodity in connection with a Commodity Index (or class of Short or Leveraged Commodity Securities), a General Trading Day which is a Trading Day for the futures contract relating to that commodity the Settlement Price for which is included in the calculation of that Commodity Index (or that class of Short or Leveraged Commodity Securities) and which is not a Market Disruption Day for that futures contract;

Pricing Notice means a Redemption Form or a Withdrawal Notice;

Principal Amount means in respect of each Short or Leveraged Commodity Security the amount specified in clause 2 of the Trust Instrument;

Programme means the programme for the issue of Short and Leveraged Commodity Securities

Prohibited Benefit Plan Investor means any "employee benefit plan" within the meaning of section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), subject to Part 4. Subtitle B of Title I of ERISA, any "plan" to which section 4975 of the United States Internal Revenue Code of 1986, (the "**Code**") applies (collectively, "Plans"), any entity whose underlying assets include "plan assets" of any of the foregoing Plans within the meaning of 29 C.F.R. Section 2510.3-101 or section 3(42) of ERISA, as they may be modified,

by reason of a Plan's investment in such entity, any governmental or church plan that is subject to any U.S. Federal, state or local law that is similar to the prohibited transaction provisions of ERISA or Section 4975 of the Code, or any person who holds Short and Leveraged Commodity Securities on behalf of, for the benefit of or with any assets of any such Plan or entity;

Prohibited US Person means a US Person who is not a Qualified Purchaser, or any person who holds Short or Leveraged Commodity Securities for the benefit of a US Person who is not a Qualified Purchaser;

properly authenticated dematerialised instruction shall bear the meaning given to it in the Regulations;

Property to be Assigned means with respect to each Authorised Participant Agreement and each Commodity Contract Counterparty:

- (a) all of the right, title, interest and benefit of the Issuer, existing now or in the future, in, to, under or in respect of the Authorised Participant Agreement as it applies as a separate agreement in relation to that Commodity Contract Counterparty in accordance with its terms; and
- (b) all other rights, moneys and property whatsoever which may from time to time at any time be derived from or accrue with respect to the Authorised Participant Agreement as it so applies including:
 - (i) all of the Issuer's rights to receive payment of any amounts which may become payable to it pursuant to the Authorised Participant Agreement or with respect to such Authorised Participant Agreement as it so applies;
 - (ii) all amounts due, payable and properly received by the Issuer pursuant to the Authorised Participant Agreement;
 - (iii) all the Issuer's rights to serve notices and/or make demands pursuant to such Authorised Participant Agreement as it so applies and/or to take such steps as are required to cause payments to become due and payable thereunder or with respect to such Authorised Participant Agreement as it so applies;
 - (iv) all of the Issuer's rights of action in respect of any breach of such Authorised Participant Agreement as it so applies; and
 - (v) all of the Issuer's rights to receive damages or obtain other relief in respect of such Authorised Participant Agreement as it so applies;

Qualified Purchaser means a "qualified purchaser" as defined under the Investment Company Act;

Redemption means the redemption of Short and Leveraged Commodity Securities by the Issuer in accordance with these Conditions (and **Redeem** shall be construed accordingly);

Redemption Account means a bank account to receive payments of the Redemption Amount in respect of the Redemption of Commodity Contracts (and matching Short and Leveraged Commodity Securities), which account shall be:

- (a) for an Authorised Participant, the bank account notified in writing by the Authorised Participant to the Issuer, each Commodity Contract Counterparty and the Trustee from time to time;
- (b) for a Compulsory Redemption or where there are no Authorised Participants, the bank account of the Issuer secured for the benefit of the Security Holders or of the Trustee for the benefit of such Security Holders; and
- (c) otherwise, the bank account specified in the Redemption Form;

Redemption Amount means the amount payable by the Issuer to the Security Holder upon the Redemption of Short and Leveraged Commodity Securities, as may be reduced for any withholdings or deductions for or on account of tax as set out in Condition 9.5;

Redemption Fee means the fee payable by a Security Holder upon Redemption of Short and Leveraged Commodity Securities in accordance with Condition 10;

Redemption Form means an Agreed Redemption Form or a Settlement Redemption Form in the form prescribed from time to time by the Issuer and in accordance with these Conditions, as the case may be;

Redemption Limits means the limits on Redemption set out in Condition 7.6;

Redemption Payment Date means:

- (a) in the case of a Redemption pursuant to a Settlement Redemption Form, the third London Business Day following the Pricing Date of that Redemption; *provided that* if that day is not a New York Business Day then the Redemption Payment Date shall be on the next following Business Day; or
- (b) in the case of a Redemption pursuant to an Agreed Redemption Form, the London Business Day specified for such payment in that form; *provided that* the date so specified shall be not earlier than one London Business Day following the day upon which that form was deemed to have been received by the Issuer; or
- (c) in the case of a Redemption in accordance with a Listing Failure, the third London Business Day following the relevant Listing Failure Date; *provided that* if that day is not a New York Business Day then the Redemption Payment Date shall be the next following Business Day, or such other Business Day as may be agreed by the relevant Commodity Contract Counterparty and the Authorised Participant who submitted the relevant Redemption Form; or
- (d) in the case of a Redemption following the nomination of a Compulsory Redemption Date, the London Business Day which is the third London Business Day following the last Pricing Day on which the Price of Short and Leveraged Commodity Securities being Redeemed was determined in accordance with these Conditions; *provided that* if that day is not a New York Business Day then the Redemption Payment Date shall be the next following Business Day;

Registers means the registers of Security Holders of each class kept and maintained by the Registrar and “**Register**” shall be construed accordingly;

Registrar means Computershare Investor Services (Jersey) Limited or such other person as may be appointed by the Issuer from time to time to maintain the Registers;

Regulations means the Companies (Uncertificated Securities) (Jersey) Order 1999 including any modifications thereto or any regulations in substitution therefor made and for the time being in force which, *inter alia*, enable title to Short and Leveraged Commodity Securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument;

Relevant Exchange means:

- (a) for each Individual Commodity Index, the futures exchange on which is traded the futures contract by reference to the prices of which that Individual Commodity Index is calculated;
- (b) in relation to a commodity comprised in a Composite Commodity Index, the futures exchange on which is traded the futures contract for that commodity the Settlement Price of which is included in the calculation of that Composite Commodity Index; and
- (c) in relation to a futures contract the Settlement Price of which is included in the calculation of a Commodity Index, the futures exchange on which that futures contract is traded.

Relevant Market means (a) in respect of an Individual Commodity Index, the market conducted on the Relevant Exchange for the futures contracts by reference to which the Individual

Commodity Index is calculated and (b) in relation to a commodity comprised in a Composite Commodity Index, the market conducted on the Relevant Exchange for the futures contract for that commodity the Settlement Price of which is included in the calculation of that Composite Commodity Index;

Required Security Document means, with respect to an Authorised Participant Agreement and a Commodity Contract Counterparty, each security that the relevant Commodity Contract Counterparty requires the Issuer to execute over the Property to be Assigned in favour of the relevant Commodity Contract Counterparty as security for the Secured Obligations (which may include, but shall not be limited to, a Security Assignment), having regard to the jurisdiction of incorporation of the Authorised Participant (or proposed Authorised Participant) or of the branch through which such person is acting for the purposes of such Authorised Participant Agreement (as the case may be);

RIS means a Regulatory Information Service (as defined for the purposes of the Listing Rules) from time to time chosen by the Issuer;

Secured Obligations means:

- (a) all present and future obligations (which for the avoidance of doubt, are all limited recourse obligations) of the Issuer to the relevant Commodity Contract Counterparty on account of Creation Amounts and interest thereon; and
- (b) all losses, damages, legal and other costs, charges and expenses sustained, suffered or incurred by the relevant Commodity Contract Counterparty arising out of or in connection with any act, matter or thing done or omitted to be done by the Issuer under the Facility Agreement or the Security Assignment or any other Required Security Document;

Secured Property means (in respect of Short or Leveraged Commodity Securities of any class) all rights of the Issuer under the corresponding Facility Agreement(s), Commodity Contracts, any Security Agreement and any Guarantee, in each case to the extent that they apply to payments due in respect of Short or Leveraged Commodity Securities of that class, or any part thereof, and which are subject to the security created in favour of the Trustee pursuant to the applicable Security Deed;

Securities Act means the Securities Act of 1933 of the U.S.;

Security Agreement means in relation to any Facility Agreement in respect of which the Commodity Contract Counterparty enters into a security agreement supplemental to, or supporting the obligations of the Commodity Contract Counterparty pursuant to, (*inter alia*) that Facility Agreement, such security agreement, and includes such an agreement between the Issuer and UBS dated 5 August 2009 (the **UBS Security Agreement**) and such an agreement between the Issuer and MLCI dated 14 March 2011 (the **MLCI Security Agreement**);

Security Agreement Event means, in respect of a Commodity Contract Counterparty that is a party with the Issuer to a Security Agreement, the occurrence of any event by which the security under such Security Agreement becomes enforceable;

Security Assignment means, in respect of each Authorised Participant Agreement and each Commodity Contract Counterparty, the Security Assignment (if any) pertaining to that Authorised Participant Agreement as it applies in relation to that Commodity Contract Counterparty entered into between the Issuer and the relevant Commodity Contract Counterparty and securing the Secured Obligations of the Issuer to that Commodity Contract Counterparty;

Security Conditions means, with respect to a proposed Authorised Participant and a Commodity Contract Counterparty, to the extent required pursuant to the Facility Agreement to which that Commodity Contract Counterparty is a party, that (a) each Required Security Document with respect to the relevant Authorised Participant Agreement and Commodity Contract Counterparty has been duly executed by the Issuer, (b) notice (duly executed by the Issuer) of each such Required Security Document has been duly given by the Issuer to such proposed Authorised Participant and (c) such proposed Authorised Participant has executed an acknowledgement of such notice in favour of the relevant Commodity Contract Counterparty;

Security Deed means in respect of each Pool and the corresponding class of Commodity Contracts, the security deed entered into between the Issuer and the Trustee pertaining to that Pool;

Security Holder means a registered holder of Short or Leveraged Commodity Securities;

Settlement Failure means, in respect of a Redemption where the Security Holder has delivered the Short and Leveraged Commodity Securities to the Issuer (via the CREST system or another method agreed with the Issuer), a failure by the Issuer to pay or to procure the payment of the whole of a Redemption Amount into the relevant Redemption Account on a Redemption Payment Date;

Settlement Failure Date means, in relation to a Settlement Failure, the date on which such Settlement Failure occurred;

Settlement Price means, in relation to any Pricing Day and a futures contract traded on a Relevant Exchange, the official settlement price of the Relevant Exchange for such day in relation to such futures contract as determined in accordance with the regulations of the Relevant Exchange;

Settlement Pricing has the meaning given in Condition 7.1(a);

Settlement Redemption Form means a notice in the form prescribed from time to time by the Issuer for requesting Redemption of Short and Leveraged Commodity Securities using Settlement Pricing;

Short and Leveraged Commodity Securities means Short and Leveraged Index Securities and Short and Leveraged Individual Securities and **Short or Leveraged Commodity Securities** means any of them;

Short and Leveraged Index Securities means Short Index Securities and Leveraged Index Securities and **Short or Leveraged Index Securities** means any of them;

Short and Leveraged Individual Securities means Short Individual Securities and Leveraged Individual Securities and **Short or Leveraged Individual Securities** means any of them;

Short Commodity Securities means Short Index Securities and Short Individual Securities;

Short Index Security means a Short and Leveraged Commodity Security of a class specified as such in Part B of Schedule 6 (*Classes of Short and Leveraged Commodity Securities*) to the Trust Instrument constituted by the Trust Instrument and recorded on the relevant Register;

Short Individual Security means a Short and Leveraged Commodity Security of a class specified as such in Part A of Schedule 6 (*Classes of Short and Leveraged Commodity Securities*) to the Trust Instrument constituted by the Trust Instrument and recorded on the relevant Register;

Theoretical Hedge Position means in respect of a particular futures contract, the number calculated in accordance with Condition 5.7;

Trading Day means:

- (a) for an Individual Commodity Index, a day on which the Relevant Exchange for that Individual Commodity Index is open for trading during its regular trading session, notwithstanding such Relevant Exchange closing prior to its scheduled closing time;
- (b) for a Composite Commodity Index a day on which all the Relevant Exchanges for each commodity comprised in that Composite Commodity Index are open for trading during their regular trading session, notwithstanding any of such Relevant Exchanges closing prior to their scheduled closing time;
- (c) for a futures contract the Settlement Price of which is included in the calculation of a Commodity Index, a day on which the Relevant Exchange for that futures contract is open

for trading during its regular trading session, notwithstanding such Relevant Exchange closing prior to its scheduled closing time; or

- (d) for a commodity in connection with a Commodity Index (or class of Short or Leveraged Commodity Securities), a Trading Day (pursuant to sub-paragraph (c) above) for a futures contract in respect of that commodity the Settlement Price for which is included in the calculation of that Commodity Index (or the Commodity Index relating to that class of Short or Leveraged Commodity Securities);

Trustee means The Law Debenture Trust Corporation p.l.c. of Fifth Floor, 100 Wood Street, London EC2V 7EX, England and any replacement trustee under the Trust Instrument;

Trustee Consent Documents means each Facility Agreement (but excluding the schedules to that Facility Agreement, save schedules 1, 11 and 12), Commodity Contracts created thereunder, any Guarantee and any Security Agreement (but excluding the definitions of “Eligible Collateral”, “Issuer Concentration Limit”, “Jurisdiction Limit”, “Valuation Percentage” and “Value” therein);

Trust Instrument means the trust instrument dated 8 February 2008, between the Issuer and the Trustee constituting Short and Leveraged Commodity Securities, including the schedules thereto;

UBS means UBS AG, a corporation domiciled in Basel, Switzerland, registered as an overseas company in England and Wales with registered number FC021146 and operating in the United Kingdom under branch registration number BR004507, acting through its London branch at 1 Finsbury Avenue London EC2M 2PP, England;

UBS Securities means UBS Securities LLC, a Delaware limited liability company whose principal place of business is at 677 Washington Boulevard, Stamford, Connecticut 06901;

UK or **United Kingdom** means the United Kingdom of Great Britain and Northern Ireland;

UK Listing Authority means the FSA in its capacity as the competent authority for the purposes of Part VI of the FSMA;

Unacceptable Authorised Participant means, in respect of a Commodity Contract Counterparty, an Authorised Participant (a) in respect of which the relevant Commodity Contract Counterparty has given and not withdrawn notice under the relevant Facility Agreement that the Authorised Participant has ceased to be acceptable to such Commodity Contract Counterparty or (b) which is an “Unacceptable Authorised Participant” (as defined in the Classic and Longer Dated Facility Agreement between the Issuer and that Commodity Contract Counterparty) for the purposes of that Classic and Longer Dated Facility Agreement;

Uncertificated Form means recorded on a Register as being held in uncertificated form, title to which, by virtue of the Regulations, may be transferred by means of CREST;

Uncertificated Notice of Meeting means a properly authenticated dematerialised instruction, and/or other instruction or notification, which is sent by means of CREST;

US Dollars or **US\$** means the lawful currency of the U.S.;

US Person means a “US person” as defined in Regulation S under the Securities Act;

United States or **U.S.** means the United States of America, its territories and possessions, any state of the United States and the District of Columbia; and

VAT means value added tax.

- 1.2 The following rules shall apply to the interpretation of these Conditions unless the context otherwise requires:

- (a) Headings to Conditions, paragraphs, and other provisions of these Conditions are inserted for ease of reference only and shall not affect the interpretation of these Conditions.

- (b) Any reference to a person or persons includes reference to any individual, corporation, partnership, joint venture, association, public body, governmental authority or other entity.
- (c) Words in the singular shall also include the plural and vice versa.
- (d) Any reference to these Conditions or to any agreement or document includes a reference to these Conditions, or, as the case may be, such agreement or document, as amended, varied, novated, supplemented or replaced from time to time.
- (e) Unless otherwise indicated, any reference in these Conditions to a time is a reference to local time in London, England.

2. STATUS OF SHORT AND LEVERAGED COMMODITY SECURITIES

Short and Leveraged Commodity Securities constitute undated limited recourse secured debt obligations of the Issuer secured as set out in Condition 3. The Short and Leveraged Commodity Securities of each class rank *pari passu* among themselves.

3. SECURITY AND LIMITED RECOURSE

- 3.1 The obligations of the Issuer in respect of each class of Short or Leveraged Commodity Securities are secured pursuant to the Security Deed applicable to that class by a first ranking floating charge in favour of the Trustee for the Security Holders over, and by an assignment by way of security of, all the Issuer's rights in relation to the Secured Property of that class.
- 3.2 The Trustee and the Security Holders of any class of Short or Leveraged Commodity Securities shall have recourse only to sums derived from the Secured Property relating to the relevant Pool. If, the Trustee (or any other secured party) having realised the same, the net proceeds are insufficient for the Issuer to make all payments which, but for the effect of this Condition, would then be due, the obligations of the Issuer will be limited to such net proceeds of realisation, neither the Trustee nor any person acting on its behalf shall be entitled to take any further steps against the Issuer to recover any further sums and no debt shall be owed by the Issuer to any such person in respect of any such further sum. In particular, neither the Trustee nor any Security Holder shall be entitled to institute, nor join with any other person in bringing, instituting or joining, any bankruptcy, suspension of payments, moratorium of any indebtedness, winding-up, re-organisation, arrangement, insolvency or liquidation proceeding or other proceeding under any similar law (whether court based or otherwise) in relation to the Issuer (except for the appointment of a receiver and manager pursuant to the relevant Security Deed) for two years (or, if later, the longest suspense period, preference period or similar period (howsoever described) ending with the onset of insolvency in respect of which transactions entered into by the Issuer within such period may be subject to challenge under applicable insolvency or other proceeding) plus one day after the date on which all amounts payable under the last outstanding security of any class issued by the Issuer and constituted by the Trust Instrument are repaid, nor shall they have any claim in respect of any sum arising in respect of the Secured Property for any other Pool or any other assets of the Issuer including, but not limited to, any sums derived from or in connection with any Classic and Longer Dated Securities.

4. FORM AND TRANSFER

- 4.1 Short and Leveraged Commodity Securities are in registered form and are individually transferable.
- 4.2 Short and Leveraged Commodity Securities may be held and transferred in Uncertificated Form by means of CREST in accordance with the Regulations. The Trustee may, without the consent of Security Holders, concur with the Issuer in making modifications to the provisions of the Trust Instrument in order to reflect changes in the Regulations or in the applicable law and practice relating to the holding or transfer of Short and Leveraged Commodity Securities in Uncertificated Form. A Security Holder may request that his Short or Leveraged Commodity Securities be held in Certificated Form, in which case such Short or Leveraged Commodity Securities shall be removed from CREST.

- 4.3 The Issuer shall at all times keep at its registered office, or at such other place in Jersey as the Trustee may agree, registers showing the date of issue and all subsequent transfers and changes of ownership of all outstanding Short or Leveraged Commodity Securities and the names and addresses of the Security Holders and the persons deriving title under them. The Trustee and the Security Holders or any of them and any person authorised by any such person shall be at liberty at all reasonable times during office hours to inspect the Registers and to take (free of charge) copies of, or extracts from, the same or any part thereof. In the event of the Trustee requiring to convene a meeting of or to give any notice to, the Security Holders the Issuer shall furnish the Trustee (free of charge) with such copies of, or extracts from, the Registers as it shall require. The Registers may be closed by the Issuer for such periods and at such times (not exceeding in the whole 30 days in any one year) as it may think fit.
- 4.4 The Issuer, the Trustee and, to the extent relevant, each Security Holder, by accepting a Short or Leveraged Commodity Security, agrees to treat the Short and Leveraged Commodity Securities as equity interests in the Issuer for all U.S. federal tax purposes.

5. PRICE OF SHORT AND LEVERAGED COMMODITY SECURITIES

- 5.1 The Price for the first Short or Leveraged Commodity Security of a particular class to be issued (which shall be treated as being the Price for the day on which the Creation Notice (as defined in the Facility Agreement) for the corresponding Commodity Contract is received or deemed received by the Commodity Contract Counterparty pursuant to the Facility Agreement) shall be \$50.0000000. Thereafter the Price for a Short or Leveraged Commodity Security of each class shall be calculated on each calendar day in accordance with Conditions 5.2 to 5.4 below; save that:
- (a) in relation to a Short or Leveraged Index Security, an Indicative Price shall be calculated in accordance with Condition 5.5 for any calendar day which is for the Composite Commodity Index applicable to that Short or Leveraged Index Security: (i) a Market Disruption Day; or (ii) a day (not being a Pricing Day) where the preceding day which is both a Trading Day and a General Trading Day was a Market Disruption Day, and, subject to (c) below, on each such day no Price shall be calculated for the relevant class of Short or Leveraged Index Security;
 - (b) in relation to a Short or Leveraged Index Security, for a Pricing Day where the preceding Trading Day which is a General Trading Day for the Composite Commodity Index applicable to that Short or Leveraged Index Security was a Market Disruption Day, the Price for such day shall be calculated in accordance with Condition 5.6 below;
 - (c) upon a Settlement Redemption Form being deemed received in relation to a class of Short or Leveraged Index Security on a Trading Day which is a General Trading Day but not a Pricing Day then a Price shall be determined for that class of Short or Leveraged Index Security in accordance with Condition 5.8 solely for the purposes of the Redemption pursuant to that Settlement Redemption Form (and, for the avoidance of doubt, that Price shall not be considered a Price for any other purpose under this Condition 5); and
 - (d) upon a Settlement Redemption Form being deemed received in relation to a class of Short or Leveraged Individual Security on a Trading Day which is a General Trading Day but not a Pricing Day Condition 5.9 shall apply.

Pricing

- 5.2 Subject to Condition 5.1 above, the Price of a Short or Leveraged Commodity Security of a particular class for each calendar day will be an amount (which may not be negative) determined using the relevant Commodity Index for that class by the following formula (calculated to 7 places of decimals with 0.00000005 rounded upwards):

$$P_{i,t} = P_{i,t-1} \times \left\{ 1 + CA_{i,t} + LF_i \times \left(\frac{I_{i,t}}{I_{i,t-1}} - 1 \right) \right\}$$

where:

- $P_{i,t}$ is the Price of a Short or Leveraged Commodity Security of class i for day t ;
- $P_{i,t-1}$ is the Price of a Short or Leveraged Commodity Security of class i for day $t-1$;
- i refers to the relevant class of Short or Leveraged Commodity Security;
- t refers to the applicable calendar day;
- $t-1$ refers to the calendar day prior to day t ;
- $CA_{i,t}$ is the Capital Adjustment applicable to class i on day t , expressed as a decimal;
- LF_i is the Leverage Factor applicable to class i , expressed as a number. For Short Commodity Securities, $LF = -1$ and for Leveraged Commodity Securities, $LF = +2$;
- $I_{i,t}$ is the closing settlement price level of the Commodity Index applicable to a Short or Leveraged Commodity Security of class i for day t . If day t is not a Pricing Day for a Short or Leveraged Commodity Security of class i , then $I_{i,t}$ will be the same as $I_{i,t-1}$; and
- $I_{i,t-1}$ is the closing settlement price level of the Commodity Index applicable to a Short or Leveraged Commodity Security of class i for day $t-1$.

- 5.3 For a Short or Leveraged Individual Security if $t-1$ is not a Pricing Day then $I_{i,t-1}$ shall be the closing settlement price level of the Individual Commodity Index applicable to a Short or Leveraged Individual Security of class i on the preceding Pricing Day.
- 5.4 For a Short or Leveraged Index Security, if $t-1$ is not a Pricing Day then $I_{i,t-1}$ shall be the closing settlement price level of the Composite Commodity Index applicable to a Short or Leveraged Index Security of class i on the last day preceding day $t-1$ which is both a General Trading Day and a Trading Day for that Composite Commodity Index.

Indicative Pricing during Market Disruptions

- 5.5 For a Short or Leveraged Index Security, if t is a day which is (a) a Market Disruption Day for the Composite Commodity Index applicable to that Short or Leveraged Index Security or (b) a calendar day (not being a Pricing Day) and the day which is both a Trading Day (for that Composite Commodity Index) and a General Trading Day preceding day t was a Market Disruption Day then the Indicative Price of such Short or Leveraged Index Security shall be as follows:

Calculation of Indicative Price on an initial Market Disruption Day

- (i) on a day which is a Market Disruption Day for the Composite Commodity Index by reference to which the Price of a class of Short or Leveraged Index Security is calculated and where the preceding day which is both a Trading Day and a General Trading Day was also a Pricing Day for such Composite Commodity Index (such Market Disruption Day being "Market Disruption Day 1"), the Indicative Price of a Short or Leveraged Index Security of any class shall be determined in accordance with the following formula calculated to 7 places of decimals with 0.0000005 rounded upwards):

$$IP_{i,t} = P_{i,t-1} \times \left[1 + CA_{i,t} + LF_i \times \left(\frac{I_{i,t}}{I_{i,t-1}} - 1 \right) \right]$$

where:

- $IP_{i,t}$ is the Indicative Price of a Short or Leveraged Index Security of class i for day t ;
- $P_{i,t-1}$ is the Price of a Short or Leveraged Index Security of class i for day $t-1$;
- i refers to the relevant class of Short or Leveraged Index Security;
- t refers to the applicable calendar day ($t=1$ being Market Disruption Day 1);

t-1 refers to the calendar day prior to day t;

CA_{i,t} is the Capital Adjustment applicable to class i on day t;

LF_i is the Leverage Factor applicable to class i, expressed as a number. For Short Commodity Securities, LF=-1 and for Leveraged Commodity Securities, LF=2;

I_{i,t} is the closing settlement price level of the Composite Commodity Index applicable to a Short or Leveraged Index Security of class i for day t; and

I_{i,t-1} is the closing settlement price level of the Commodity Index applicable to a Short or Leveraged Index Security of class i for day t-1. If day t-1 is not a Pricing Day then I_{i,t-1} shall be the closing price level of the Composite Commodity Index applicable to a Short or Leveraged Index Security of class i on the immediately preceding Pricing Day,

and

Calculation of Indicative Price on a calendar day following initial Market Disruption Day

- (ii) on any calendar day not falling within sub-paragraph (i) above for which an Indicative Price in respect of a class of Short or Leveraged Index Securities is required to be calculated hereunder, the Indicative Price of a Short or Leveraged Index Security of that class shall be determined in accordance with the following formula (calculated to 7 places of decimals with 0.00000005 rounded upwards):

$$IP_{i,t} = [IP_{i,t-1} \times (1 + CA_{i,t})] + \sum_{u=1}^{NC} \sum_{j=1}^2 HP_{i,t-1,j}^u \times \left(\frac{WAV_{t,j}^u}{CIM_{t,j}^u} - \frac{WAV_{t-1,j}^u}{CIM_{t-1,j}^u} \right)$$

where:

IP_{i,t} is the Indicative Price of a Short or Leveraged Index Security of class i for day t;

IP_{i,t-1} is the Indicative Price of a Short or Leveraged Index Security of class i for day t-1 (calculated for t-1 in the same manner as for day t in accordance with sub-paragraph (i) or this sub-paragraph (ii));

i refers to the relevant class of Short or Leveraged Index Security;

t refers to the applicable calendar day;

t-1 refers to the calendar day prior to t;

CA_{i,t} is the Capital Adjustment applicable to class i on day t;

NC means the total number of commodities in the relevant Composite Commodity Index;

u is a commodity the Settlement Price of a futures contract relating to which is used in calculating the Composite Commodity Index to which the relevant Short or Leveraged Index Security relates;

j in relation to a commodity u, is either a Lead Future or a Next Future and where j=1 it is a Lead Future and where j=2 it is a Next Future;

HP_{i,t-1,j}^u is the Theoretical Hedge Position for futures contract j of commodity u in respect of Short or Leveraged Index Security i on day t-1 calculated in accordance with Condition 5.7, save that where t-1 is not both a Trading Day for the relevant Composite Commodity Index and a General Trading Day then it shall be the Theoretical Hedge Position for such futures contract on the first day prior to day t-1 which is both a Trading Day for the relevant Composite Commodity Index and a General Trading Day;

WAV_{t,j}^u means the weighted value for futures contract j of commodity u on day t used for calculating the relevant Composite Commodity Index calculated in accordance

with the Handbook, *provided that* where day t is not both a Trading Day for that Composite Commodity Index and a General Trading Day then it shall be equal to $WAV_{t-1,j}^u$;

$WAV_{t-1,j}^u$ means the weighted value for futures contract j of commodity u on day t-1 used for calculating the relevant Composite Commodity Index calculated in accordance with the Handbook, *provided that* where day t-1 is not both a Trading Day for that Composite Commodity Index and a General Trading Day then it shall be the weighted value for such futures contract on the first day prior to day t-1 which is both a Trading Day for that Composite Commodity Index and a General Trading Day;

$CIM_{t,j}^u$ means the Commodity Index Multiplier (as defined in the Handbook from time to time) on day t for futures contract j of commodity u, *provided that* where day t is not both a Trading Day for the relevant Composite Commodity Index and a General Trading Day then it shall be equal to $CIM_{t-1,j}^u$; and

$CIM_{t-1,j}^u$ means the Commodity Index Multiplier (as defined in the Handbook from time to time) on day t-1 for futures contract j of commodity u, *provided that* where day t-1 is not both a Trading Day for the relevant Composite Commodity Index and a General Trading Day then it shall be equal to the Commodity Index Multiplier for such futures contract on the first day prior to day t-1 which is both a Trading Day for that Composite Commodity Index and a General Trading Day,

Cessation of calculation of Indicative Price

- (iii) the Indicative Price of a Short or Leveraged Index Security of any class shall cease to be calculated pursuant to (ii) above on the first day following Market Disruption Day 1 which is a Pricing Day for the Composite Commodity Index applicable to that class of Short or Leveraged Index Security and the Price on such Pricing Day shall be calculated in accordance with Condition 5.6.

Pricing after Market Disruption Events

- 5.6 For a Short or Leveraged Index Security, if t is a Pricing Day and the preceding Trading Day which is a General Trading Day for the Composite Commodity Index applicable to that Short or Leveraged Index Security was a Market Disruption Day then the Price of such Short or Leveraged Index Security shall be determined in accordance with the following formula (calculated to 7 places of decimals with 0.00000005 rounded upwards):

$$P_{i,t} = [IP_{i,t-1} \times (1 + CA_{i,t})] + \sum_{u=1}^{NC} \sum_{j=1}^2 HP_{i,t-1,j}^u \times \left(\frac{WAV_{t,j}^u}{CIM_{t,j}^u} - \frac{WAV_{t-1,j}^u}{CIM_{t-1,j}^u} \right)$$

where:

- $P_{i,t}$ is the Price of a Short or Leveraged Index Security of class i for day t;
- $IP_{i,t-1}$ is the Indicative Price of a Short or Leveraged Index Security of class i for day t-1;
- i refers to the relevant class of Short or Leveraged Index Security;
- t refers to the applicable calendar day;
- t-1 refers to the calendar day prior to day t;
- $CA_{i,t}$ is the Capital Adjustment applicable to class i for day t;
- NC means the total number of commodities in the relevant Composite Commodity Index.
- $HP_{i,t-1,j}^u$ means the Theoretical Hedge Position for futures contract j of commodity u in respect of Short or Leveraged Index Security i on day t-1, save that where day t-1 is not both a Trading Day for the applicable Composite Commodity Index and a

General Trading Day then it shall mean the Theoretical Hedge Position for such futures contract on the day preceding t-1 which is both a Trading Day for the relevant Composite Commodity Index and a General Trading Day;

- u is a commodity the Settlement Price of a futures contract relating to which is used in calculating the Composite Commodity Index to which the relevant Short or Leveraged Index Security relates;
- j in relation to a commodity u, is either a Lead Future or a Next Future and where j=1 it is a Lead Future and where j=2 it is a Next Future;
- $WAV_{t,j}^u$ means the weighted value for futures contract j of commodity u on day t used for calculating the relevant Composite Commodity Index calculated in accordance with the Handbook;
- $WAV_{t-1,j}^u$ means the weighted value for futures contract j of commodity u on day t-1 used for calculating the relevant Composite Commodity Index calculated in accordance with the Handbook and where day t-1 is not a Trading Day for that Composite Commodity Index which is a General Trading Day then it shall be the weighted value for such futures contract used to calculate the last published relevant value of the Composite Commodity Index on the first day prior to day t-1 which is both a Trading Day for that Composite Commodity Index and a General Trading Day;
- $CIM_{t,j}^u$ means the Commodity Index Multiplier (as defined in the Handbook from time to time) on day t for futures contract j of commodity u; and
- $CIM_{t-1,j}^u$ means the Commodity Index Multiplier (as defined in the Handbook from time to time) on day t-1 for futures contract j of commodity u and where day t-1 is not a Trading Day for that Composite Commodity Index which is a General Trading Day then it shall be equal to the Commodity Index Multiplier for such futures contract on the first day prior to day t-1 which is both a Trading Day for that Composite Commodity Index and a General Trading Day.

Theoretical Hedge Position

- 5.7 For the purposes of Conditions 5.5 and 5.6 the Theoretical Hedge Position in respect of a particular futures contract and commodity shall be as follows:

Theoretical Hedge Position on a Pricing Day

- (i) on any day which is a Pricing Day for the Short or Leveraged Index Security of class i shall be the number determined in accordance with the following formula:

$$HP_{i,t,j}^u = LF_i \times \frac{P_{i,t} \times CIM_{t,j}^u \times RW_{t,j}^u}{\sum_{v=1}^{NC} \sum_{k=1}^2 WAV_{t,k}^v \times RW_{t,k}^v}$$

where:

- $HP_{i,t,j}^u$ means the Theoretical Hedge Position for futures contract j of commodity u in respect of Short or Leveraged Index Security i on day t;
- i refers to the relevant class of Short or Leveraged Index Security;
- t refers to the applicable calendar day;
- j in relation to commodity u, is either a Lead Future or a Next Future and where j=1 it is a Lead Future and where j=2 it is a Next Future;
- u is a commodity the Settlement Price of a futures contract relating to which is used in calculating the Composite Commodity Index to which the Short or Leveraged Index Security relates;

- LF_i is the Leverage Factor applicable to class i, expressed as a number. For Short Commodity Securities, $LF=-1$ and for Leveraged Commodity Securities, $LF=2$;
- $P_{i,t}$ is the Price of a Short or Leveraged Index Security of class i for day t;
- $CIM_{t,j}^u$ means the Commodity Index Multiplier (as defined in the Handbook from time to time) on day t for futures contract j of commodity u;
- $RW_{t,j}^u$ means the roll weight applicable to futures contract j on day t in respect of commodity u, being a value of either 0, 0.2, 0.4, 0.6, 0.8 or 1 as determined in accordance with the Handbook, to be used in the calculation of the relevant Composite Commodity Index on the following Trading Day for the relevant Short or Leveraged Index Security;
- $RW_{t,k}^v$ means the roll weight applicable to futures contract k on day t in respect of commodity v, being a value of either 0, 0.2, 0.4, 0.6, 0.8 or 1 as determined in accordance with the Handbook, to be used in the calculation of the relevant Composite Commodity Index on the following Trading Day for the relevant Short or Leveraged Index Security;
- NC means the total number of commodities in the relevant Composite Commodity Index;
- v means each commodity in the relevant Composite Commodity Index;
- k in relation to a commodity v, is either a Lead Future or a Next Future and where $k=1$ it is a Lead Future and where $k=2$ it is a Next Future; and
- $WAV_{t,k}^v$ means the weighted value for futures contract k of commodity v on day t used for calculating the relevant Composite Commodity Index calculated in accordance with the Handbook,

or

Theoretical Hedge Position on a Market Disruption Day

- (ii) on a day which is a Market Disruption Day for one or more commodities of the relevant Composite Commodity Index:
- (1) for those commodities for which it is not a Market Disruption Day shall be the number calculated using the formula set out in paragraph (i) above, save that the value $P_{i,t}$ shall be replaced with $IP_{i,t}$ being the Indicative Price of a Short or Leveraged Index Security of class i for day t calculated in accordance with Condition 5.5 above; and
 - (2) for those commodities for which it is a Market Disruption Day shall be the number determined in accordance with the following formula:

$$HP_{i,t,j}^u = HP_{i,t-1,i}^u$$

where:

$HP_{i,t,j}^u$ means the Theoretical Hedge Position for futures contract j of commodity u in respect of Short or Leveraged Index Security i on day t;

$HP_{i,t-1,i}^u$ means the Theoretical Hedge Position for futures contract j of commodity u in respect of Short or Leveraged Index Security i on day t-1, save that when t-1 is not both a Trading Day for the relevant Composite Commodity Index and a General Trading Day then it shall be the Theoretical Hedge Position for such futures contract on the first day prior to day t-1 which is both a Trading Day for the relevant Composite Commodity Index and a General Trading Day.

Redemptions during Market Disruption Days

- 5.8 For the Redemption of a Short or Leveraged Index Security, if day t is a Market Disruption Day for the Composite Commodity Index relating to that Short or Leveraged Index Security, then the Price of such Short or Leveraged Index Security shall be determined in accordance with paragraphs (a) and (b) of Condition 7.10.
- 5.9 For the Redemption of a Short or Leveraged Individual Security, if day t is a Market Disruption Day for the Individual Commodity Index relating to that Short or Leveraged Individual Security then paragraph (a) of Condition 7.10 shall apply.

6. CAPITAL ADJUSTMENT

The calculation of the Price at which Short and Leveraged Commodity Securities may be Redeemed includes the Capital Adjustment for each day on which the Price is calculated. The Capital Adjustment in respect of each class of Short and Leveraged Commodity Security shall be as agreed from time to time between the Commodity Contract Counterparties and the Issuer.

7. REDEMPTION OF SHORT AND LEVERAGED COMMODITY SECURITIES BY SECURITY HOLDERS

Redemption Entitlement

- 7.1 Each Short and Leveraged Commodity Security of a particular class carries the right on Redemption to payment of either:
- (a) the higher of (i) the Principal Amount for that class, and (ii) the Price of that Short or Leveraged Commodity Security on the applicable Pricing Day determined in accordance with Condition 5.1 (**Settlement Pricing**); or
 - (b) where applicable, an amount determined by agreement between a Commodity Contract Counterparty and a Security Holder which is an Authorised Participant in accordance with Condition 7.14 (**Agreed Pricing**).

Redemption by Authorised Participants

- 7.2 A Security Holder who is also an Authorised Participant may (subject as provided herein) require the Issuer to Redeem all or part of its holding of Short and Leveraged Commodity Securities by lodging with the Issuer a Redemption Form specifying either Settlement Pricing or Agreed Pricing provided that if at any time a Redemption Amount is due to be paid by the Issuer in respect of a Redemption to a particular Authorised Participant, the amount payable by the Issuer may be discharged in whole or in part pursuant to the set-off provisions set out in the Authorised Participant Agreement. A Settlement Redemption Form may in addition be deemed to have been lodged by an Authorised Participant with the Issuer on a Listing Failure Date in the circumstances further described in the applicable Authorised Participant Agreement.

Redemption by Other Security Holders

- 7.3 A Security Holder which is not also an Authorised Participant may only require the Issuer to Redeem all or any part of its holding of Short and Leveraged Commodity Securities if either:
- (a) on any General Trading Day, there are no Authorised Participants, and the Security Holder submits on such day a valid Settlement Redemption Form; or
 - (b) the Issuer has announced by an RIS in respect of any General Trading Day, or until further announcement or generally, that Redemptions by Security Holders who are not Authorised Participants will be permitted and the Security Holder submits on a General Trading Day a valid notice in the form prescribed for the purpose by the Issuer requesting Redemption of such Short or Leveraged Commodity Securities using Settlement Pricing. Any such announcement may be general or subject to conditions, and any notice requesting any Redemption which is not in accordance with any such conditions shall not be valid.

Redemption Amount

- 7.4 The Redemption Amount with respect to a Redemption shall be the amount (in US Dollars) determined as follows:
- (a) if the Redemption is effected using Settlement Pricing, an amount equal to the sum of the amounts determined in accordance with Condition 7.1 or Condition 7.2 in respect of all of the Short and Leveraged Commodity Securities thereby Redeemed; or
 - (b) if the Redemption is effected using Agreed Pricing, the amount specified as the Redemption Amount in the Agreed Redemption Form.
- 7.5 The Issuer shall on the Redemption Payment Date in respect of any Redemption pay (or procure the payment of) the Redemption Amount in respect of that Redemption into the applicable Redemption Account.

Redemption Limits

- 7.6 Short and Leveraged Commodity Securities of a particular class may not be Redeemed on a day pursuant to a Settlement Redemption Form:
- (a) submitted by any Security Holder (including any Authorised Participant), to the extent that the cancellation of Commodity Contracts corresponding to the Redemption of all Short and Leveraged Commodity Securities which are Redeemed on that day would exceed the sum of the Commodity Contract Counterparty Redemption Limits applicable to such cancellation on that day (such limit being the **Redemption Limit** for that class of Short and Leveraged Commodity Securities); or
 - (b) submitted by any Authorised Participant, to the extent that the cancellation of Commodity Contracts corresponding to the Redemption of all Short and Leveraged Commodity Securities which are Redeemed on that day pursuant to Settlement Redemption Forms submitted by that Authorised Participant would exceed the sum of the Commodity Contract Counterparty Redemption Limits applicable to such cancellation on that day in respect only of those Commodity Contract Counterparties for which that Authorised Participant is an Authorised Participant (such limit being the **Authorised Participant Redemption Limit** for that class of Short and Leveraged Commodity Securities and that Authorised Participant).

For the purposes of this Condition, the **Commodity Contract Counterparty Redemption Limit** with respect to a class of Short and Leveraged Commodity Securities (or in relation to any class of Short and Leveraged Commodity Securities any commodities the Settlement Price of futures contracts relating to which are included in the calculation of the Commodity Index relating to that class of Short and Leveraged Commodity Securities) and a Commodity Contract Counterparty is the amount denominated in US Dollars agreed between the Issuer and that Commodity Contract Counterparty as the redemption limit in respect of the corresponding class of Commodity Contracts (or the commodities the Settlement Price of futures contracts relating to which are included in the calculation of the Commodity Index relating to that class of Commodity Contracts).

- 7.7 For the purposes of the Redemption Limits, Redemption Forms will be dealt with in order of their actual receipt by the Issuer and, for the purpose of this Condition, Condition 7.11 shall be disregarded.

Settlement Pricing

- 7.8. A Settlement Redemption Form shall be invalid:
- (a) if it does not specify a number and class of Short or Leveraged Commodity Securities to be Redeemed;
 - (b) [not used];
 - (c) for a Settlement Redemption Form lodged by an Authorised Participant, if it is received by the Issuer at any time other than between 8.00 a.m. and 6.30 p.m. on an Issuer Business Day;

- (d) if it does not specify the Redemption Account into which the Redemption Amount shall be payable;
- (e) to the extent that the number of Short or Leveraged Commodity Securities of that class or in aggregate to be Redeemed would result in a Redemption Limit being exceeded, and the relevant Commodity Contract Counterparty does (or Commodity Contract Counterparties do) not agree to that Redemption Limit being exceeded (in which event such Settlement Redemption Form will not be capable of being invalidated under this Condition 7.8(e) in respect of the greatest number of Short or Leveraged Commodity Securities of the relevant class or classes that would not result in the Redemption Limit being exceeded);
- (f) if the Settlement Redemption Form is submitted by an Authorised Participant, and the number of Short or Leveraged Commodity Securities of that class or in aggregate to be Redeemed would result in an Authorised Participant Redemption Limit being exceeded (in which event such Settlement Redemption Form shall not be capable of being invalidated under this Condition 7.8(f) in respect of the greatest number of Short or Leveraged Commodity Securities of the relevant class that would not result in the Authorised Participant Redemption Limit being exceeded);
- (g) where notice of a Compulsory Redemption Date has been given, if the Settlement Redemption Form is received or deemed received on or after: (i) where notice has been given under Condition 8.2 or (either following the giving of notice by the Issuer to nominate a compulsory pricing date under a Facility Agreement following a Counterparty Event of Default or the giving of notice by a Commodity Contract Counterparty to nominate a compulsory pricing date under its Facility Agreement as a result of a Guarantor Tax Event (as defined in any applicable Guarantee)) under Condition 8.1(a), the date on which notice of the Compulsory Redemption Date was given; or (ii) in any other case, the Compulsory Redemption Date;
- (h) if it is received or deemed received on or after the Compulsory Redemption Date in respect of any class of Short and Leveraged Commodity Securities, in respect of which notice has been given in accordance with Condition 8.5;
- (i) if it relates to the Redemption of Short and Leveraged Commodity Securities that are the subject of a Listing Failure; or
- (j) if it is invalid pursuant to Condition 7.18(c) or Condition 7.19(c);

and, save as provided in Condition 7.8(f), no Short and Leveraged Commodity Securities of the relevant class shall be Redeemed in respect of or under that Settlement Redemption Form.

- 7.9 If the Issuer considers that a purported Settlement Redemption Form is invalid, it shall notify the Security Holder giving that Settlement Redemption Form of that fact as soon as reasonably possible. The Issuer shall not be obliged to Redeem pursuant to a Settlement Redemption Form any Short or Leveraged Commodity Securities where the relevant Commodity Contract Counterparty has not confirmed a corresponding Commodity Contract Termination in accordance with the provisions of the relevant Facility Agreement.

If the Issuer in its absolute discretion considers it necessary or desirable to do so in relation to any Settlement Redemption Form for the purpose of arranging (in aggregate) corresponding Commodity Contract Terminations in accordance with two or more Facility Agreements or to enable such Settlement Redemption Form to be settled in part in accordance with Condition 12 (*Settlement of Redemption Forms by Transfer*), or both, the Issuer may determine that the Settlement Redemption Form be deemed to comprise two or more deemed Settlement Redemption Forms, such deemed Settlement Redemption Forms relating to, in aggregate, the same numbers and classes of Short and Leveraged Commodity Securities as those to which the original Settlement Redemption Form related; and these Conditions shall apply to such deemed Settlement Redemption Forms accordingly. If the Issuer determines to exercise its right to deem a Settlement Redemption Form to comprise two or more deemed Settlement Redemption Forms it shall notify the Security Holder giving that Settlement Redemption Form of that fact as soon as reasonably possible.

7.10 If a Settlement Redemption Form in relation to a class of Short or Leveraged Commodity Securities is deemed received by the Issuer prior to the Notice Deadline on an Issuer Business Day (**Day 1**):

- (a) if Day 1 is not a Pricing Day for such Short or Leveraged Individual Securities or, in the case of Short or Leveraged Index Securities, if Day 1 is not a Pricing Day for each of the commodities by reference to the Settlement Prices for which the Commodity Index relating to the class of Short or Leveraged Index Securities to which the Settlement Redemption Form relates is calculated (in whole or in part):
 - (i) the Security Holder may by written notice to the Issuer, sent before the Notice Deadline on the next succeeding Issuer Business Day, cancel the Settlement Redemption Form, and where such a Withdrawal Notice is given no Short or Leveraged Commodity Securities shall be Redeemed in respect of or under that Settlement Redemption Form; and
 - (ii) if no notice is issued under Condition 7.10(a)(i) then the Settlement Redemption Form will be deemed received by the Issuer prior to the Notice Deadline on the next Issuer Business Day (and no redemption of Short or Leveraged Commodity Securities for that Settlement Redemption Form shall occur before then) in priority to any Settlement Redemption Form deemed received by the Issuer prior to the Notice Deadline on such Issuer Business Day pursuant to Condition 7.11 and that Issuer Business Day will then constitute Day 1 for the Settlement Redemption Form and this Condition 7.10 shall apply thereto accordingly;
- (b) in the case of Short or Leveraged Index Securities, if Day 1 is a Pricing Day for one or more but not all futures contracts by reference to the Settlement Price for which the Composite Commodity Index relating to a Short or Leveraged Index Security of class i relates is calculated (in whole or in part) then (1) that Short or Leveraged Index Security will not be priced until the next General Trading Day on which each such futures contract has had one or more Pricing Days; and (2) the Price of a Short or Leveraged Index Security of that class for a Settlement Redemption Form deemed received on Day 1 will be an amount (which may not be negative) calculated to 7 places of decimals with 0.00000005 rounded upwards):

$$P_{i,t} = IP_{i,t} \times \left(1 + \sum_{\Gamma=t}^{IPD-1} CA_{i,\Gamma+1} \right) + \sum_{w=1}^{ND} \sum_{\tau=t}^{CPD^w-1} \sum_{j=1}^2 HP_{i,\tau,j}^w \times \left(\frac{WAV_{\tau+1,j}^w}{CIM_{\tau+1,j}^w} - \frac{WAV_{\tau,j}^w}{CIM_{\tau,j}^w} \right)$$

where:

- $P_{i,t}$ is the Price of a Short or Leveraged Index Security of class i for day t;
- $IP_{i,t}$ is the Indicative Price (determined in accordance with Condition 5.5) of a Short or Leveraged Index Security of class i for day t;
- i refers to the relevant class of Short or Leveraged Index Security;
- t refers to the applicable calendar day (Day 1);
- IPD represents the 'Index Pricing Day', which is defined as the day upon which the relevant Short or Leveraged Index Security is priced, being the General Trading Day on which each futures contract by reference to the Settlement Price for which the relevant Composite Commodity Index is calculated has had at least one Pricing Day from and including day t;
- IPD-1 refers to the calendar day prior to IPD;
- $CA_{i,\Gamma+1}$ is the Capital Adjustment applicable to a Short or Leveraged Index Security of class i for day $\Gamma+1$;
- Γ represents each calendar day from and including t until and including IPD-1;
- t means each calendar day from and including t until and including CPD^w-1 ;

- ND means the 'Number of Disrupted commodities', being defined as the number of commodities represented in the relevant Composite Commodity Index which are the subject of a Market Disruption Event on Day 1;
- w is a commodity in relation to the relevant Composite Commodity Index which is subject to a Market Disruption Event on Day 1;
- CPD^w represents the 'Commodity Pricing Day' which is defined as the first calendar day following Day 1 which is a Pricing Day for commodity w;
- CPD^w-1 refers to the calendar day preceding CPD^w;
- j in relation to a commodity w, is either a Lead Future or a Next Future and where j=1 it is a Lead Future and where j=2 it is a Next Future;
- HP_{i,τ,j}^w means the Theoretical Hedge Position (determined in accordance with Condition 5.7(ii)) for futures contract j of commodity w in respect of Short or Leveraged Index Security i on day τ;
- WAV_{τ+1,j}^w means the weighted value for futures contract j of commodity w on day τ+1 used for calculating the relevant Composite Commodity Index calculated in accordance with the Handbook, provided that where day τ+1 is not a General Trading Day then it shall be equal to WAV_{τ,j}^w;
- WAV_{τ,j}^w means the weighted value for futures contract j of commodity w on day τ used for calculating the relevant Composite Commodity Index calculated in accordance with the Handbook, provided that where day τ is not a General Trading Day then it shall be the weighted value for such futures contract on the General Trading Day preceding day τ;
- CIM_{τ,j}^w means the Commodity Index Multiplier (as defined in the Handbook from time to time) on day τ for futures contract j of commodity w, provided that where day τ is not a General Trading Day then it shall be equal to the Commodity Index Multiplier for such futures contract on the first General Trading Day prior to day τ; and
- CIM_{τ+1,j}^w means the Commodity Index Multiplier (as defined in the Handbook from time to time) on day τ+1 for futures contract j of commodity w, provided that where day τ+1 is not a General Trading Day then it shall be equal to CIM_{τ,j}^w.
- (c) where Condition 7.10(b) applies, the Pricing Date in respect of the Settlement Redemption Form relating to the Short or Leveraged Index Securities concerned will be the Trading Day on which all futures contracts by reference to the Settlement Price for which the Composite Commodity Index relating to such Short or Leveraged Index Securities is calculated have had one or more Pricing Days since (but including) Day 1;
- (d) where Condition 7.10(b) applies:
- (i) in relation to a Settlement Redemption Form delivered by an Authorised Participant, at any time prior to a Pricing being completed in accordance with Condition 7.10(b) the relevant Commodity Contract Counterparty and the relevant Authorised Participant may agree a Price and applicable Pricing Date in lieu of that which would be determined in accordance with Condition 7.10(b) and notify that Price and applicable Pricing Date jointly to the Issuer in such form as the Issuer may reasonably require. Such joint notification shall be conclusive evidence that the relevant Commodity Contract Counterparty and the relevant Authorised Participant have agreed a Price and applicable Pricing Date which shall apply in lieu of that which would be determined in accordance with Condition 7.10(b);
 - (ii) if a Price has not been determined in accordance with Condition 7.10(b) of subparagraph (i) by the end of the fourth General Trading Day following Day 1 then, either the relevant Authorised Participant or the Issuer, by notice to the other given in the same manner as for a Pricing Notice, may elect that the Price should instead be determined in the manner provided in the following sub-paragraphs. Any such

notice must, to be valid, be given between 8.00 a.m. and 6.30 p.m. (in the case of notice given by the relevant Authorised Participant) or 7.00 p.m. (in the case of notice given by the Issuer) on an Issuer Business Day. Any such notice which is received by the Issuer or the relevant Authorised Participant on an Issuer Business Day after the Notice Deadline but prior to 6.30 p.m. (in the case of notice given by the relevant Authorised Participant) or 7.00 p.m. (in the case of notice given by the Issuer) shall be deemed to be received by the Issuer or the relevant Authorised Participant (as the case may be) at 8.00 a.m. on the following Issuer Business Day, unless the Issuer or the relevant Authorised Participant (as the case may be) agrees to treat that Settlement Redemption Form as having been received prior to the Notice Deadline in which case it shall be deemed to have been received by the Issuer or the relevant Authorised Participant (as the case may be) prior to the Notice Deadline. The giving of any notice pursuant to this paragraph (ii) shall not prevent the relevant Commodity Contract Counterparty and the relevant Authorised Participant from agreeing a Price and Pricing Date in accordance with sub-paragraph (i) above in which case such Price and applicable Pricing Date shall apply in lieu of that which would be determined in accordance with the following sub-paragraphs;

- (iii) if a notice is given pursuant to sub-paragraph (ii) above the Calculation Agent shall calculate in good faith and in a commercially reasonable manner a Price as at the close of business on the Issuer Business Day on which such notice was deemed given using the formula set out in Condition 7.10(b) and, for each relevant futures contract for which a Market Disruption Event would (but for this paragraph (d)) have prevented the determination of the Price hereunder, a fair market value for such futures contract determined using the principles set out in Condition 14.3 and shall notify the same to the Issuer, the relevant Authorised Participant and the relevant Commodity Contract Counterparty; and
- (iv) if by 6.30 p.m. on the Issuer Business Day following notification by the Calculation Agent to the Issuer and the relevant Authorised Participant of any determination made by the Calculation Agent pursuant to sub-paragraph (iii) above either the Issuer or the relevant Authorised Participant notifies the relevant Commodity Contract Counterparty that it requires the appointment of a leading dealer in commodity derivatives as substitute calculation agent (a **Substitute Calculation Agent**) to determine the fair market values for any futures contract for which a Market Disruption Event would (but for this paragraph (d)) have prevented the determination of the Price hereunder in accordance with this paragraph and the Price, then (unless agreement is reached otherwise in accordance with sub-paragraph (i) above) each of the Issuer, the relevant Authorised Participant and the relevant Commodity Contract Counterparty shall, in the absence of manifest error, be bound by a determination made by the Substitute Calculation Agent of such fair market values and Price. Any Substitute Calculation Agent shall be appointed jointly by relevant Authorised Participant and the relevant Commodity Contract Counterparty or, at the request of either, by the Issuer. Any Substitute Calculation Agent, if it is an Authorised Participant, shall be independent of the Creation concerned and shall itself have no similar transactions with the Issuer awaiting Pricing in accordance with provisions of its Authorised Participant Agreement analogous to Condition 7.10(b). The Issuer shall not be obliged to appoint any Substitute Calculation Agent hereunder unless it is indemnified and/or secured to its reasonable satisfaction against any Liabilities to which it may thereby render itself liable. In performing its duties under this paragraph any Substitute Calculation Agent shall calculate such fair market values and Price in good faith and in a commercially reasonable manner and shall calculate such Price as at the close of business on the Issuer Business Day on which the notice under sub-paragraph (ii) above was deemed given using the formula set out in Condition 7.10(b) and, for each relevant futures contract for which a Market Disruption Event would (but for this paragraph (d)) have prevented the determination of the Price hereunder, a fair market value for such futures contract using the principles set out in Condition 14.3 and the applicable reported settlement prices for all other relevant futures contracts. The

Substitute Calculation Agent shall assume, without enquiry, that any determination by the original Calculation Agent as to whether a Market Disruption Event in relation to any futures contract has occurred is correct and shall be bound by any such determination. Accordingly the role of the Substitute Calculation Agent shall be limited to the determination of the relevant fair market values and the Price consequent upon such determinations. The Substitute Calculation Agent shall have no liability or responsibility to the parties for any error or omission in making any determination in connection with this paragraph.

- 7.11 A Settlement Redemption Form which is received by the Issuer on an Issuer Business Day after the Notice Deadline but prior to 6.30 p.m. shall be deemed to be received by the Issuer at 8.00 a.m. on the following Issuer Business Day, unless the Issuer agrees to treat that Settlement Redemption Form as having been received prior to the Notice Deadline in which case it shall be deemed to have been received by the Issuer prior to the Notice Deadline.
- 7.12 Within one Business Day after the last Pricing Date in respect of any Settlement Redemption Form, the Issuer shall notify the relevant Security Holder of the Redemption Amount payable in respect of that Settlement Redemption Form, determined as provided above.
- 7.13 The Issuer may change or vary the procedures for the lodgement of Settlement Pricing Forms and these Conditions shall be modified in respect of Redemptions using Settlement Pricing to the extent of any such change or variation.

Agreed Pricing

- 7.14 A Commodity Contract Counterparty and an Authorised Participant may submit an Agreed Redemption Form to the Issuer (either jointly, or in separate notices). An Agreed Redemption Form is conclusive evidence that the Commodity Contract Counterparty and the Authorised Participant have agreed upon the Redemption by the Issuer of a number and class of Short or Leveraged Commodity Securities specified in the notice(s), and the US Dollar amount which is the Redemption Amount for those Short or Leveraged Commodity Securities.
- 7.15 If a Commodity Contract Counterparty and an Authorised Participant purport to send an Agreed Redemption Form by separate notices:
 - (a) which are inconsistent with one another in relation to any of the items referred to in Condition 7.17(a), 7.17(b) or 7.17(c); or
 - (b) one of which is invalid under Condition 7.17,
 those notices shall not constitute a valid Agreed Redemption Form and the Issuer shall reject the notices and advise that Commodity Contract Counterparty and that Authorised Participant accordingly.
- 7.16 Where an Agreed Redemption Form is submitted by separate notices from the Authorised Participant and a Commodity Contract Counterparty, the Issuer shall be deemed to have received the Agreed Redemption Form at the time that it is deemed to receive the second of the two notices.
- 7.17 An Agreed Redemption Form shall be invalid in the circumstances specified in Condition 7.19(c) or if it does not set out:
 - (a) the number and class of Short or Leveraged Commodity Securities to be Redeemed;
 - (b) the Redemption Amount for that Redemption (stated as a total amount); and
 - (c) the Redemption Payment Date for that Redemption, which shall be not earlier than two London Business Days following the day on which the Agreed Redemption Form is deemed received by the Issuer.

Suspension of Redemptions

- 7.18 If the Price of a class of Short or Leveraged Commodity Security falls below its Principal Amount, the Issuer may at any time and from time to time while the Price in relation to such class is below such Principal Amount determine to suspend the right to Redeem the Short or Leveraged Commodity Securities of that class pursuant to Condition 7.1(a) and, subject as provided in this

Condition 7.18, may terminate any such suspension. The following provisions shall apply where the Issuer determines to exercise its powers under this Condition:

- (a) the Issuer shall give notice of such suspension and of the termination of any such suspension via an RIS as soon as practicable, but failure to give such notices shall not prevent the exercise of such powers;
- (b) any such suspension may continue in the discretion of the Issuer for a period of up to 30 days, and may continue thereafter provided that notice of a meeting has been issued convening a meeting for a date not more than 30 days after the date of the notice for the purpose of considering an Extraordinary Resolution which will have the effect of reducing the Principal Amount to a level less than the Price, in which event the suspension will cease when the meeting (or any adjournment thereof) concludes or, if the Extraordinary Resolution is passed and makes alternative provision, in accordance with the Extraordinary Resolution;
- (c) any suspension shall not affect any Redemption the Pricing Date for which had passed before the suspension commenced, but any Settlement Redemption Form lodged or deemed received on an Issuer Business Day when the right to Redeem Short or Leveraged Commodity Securities of that class pursuant to Condition 7.1(a) is suspended pursuant to this Condition shall be invalid; and
- (d) if the right to Redeem Short or Leveraged Commodity Securities of that class pursuant to Condition 7.1(a) is suspended pursuant to this Condition as at 6.30 p.m. on the second Issuer Business Day prior to a Compulsory Redemption Date for that class pursuant to Condition 8.6, then notwithstanding that a number of Short or Leveraged Commodity Securities of that class may have been specified pursuant to that Condition which is not all of those Short or Leveraged Commodity Securities, such Compulsory Redemption Date shall be a Compulsory Redemption Date for all of the Short or Leveraged Commodity Securities of that class.

7.19 If the Issuer is considering exercising its power under Condition 18.3 to divide any Pool, or has determined to exercise such power, it may determine to suspend the right to Redeem the Short or Leveraged Commodity Securities of the class attributable to such Pool under Condition 7.1(a) and Condition 7.1(b) and, subject as provided in this Condition 7.19, may terminate any such suspension. The following provisions shall apply where the Issuer determines to exercise its powers under this Condition:

- (a) the Issuer shall give notice of such suspension and of the termination of any such suspension via an RIS as soon as practicable, but failure to give such notices shall not prevent the exercise of such powers;
- (b) any such suspension may continue in the discretion of the Issuer for a period of up to 30 days but (without prejudice to Condition 8.4) shall terminate when either the Issuer has determined to divide such Pool and such division has become effective or the Issuer has announced via an RIS that it has determined not to divide such Pool; and
- (c) any suspension shall not affect any Redemption the Pricing Date for which had passed before the suspension commenced, but any Settlement Redemption Form or Agreed Redemption Form lodged or deemed received on an Issuer Business Day when the right to Redeem Short or Leveraged Commodity Securities of that class is suspended pursuant to this Condition shall be invalid.

8. COMPULSORY REDEMPTION BY THE ISSUER OR TRUSTEE

Compulsory Redemption on Termination

8.1 The Issuer may at any time (upon not less than seven days' notice in the case of (a) below, not less than thirty days' notice in the case of (b) below) by RIS announcement nominate an Issuer Business Day to be a Compulsory Redemption Date for all Short and Leveraged Commodity Securities, or all Short or Leveraged Commodity Securities of any one or more class, if:

- (a) notice is given by either party thereto terminating a Facility Agreement or nominating a compulsory pricing date thereunder in respect of all Commodity Contracts created thereunder; or
- (b) the Issuer elects to Redeem all Short and Leveraged Commodity Securities, or all Short or Leveraged Commodity Securities of any one or more class,

provided that a notice given under paragraph (b) may be withdrawn until the date not later than seven days prior to the date nominated to be the Compulsory Redemption Date so long as there remains in effect at least one Facility Agreement pursuant to which subsequent to that date Commodity Contracts of the same class as such Short and Leveraged Commodity Securities may be created.

- 8.2 If a Counterparty Event of Default or an Issuer Insolvency Event has occurred and is continuing, the Trustee may at any time, at its discretion, and shall if so directed in writing by Security Holders holding not less than 25 per cent. by Principal Amount (as at the date of the last signature) of the affected Short and Leveraged Commodity Securities (as a whole) then outstanding or by an Extraordinary Resolution of the Security Holders holding affected Short and Leveraged Commodity Securities (as a single class), the Trustee having first been indemnified and/or secured to its satisfaction, give notice to the Issuer that all the affected Short and Leveraged Commodity Securities outstanding are required to be Redeemed and nominating an Issuer Business Day falling not less than 20 Issuer Business Days (or two Issuer Business Days in the case of an Issuer Insolvency Event) from the giving of such notice to be a Compulsory Redemption Date and for this purpose "affected Short and Leveraged Commodity Securities" means, in the context of an Issuer Insolvency Event, all of them, and in the context of a Counterparty Event of Default, those Short and Leveraged Commodity Securities that are attributable to the Pool or Pools which include rights against that particular Commodity Contract Counterparty.

- 8.3 If a Compulsory Redemption Date is nominated by the Issuer pursuant to Condition 8.1(a) in relation to any Short or Leveraged Commodity Securities following notice having been given by the Issuer to terminate a Facility Agreement or to nominate a compulsory pricing date thereunder by reason of a Counterparty Event of Default and, prior to the Compulsory Redemption Date, the Issuer has either:

- (a) determined to divide a Pool to which outstanding Commodity Contracts created under that Facility Agreement are attributable by allocating all such Commodity Contracts to the New Pool in accordance with Condition 18.3; or
- (b) announced by an RIS its intention to do so or that it is considering doing so,

the Issuer may determine that the Redemption pursuant to Condition 8.1(a) shall not apply to the Short or Leveraged Commodity Securities attributable to that Pool but shall apply (*mutatis mutandis*) to the New Short or Leveraged Commodity Securities attributable to such new Pool and otherwise on the basis of this Condition 8. If in the case of paragraph (b) such division shall not have become effective within 30 days of such announcement, this Condition shall cease to have effect. The Issuer shall give notice of any determination made pursuant to this Condition 8.3 via an RIS as soon as practicable, but failure to give any such notice shall not prevent the exercise of its powers hereunder.

- 8.4 If a Facility Agreement has been terminated, or notice of a compulsory pricing date thereunder by reason of a Counterparty Event of Default has been given, then no further Redemption Forms in respect of Short or Leveraged Commodity Securities attributable to a Pool to which outstanding Commodity Contracts created under that Facility Agreement are attributable, given on or after the date of such termination or given or deemed given after the date of such notice shall be effective unless and until whichever occurs earlier of:

- (a) the Issuer has determined to divide such Pool as referred to in Condition 8.3 and such division has become effective; and
- (b) if the Issuer has announced by an RIS that Redemption Forms given after, or on or after, the date specified in such announcement will be effective, the date determined in

accordance with such announcement. Any such announcement may be general or subject to conditions and any Redemption Form which would not be effective in the absence of such announcement shall not be effective if it is not in accordance with such conditions.

Compulsory Redemption due to Index Disruption

- 8.5 The Issuer may at any time (upon not less than thirty days' notice) by RIS announcement nominate an Issuer Business Day to be a Compulsory Redemption Date for all Short or Leveraged Commodity Securities of a particular class if:
- (a) a Commodity Index which relates to that class of Short or Leveraged Commodity Securities is no longer calculated and published in accordance with the Handbook and the Calculation Agent gives notice to the Issuer under a Facility Agreement of its intent to discontinue calculation and notification of that Commodity Index to the Issuer under that Facility Agreement; or
 - (b) non-calculation or non-publication of a Commodity Index which relates to that class of Short or Leveraged Commodity Securities for any reason continues for a continuous period of thirty days, and a Commodity Contract Counterparty and the Issuer are unable to reach agreement on a permanent replacement mechanism or amendments to the relevant Facility Agreement to give effect to that mechanism.

Compulsory Redemption due to Hedging Disruption

- 8.6 The Issuer may at any time (upon not less than thirty days' notice) by RIS announcement nominate an Issuer Business Day to be a Compulsory Redemption Date for a particular class of Short or Leveraged Commodity Securities, if as a consequence of a Hedging Disruption Event a Commodity Contract Counterparty or any of its Affiliates is required by law or by the order of a regulatory authority having jurisdiction to close hedging positions (if any) which a Commodity Contract Counterparty (acting reasonably) attributes to the hedging of its obligations in connection with the relevant Facility Agreement or Commodity Contracts of the same class. Any such notice may specify a number of Short or Leveraged Commodity Securities (which may not be all of those Short or Leveraged Commodity Securities) to be redeemed in consequence of such notice and if in relation to any particular class of Short or Leveraged Commodity Securities the Issuer does not redeem all the outstanding Short or Leveraged Commodity Securities they will be redeemed in accordance with Condition 8.13 *pro rata* to holdings on the relevant Register as at the Compulsory Redemption Date. Any nomination of a Compulsory Redemption Date by the Issuer under this Condition 8.6 in relation to less than all of the Short or Leveraged Commodity Securities of a particular class is subject to Condition 7.18.

Compulsory Redemption on a fall in the Price relative to the Principal Amount

- 8.7 If on any Pricing Day the Price of any class of Short or Leveraged Commodity Security falls to 2.5 times the Principal Amount of such Short or Leveraged Commodity Security or below, the Issuer may at any time, for so long as the Price continues to be less than 2.5 times the Principal Amount of such Short or Leveraged Commodity Security and during the period 60 days thereafter, upon not less than 2 days' notice by RIS announcement nominate an Issuer Business Day to be a Compulsory Redemption Date in respect of that class of Short or Leveraged Commodity Security and subject to Condition 3.2 investors will receive a sum on such Compulsory Redemption calculated in accordance with Condition 8.13. The right to nominate an Issuer Business Day to be a Compulsory Redemption Date to this Condition 8.7 shall cease if an Extraordinary Resolution is passed which has the effect of reducing the Principal Amount to a level less than two-fifths of the Price, but this is without prejudice to any subsequent nomination pursuant to this Condition if on any Pricing Day the Price of that class of Short or Leveraged Commodity Security falls to 2.5 times the Principal Amount (as so reduced) of such Short or Leveraged Commodity Security or below.

Compulsory Redemption when Intra-day Price falls to zero

- 8.8 If the Calculation Agent notifies the Issuer that the Intra-day Price of Commodity Contracts of the same class as any Short or Leveraged Commodity Securities has fallen to or below zero at any

time during any Trading Day and a Commodity Contract Counterparty notifies the Issuer that Commodity Contracts of that class have been terminated then a number of Short or Leveraged Commodity Securities of such class equivalent to the number of Commodity Contracts of that class that have been terminated will automatically be subject to a Compulsory Redemption on that day and, subject to Condition 3.2, Security Holders in respect thereof will receive a sum calculated in accordance with Condition 8.13 as if a Compulsory Redemption Date had been notified in respect of such Short or Leveraged Commodity Securities. The Issuer will give notice via a RIS as soon as practicable upon being notified as described in the preceding sentence of this Condition 8.8, but no liability is assumed by the Issuer for any failure to give any such notice and failure to give any such notice shall not prejudice any Compulsory Redemption pursuant to the preceding sentence of this Condition 8.8 which shall have effect as provided therein whether or not, and irrespective of when, notice is given by the Issuer pursuant to this sentence. Where pursuant to this Condition not all outstanding Short or Leveraged Commodity Securities of a particular class will be redeemed on such day, they will be redeemed *pro rata* to holdings on the relevant Register as at that day.

Compulsory Redemption for cause

8.9 The Issuer may, in its absolute discretion, at any time by written notice to a Security Holder nominate an Issuer Business Day (being not less than seven Trading Days and not more than fourteen Trading Days following the date of the notice) to be a Compulsory Redemption Date in respect of Short and Leveraged Commodity Securities held by that Security Holder, if:

- (a) the Issuer required the Security Holder in accordance with Condition 13 to certify whether or not it is a Prohibited Benefit Plan Investor and (i) the Security Holder did not by the date specified in the notice given under Condition 13 provide such a certification to the Issuer in the form and executed in the manner required or (ii) the Security Holder certified that it is a Prohibited Benefit Plan Investor; or
- (b) the Issuer required the Security Holder in accordance with Condition 13 to certify whether or not it is a Prohibited US Person and the (i) Security Holder did not by the date specified in the notice given under Condition 13 provide such a certification to the Issuer in the form and executed in the manner required or (ii) the Security Holder certified that it is a Prohibited US Person; or
- (c) the Issuer considers (in its sole discretion) (i) that such Short and Leveraged Commodity Securities are or may be owned or held directly or beneficially by any person in breach of any law or requirement of any country or by virtue of which such person is not qualified to own those Short and Leveraged Commodity Securities, or (ii) that the ownership or holding or continued ownership or holding of those Short and Leveraged Commodity Securities (whether on its own or in conjunction with any other circumstance appearing to the Issuer to be relevant) would, in the reasonable opinion of the Issuer, cause a pecuniary or tax disadvantage to the Issuer or any other Security Holders which it or they might not otherwise have suffered or incurred,

provided that if the relevant Security Holder in the case of sub-paragraph (a)(i) or (b)(i) so failed to provide such a certification, or in the case of sub-paragraph (a)(ii) or (b)(ii) certified that it is a Prohibited Benefit Plan Investor or a Prohibited US Person, in each case in respect of some only of the Short and Leveraged Commodity Securities held by it, a notice given by the Issuer under this Condition shall relate only to those Short and Leveraged Commodity Securities (and not any other Short or Leveraged Commodity Securities held by that Security Holder).

8.10 If a Security Holder which is the subject of a notice under Condition 8.9 provides to the Issuer prior to the Notice Deadline proof required by the Issuer that its Short and Leveraged Commodity Securities have been transferred to a person that is not a Prohibited Benefit Plan Investor or a Prohibited US Person, then the Short and Leveraged Commodity Securities referred to in that notice shall not be redeemed under these Conditions.

8.11 If a Security Holder which is the subject of a notice under Condition 8.9 does not provide to the Issuer prior to the Notice Deadline proof required by the Issuer that its Short and Leveraged Commodity Securities have been transferred to a person that is not a Prohibited Benefit Plan

Investor or a Prohibited US Person, then the Short and Leveraged Commodity Securities referred to in that notice shall not be capable of being transferred by that Security Holder and the Issuer shall not be required to register any purported transfer of those Short and Leveraged Commodity Securities.

- 8.12 The Issuer shall not be required to give any reasons for any decision, determination or declaration taken or made in accordance with this Condition 8. The exercise of the powers conferred by this Condition 8 shall not be questioned or invalidated in any case on the grounds that there was insufficient evidence of direct or beneficial ownership or holding of the Short and Leveraged Commodity Securities, or any other grounds save that such powers shall have been exercised in good faith.

Compulsory Redemptions

- 8.13 Where a Compulsory Redemption Date is notified in accordance with these Conditions other than pursuant to Condition 8.9, in respect thereof:

- (a) the Issuer shall, no later than 8.00 a.m. on the Compulsory Redemption Date, by RIS announcement publish the Compulsory Daily Pricing Number of Short and Leveraged Commodity Securities of each relevant class to be priced on successive Pricing Days for each class commencing on the Compulsory Redemption Date;
- (b) on the Compulsory Redemption Date and on any required succeeding Pricing Day the applicable Compulsory Number Priced for each class of Short or Leveraged Commodity Securities to which the Compulsory Redemption Date relates shall be priced until Short or Leveraged Commodity Securities of that class (including, in the case of a Compulsory Redemption Date notified in accordance with Condition 8.6, all those Short or Leveraged Commodity Securities that have previously been deducted from the Compulsory Daily Pricing Number for that class pursuant to the proviso contained in the definition of "Compulsory Number Priced" in connection with that Compulsory Pricing Date) in a number equal to the Compulsory Redemption Number for that class have been priced;
- (c) on the Redemption Payment Date for such Compulsory Redemption the Issuer shall (subject to the Security Holder depositing the Short and Leveraged Commodity Securities in question into an appropriate CREST account or otherwise delivering such Short and Leveraged Commodity Securities to the Issuer by agreement with the Issuer) pay into the appropriate Redemption Account(s) the sum of the Prices or, if higher in each case but not in aggregate (but subject to Condition 3.2), the Principal Amounts of all Short and Leveraged Commodity Securities thereby priced together with an amount equivalent to interest thereon calculated at the rate of the Capital Adjustment then prevailing, in each case from the third London Business Day following the Pricing Day on which that Price was determined (provided that if that day is not a New York Business Day then on the next following Business Day) until and including the Redemption Payment Date;
- (d) each Redemption Account shall be credited with the relevant Security Holder's *pro-rata* share of the sum of the Prices or, if higher in each case but not in aggregate (but subject to Condition 3.2), the Principal Amounts of all Short and Leveraged Commodity Securities thereby priced (and the Issuer shall be under no obligation to make payment of the amount so priced until that amount shall have been determined); and
- (e) upon payment in full of that amount all such Short and Leveraged Commodity Securities which were so priced shall be cancelled.

- 8.14 Where a Compulsory Redemption Date is notified to a Security Holder in accordance with Condition 8.9:

- (a) the Redemption Amount with respect to such Redemption shall be the amount (in US Dollars) equal to the sum of the Prices for the relevant Short and Leveraged Commodity Securities determined in accordance with paragraph (b);
- (b) on the Compulsory Redemption Date and on any required succeeding Pricing Day the applicable Compulsory Number Priced of each class of Short and Leveraged Commodity

Securities shall be priced until Short and Leveraged Commodity Securities of that class in a number equal to the Compulsory Redemption Number for that class have been priced; and

- (c) within three Business Days of the Redemption Payment Date for such Compulsory Redemption the Issuer shall (subject to the Security Holder depositing the Short and Leveraged Commodity Securities in question into an appropriate CREST account or otherwise delivering such Short and Leveraged Commodity Securities to the Issuer in such manner as may be agreed by the Issuer or otherwise all such Short and Leveraged Commodity securities being cancelled to the satisfaction of the Issuer) pay into the appropriate Redemption Account(s) the Redemption Amount.

9. SETTLEMENT OF REDEMPTION AMOUNTS

- 9.1 Where a Redemption Form has been given for the Redemption of Short or Leveraged Commodity Securities, the Security Holder which holds those Short or Leveraged Commodity Securities which are the subject of that Redemption must deposit the Short or Leveraged Commodity Securities in question into an appropriate CREST account and give correct delivery versus payment instructions in accordance with the Redemption Notice if they were in Uncertificated Form, or otherwise deliver the Short or Leveraged Commodity Securities to be Redeemed and any certificates representing them to the Issuer in such manner as the Issuer may agree if they are in Certificated Form. Once a valid Redemption Form is given in respect of Short or Leveraged Commodity Securities, unless the Redemption Form is validly withdrawn (in accordance with Condition 7.9) the Short or Leveraged Commodity Securities in respect of which it was given may not be transferred by the Security Holder (except to the Issuer), and the Issuer may refuse to recognise any subsequent transfer of any of those Short or Leveraged Commodity Securities.
- 9.2 Failure by a Security Holder to deposit those Short or Leveraged Commodity Securities into an appropriate CREST account and give correct delivery versus payment instructions shall not invalidate the Redemption of those Short or Leveraged Commodity Securities. Where settlement of a Redemption of Short or Leveraged Commodity Securities is delayed due to the failure of the Security Holder to deposit the Short or Leveraged Commodity Securities in question into an appropriate CREST account or give correct delivery versus payment instructions or otherwise deliver such Short or Leveraged Commodity Securities and any certificates representing them in a manner agreed by the Issuer, the Security Holder shall not be entitled to any interest on the Redemption Amount after the Redemption Payment Date. If the Security Holder fails to deliver such Short or Leveraged Commodity Securities to the Issuer (via the CREST system or another method agreed with the Issuer), the Issuer shall be entitled to pay the Redemption Amount in respect thereof into the Trustee's Redemption Account (to be held on trust for the Security Holder), and to cancel the entry in the Register in respect of those Short or Leveraged Commodity Securities.
- 9.3 Where Short or Leveraged Commodity Securities are Redeemed in accordance with Condition 8, the Issuer shall be entitled, upon payment of the Redemption Amount (less the Redemption Fee, if applicable) into the applicable Redemption Account to cancel the entry in the Register in respect of those Short or Leveraged Commodity Securities being Redeemed.
- 9.4 Save to the extent that the proviso to Condition 7.2 applies, payment of the Redemption Amount (less any applicable Redemption Fee deducted under Condition 10) into the applicable Redemption Account on the Redemption Payment Date is in full satisfaction of all liability which the Issuer has to Security Holders in respect of the Short or Leveraged Commodity Securities which have been Redeemed.
- 9.5 The Issuer may, at any time, notify a Security Holder that a Commodity Contract Counterparty may have to withhold or deduct from a payment for a Commodity Contract Termination that corresponds to any Redemption by that Security Holder an amount for or on account of, any present or future taxes, duties assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any relevant jurisdiction or any political sub-division thereof or any authority thereof having power to tax, as required by law (as modified by the practice of any relevant governmental revenue authority) then in effect and

such notice shall specify any form or document to be delivered by beneficial owners of Short or Leveraged Commodity Securities that may allow the Commodity Contract Counterparty to make such payment without any such withholding or deduction or with such withholding or deduction at a reduced rate. If such forms or documents are not provided to the Issuer and the relevant Commodity Contract Counterparty by the relevant Security Holder or if it is not the beneficial owner of Short or Leveraged Commodity Securities held by such Security Holder and which are to be redeemed, then any such payment will be reduced (and the matching obligation of the Issuer to pay any Redemption Amount to that Security Holder will also be reduced) by the amount of the withholding or deduction. If there is more than one Commodity Contract Counterparty, the Issuer shall not be under any obligation to select the Commodity Contract Counterparty to whom the Commodity Contract Termination relates with a view to minimising or avoiding any such withholding or deduction or otherwise and shall have no liability to Security Holders in respect of any such selection or otherwise in relation to any such withholding or deduction.

- 9.6 The Redemption of Short or Leveraged Commodity Securities by the Issuer pursuant to the occurrence of a Listing Failure, and delivery of Short or Leveraged Commodity Securities by an Authorised Participant in connection therewith, shall be effected in accordance with the procedures set out in the applicable Authorised Participant Agreement.
- 9.7 The Issuer may give such directions to the Security Holder as appear to the Issuer to be necessary to enable the settlement of any payment or delivery to be made by it pursuant to this Condition.

10. REDEMPTION FEE

- 10.1 Subject as provided below, it is a condition to the performance by the Issuer of the obligation to Redeem Short and Leveraged Commodity Securities that the Issuer may deduct the Redemption Fee from the Redemption Amount and that if it does not the Security Holder of such Short and Leveraged Commodity Securities shall pay to the Issuer the Redemption Fee in respect of such Redemption in accordance with this Condition 10. The Issuer may offset the amount of the Redemption Fee payable hereunder against the Redemption Amount payable to the Security Holder.
- 10.2 On a Redemption of Short and Leveraged Commodity Securities at the request of an Authorised Participant, the Redemption Fee shall be the amount agreed in the relevant Authorised Participant Agreement to be payable, or such other amount as may be agreed by the Issuer and that Authorised Participant at the time of the Redemption, regardless of the number of Short and Leveraged Commodity Securities being redeemed.
- 10.3 On a Redemption of Short and Leveraged Commodity Securities at the request of a Security Holder who is not an Authorised Participant (where there are no Authorised Participants), the Redemption Fee shall be an amount equal to the cost to the Issuer of satisfying such Redemption request, which shall be notified to the Security Holder at the time of the Redemption being not greater than £500 or such other amount as may be notified through a RIS.
- 10.4 On a Compulsory Redemption of Short and Leveraged Commodity Securities by the Issuer or at the request of the Trustee, the Redemption Fee shall be an amount equal to the cost to the Issuer incurred in relation to the Redemption, including the costs of enquiries under Condition 13 and the cost of giving notices under Condition 8 being not greater than £500 or such other amount as may be notified through a RIS. The Issuer shall notify Security Holders whose Short and Leveraged Commodity Securities are subject to Compulsory Redemption of the amount of those costs, and their allocation to particular Security Holders, at the time of the Redemption.
- 10.5 The Issuer may set off any amount payable to the Issuer in accordance with this Condition 10 by the holder of Short and Leveraged Commodity Securities in respect of the Redemption Fee against the Redemption Amount payable by the Issuer to such holder.

11. INTEREST ON SETTLEMENT FAILURE

Following the occurrence of a Settlement Failure, interest shall accrue on any balance of the Redemption Amount not paid or otherwise discharged by or on behalf of the Issuer from the Settlement Failure Date. Such interest shall:

- (a) accrue at the Funding Rate from and including the Settlement Failure Date to but excluding the date falling three Business Days after the Settlement Failure Date, and thereafter at the Default Rate; and
- (b) cease to accrue on the date on which such balance is paid into the relevant Redemption Account.

12. SATISFACTION OF REDEMPTION FORMS BY TRANSFER

The Issuer may in its absolute discretion elect to satisfy Redemption Forms by transfer of the appropriate number of Short and Leveraged Commodity Securities to one or more Authorised Participant(s) from Security Holder(s) seeking Redemption, and for that purpose the Issuer may authorise any person on behalf of the Security Holder to execute one or more instruments of transfer in respect of the relevant number(s) of Short and Leveraged Commodity Securities provided that the amount payable to the Security Holder shall still be an amount equal to the relevant Redemption Amount (less the Redemption Fee) and the relevant Redemption Payment Day will be the date of the transfer(s).

13. ENQUIRIES AS TO STATUS OF SECURITY HOLDERS

13.1 The Issuer may at any time, without any requirement to state a reason, give notice to a Security Holder requiring that Security Holder:

- (a) to certify, no later than the date (the *Investor Notice Expiry Date*) falling fifteen Trading Days following the date on which the Issuer sends or transmits such requirement to that Security Holder whether that Security Holder is a Prohibited US Person or a Prohibited Benefit Plan Investor (and if that Security Holder is a Prohibited Benefit Plan Investor or Prohibited US Person, to notify the Issuer of the number and class of Short and Leveraged Commodity Securities in respect of which it is a Prohibited Benefit Plan Investor or Prohibited US Person); and
- (b) if that Security Holder asserts that it is not a Prohibited US Person or not a Prohibited Benefit Plan Investor (or not a Prohibited Benefit Plan Investor or not a Prohibited US Person in respect of all Short and Leveraged Commodity Securities held by it), to provide to the Issuer by the Investor Notice Expiry Date a certificate in the form and executed in the manner determined by the Issuer that the Security Holder is not a Prohibited US Person or not a Prohibited Benefit Plan Investor (or not a Prohibited Benefit Plan Investor or not a Prohibited US Person in respect of certain Short and Leveraged Commodity Securities held by it, specifying the number and class of Short or Leveraged Commodity Securities in respect of which it is, and is not, a Prohibited Benefit Plan Investor or is, and is not, a Prohibited US Person).

13.2 The Issuer may provide to any Commodity Contract Counterparty copies of any enquiries made by it under this Condition 13 and any responses received from the Security Holder.

13.3 The Issuer shall be entitled, save to the extent that it has made enquiry under this Condition 13, to assume that none of the Short and Leveraged Commodity Securities are held by Prohibited US Persons or Prohibited Benefit Plan Investors.

14. CALCULATION AGENT

14.1 The Calculation Agent is appointed by the Issuer and each Commodity Contract Counterparty for the purposes of the relevant Facility Agreement (but not for the purposes of these Conditions, the Short and Leveraged Commodity Securities or the Trust Instrument):

- (a) to determine whether a Market Disruption Event exists and to make the determinations and calculations expressly contemplated in the definition of "Intra-day Price";
- (b) if an Individual Commodity Index is not published for five or more consecutive Trading Days by reason of those Trading Days being Market Disruption Days in respect of that Individual Commodity Index or any Composite Commodity Index is not published for five or more consecutive Trading Days by reason of those Trading Days being Market Disruption Days in relation to any commodity the Settlement Price of which is used to

determine that Composite Commodity Index, to calculate and provide to the Issuer in each case a substitute value for that Commodity Index on each subsequent Trading Day for as long as the Market Disruption Event continues;

- (c) if a Commodity Index is not published on a Trading Day for any reason other than that Trading Day being a Market Disruption Day in respect of that Commodity Index, to calculate and provide to the Issuer a substitute value for that Commodity Index for that Trading Day and for each subsequent Trading Day for as long as the non-publication continues; and
 - (d) to make the determinations and calculations provided for in Condition 7.10(d)(ii).
- 14.2 The Calculation Agent is or will be required under each relevant Facility Agreement (or any calculation agency agreement entered into by it in connection therewith) to act in good faith and in a commercially reasonable manner and in accordance with its obligations set out in that Facility Agreement (or such calculation agency agreement). Subject thereto, in the absence of manifest error the determinations of the Calculation Agent are final and conclusive.
- 14.3 Where for the purposes of each Facility Agreement the Calculation Agent calculates a substitute value for a Commodity Index it is or will be required to adopt and follow the following principles in making that calculation:
- (a) the substitute value shall be based on the Calculation Agent's determination of the fair market value at such time of the futures contracts underlying the Commodity Index based on factors the Calculation Agent deems relevant, including, but not limited to, prices in other commodity markets, any available electronic or after hours trading prices, related over-the-counter or other non-exchange based prices, implied prices that may be derived from other exchange traded instruments, and estimated fair values based on fundamental market information; and
 - (b) in determining the substitute value, the Calculation Agent shall have regard to relative movements in prices in other commodity futures markets for the same or similar commodities which were not affected by the Market Disruption Event or other event.
- 14.4 Where for the purposes of each Facility Agreement a substitute value for a Commodity Index is calculated by the Calculation Agent for a Trading Day, that substitute value shall be used in the calculation of the Price of Short or Leveraged Commodity Securities to which that Commodity Index is applicable for that Trading Day, in lieu of the Commodity Index.
- 14.5 If the Issuer provides copies to the Trustee of determinations notified to the Issuer by the Calculation Agent and/or notifies the Trustee (or any other person) of determinations made by the Calculation Agent, but it shall do so on the express basis that:
- (a) such copies and notifications are provided to the Trustee for information purposes only;
 - (b) neither the Trustee nor any holder or potential holder of Short or Leveraged Commodity Securities shall be entitled to rely as against the Calculation Agent upon any determination of the Calculation Agent; and
 - (c) no duty shall be owed by the Calculation Agent to the Trustee or any holder or potential holder of Short and Leveraged Commodity Securities in connection with any such determination.

15. ENFORCEMENT

- 15.1 In addition to any of the powers conferred on the Trustee pursuant to the Security Deed with respect to the Secured Property, the Trustee may at any time:
- (a) after the occurrence of a Defaulted Obligation, at its discretion, and shall, if so directed in writing by the Security Holder to whom such Defaulted Obligation is owed, the Trustee having first been indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing, take such proceedings and/or other action as it may think fit against or in relation to the Issuer to

enforce any such obligation of the Issuer under the Trust Instrument and the security constituted by the Security Deed(s) in respect of the relevant Short and Leveraged Commodity Securities to which such Defaulted Obligation relates; and

- (b) if a Counterparty Event of Default and/or an Issuer Insolvency Event has occurred and is continuing, at its discretion, and shall if so directed in writing by Security Holders holding not less than 25 per cent. by Price (as at the date of the last signature or, if no Price was determined on such date the most recently determined Price) of the affected Short and Leveraged Commodity Securities (as a whole) then outstanding or by an Extraordinary Resolution of the Security Holders holding affected Short or Leveraged Commodity Securities (as a single class), the Trustee having first been indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing, take such proceedings and/or other action as it may think fit against or in relation to the Issuer to enforce any obligations of the Issuer under the Trust Instrument and the security constituted by the Security Deed(s) in respect of all affected and outstanding Short or Leveraged Commodity Securities and for this purpose (and Condition 15.3) "affected Short or Leveraged Commodity Securities" means, in the context of an Issuer Insolvency Event, all of them, and in the context of a Counterparty Event of Default, those Short or Leveraged Commodity Securities that are attributable to the Pool or Pools which include rights against that particular Commodity Contract Counterparty;
- 15.2 If the Trustee considers that the Issuer is in material breach of any of the covenants, undertakings and obligations (other than payment obligations) in the Trust Instrument and has not remedied the same within 30 calendar days of being required to do so by the Trustee, the Trustee may, but shall not be obliged to, give notice to all Security Holders of that fact. Prior to giving any such notice, the Trustee shall provide a copy of the proposed notice to the Issuer and shall include with the notice any statement of not more than 1,000 words prepared by the Issuer and provided to the Trustee for the purpose within 7 calendar days of receipt of the copy of the proposed notice referred to herein. In any such notice the Trustee may designate a Period (the **Breach Redemption Period**) commencing on any General Trading Day until the date one month from such General Trading Day (inclusive) during which each Security Holder will be entitled to redeem all (but not some only) of the Short and Leveraged Commodity Securities held by it in the same manner as though there were no Authorised Participants. After the expiry of the Breach Redemption Period, the relevant breach shall be deemed waived without prejudice to the right of the Trustee to take action in the event of any subsequent such breach.
- 15.3 In the event that at any time during the Breach Redemption Period the right to Redeem Short or Leveraged Commodity Securities of any class pursuant to Condition 7.1(a) is suspended pursuant to Condition 7.18 or the right to Redeem Short or Leveraged Commodity Securities of any class is suspended pursuant to Condition 7.19, then the right to Redeem Short or Leveraged Commodity Securities of that class pursuant to Condition 15.2 shall be suspended in like manner and the provisions of Condition 7.18(c) or Condition 7.19(c) (as the case may be) shall apply *mutatis mutandis*. Upon the suspension ceasing under Condition 7.18 or Condition 7.19 (as the case may be), the right to Redeem Short or Leveraged Commodity Securities of that class pursuant to Condition 15.2 shall resume and the Breach Redemption Period in respect of that class shall continue until the date one month from the date on which the suspension so ceased.
- 15.4 If a Counterparty Event of Default and/or an Issuer Insolvency Event is occurring at the same time as a Defaulted Obligation, a Security Holder holding affected Short and Leveraged Commodity Securities to whom a Defaulted Obligation is owed will not be entitled to require the Trustee to take action in accordance with Condition 15.1(a) until the expiry of 30 calendar days from the occurrence of the Counterparty Event of Default and/or Issuer Insolvency Event, nor shall he be so entitled if, during such period of 30 calendar days, the Trustee has elected, or been required, to take action in accordance with Condition 15.1(b).
- 15.5 Subject to Condition 15.7, only the Trustee may enforce the provisions of the Trust Instrument or the Security Deeds. Where the Trustee has elected or been directed to enforce the Issuer's obligations under the Trust Instrument and the security constituted by a Security Deed, the right of Security Holders to lodge a Redemption Form with the Issuer shall cease. Valid Redemption Forms lodged before the date the Trustee announces its intention to enforce the security (the **Election Date**) will be Redeemed in the normal manner. The Price for all Short or Leveraged

Commodity Securities of a particular class outstanding at the Election Date will be the average Redemption Amount of the remaining Short or Leveraged Commodity Securities of that class.

- 15.6 If the Trustee takes any action pursuant to Condition 15.1 with respect to any Short and Leveraged Commodity Securities to which a Defaulted Obligation relates, it shall give notice to the Issuer that such Short and Leveraged Commodity Securities in respect of which such action is taken are, and they shall become, due and payable at their Redemption Amount, calculated in accordance with Condition 7.1 (*Redemption Entitlement*).
- 15.7 No Security Holder will be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing, in which case any such Security Holder will have only such rights against the Issuer as those which the Trustee is entitled to exercise against or in relation to the Issuer.

16. APPLICATION OF MONEYS

All moneys received by the Trustee pursuant to the realisation of Secured Property in respect of a particular class of Short or Leveraged Commodity Securities shall be held by the Trustee upon trust, to apply them:

- (a) FIRST in payment or satisfaction of all amounts then due to the Trustee and unpaid (including to its attorneys, managers, agents, delegates or other person appointed by the Trustee) under terms of the Trust Instrument, and to payment of any remuneration and expenses of any receiver and the costs of realisation of the security constituted by the relevant Security Deed;
- (b) SECONDLY in or towards payment or performance *pari passu* and rateably of all amounts then due and unpaid and all obligations due to be performed and unperformed in respect of Short and Leveraged Commodity Securities of that class; and
- (c) THIRDLY in payment of the balance (if any) to the Issuer (without prejudice to, or liability in respect of, any question as to how such payment to the Issuer shall be dealt with as between the Issuer and any other person).

17. RESTRICTIONS

So long as any Short and Leveraged Commodity Securities of a particular class are outstanding, the Issuer covenants in the Trust Instrument, *inter alia*:

- (a) not to incur or permit to subsist in respect of any Pool any indebtedness for borrowed money other than Short and Leveraged Commodity Securities or Further Securities, and not to give any guarantee or indemnity in respect of indebtedness of any person, save in each case with the prior written consent of the Trustee;
- (b) other than as permitted under the applicable Security Deed, not to dispose of any of the Secured Property or any interest therein, or to create any mortgage, pledge, charge, lien, or other form of encumbrance or security interest or right of recourse in respect thereof in favour of any person;
- (c) not to undertake any business save for the issue and redemption of Short and Leveraged Commodity Securities, the acquisition and disposal of Commodity Contracts, the issue and redemption of Classic and Longer Dated Securities (and any other securities constituted by the Classic Trust Instrument) and the acquisition and disposal of Commodity Contracts (as defined in the Classic Trust Instrument) and in each case entering into the necessary documents and performing its obligations and exercising its rights thereunder;
- (d) to use reasonable endeavours to ensure that at all times after the date three months following Listing there are at least two Authorised Participants and until then there is at least one Authorised Participant;
- (e) not to issue any Short or Leveraged Commodity Securities of any class unless it has purchased Commodity Contracts with corresponding terms and in an aggregate matching Redemption Amount;

- (f) not to maintain an office or other fixed place of business, nor to establish any permanent establishment, nor be or become tax resident, in any jurisdiction other than Jersey;
- (g) not to make any election under U.S. federal income tax laws to be treated otherwise than as an association taxable as a corporation for U.S. federal income tax purposes;
- (h) to undertake any business so as to seek to minimise the impact of taxation;
- (i) to procure that the Pools are at all times maintained in a manner so that they are readily distinguishable from each other and from any other pool to which any other class of securities of the Issuer is attributable (including but not limited to any Pool (as defined for the purposes of the Classic and Longer Dated Trust Instrument)); and
- (j) to exercise its rights in respect of any Collateral in any circumstance where such rights become exercisable and there are amounts due from the relevant Commodity Contract Counterparty and unpaid.

18. FURTHER SECURITIES; OTHER POOLS; TRANSFERS TO NEW POOLS; CONSOLIDATION AND DIVISION

- 18.1 Subject to its ability to create corresponding Commodity Contracts, the Issuer may (without the consent of the Security Holders) create and issue additional classes of undated limited recourse secured debt securities constituted by an instrument or deed supplemental to this Trust Instrument and may establish additional pools for the purposes of such securities and the Trustee shall join in such instrument or deed and thereupon such pool shall be a "Pool" for the purposes of the Trust Instrument and such securities shall be Short or Leveraged Commodity Securities for such purposes. Any such additional classes of Short and Leveraged Commodity Securities shall have recourse only to the Pool attributable to the relevant class and not to any other Pool. Other such securities created and issued by the Issuer under this Condition 18.1 may relate to different commodities than those in respect of which Short and Leveraged Individual Securities are initially issued, or involve the same commodities but different commodity indices, or be Short and Leveraged Index Securities involving different composite commodity indices, or have different Leverage Factors. Other such securities created by the Issuer under this Condition 18.1 may be created and issued subject to different terms and conditions in lieu of the Trust Instrument (including but not limited to different pricing mechanisms), to be determined by the Issuer. If other securities issued by the Issuer under this Condition 18.1 are subject to different terms and conditions in lieu of the Trust Instrument the Issuer shall publish those new conditions in its RIS announcement or in a prospectus or listing particulars or supplementary prospectus or supplementary listing particulars and on the Issuer's Website.
- 18.2 The Issuer shall not accept Applications for, or issue, Short or Leveraged Commodity Securities of a new class under Condition 18.1 unless it has first (a) created corresponding Commodity Contracts under the terms of a Facility Agreement and (b) executed and delivered to the Trustee a Security Deed assigning by way of security, for the benefit of the Trustee and the relevant Security Holders, the contractual rights of the Issuer under each commodity contract of the relevant class and creating a first floating charge, for the benefit of the Trustee and the relevant Security Holders, over the rights of the Issuer under that facility agreement (to the extent that it relates to such class), commodity contracts of that class created under it and any Guarantee supporting the obligations of the relevant Commodity Contract Counterparty to the Issuer to the extent that they apply to payments due in respect of that new class, for the benefit of the Trustee and the relevant Security Holders.
- 18.3 The Issuer may at any time (without the consent of the Security Holders and without giving prior notice) determine to divide any Pool (the **Existing Pool**) by allocating some of the Secured Property attributable to that existing Pool to a new Pool (the **New Pool**). If it determines to do so, the following shall apply:
- (a) the Issuer may only transfer all (and not merely some) of the Commodity Contracts with any one Commodity Contract Counterparty attributable to that Pool;
 - (b) prior to or on the transfer becoming effective, the Issuer shall create undated limited recourse secured securities (**New Short or Leveraged Commodity Securities**) of a new

class referable to the same Commodity Index and otherwise on the same terms as the Short or Leveraged Commodity Securities attributable to the Existing Pool (the **Existing Short or Leveraged Commodity Securities**), each having a principal amount and Price determined in accordance with Condition 18.3(c) constituted by an instrument or deed on the same terms (*mutatis mutandis*) as the Trust Instrument (save that there shall be no obligation to procure Listing of the New Short or Leveraged Commodity Securities) and on terms that such New Short or Leveraged Commodity Securities shall have recourse only to the assets attributable to the New Pool, and (subject as provided in paragraph (e)) shall issue such New Short or Leveraged Commodity Securities to the Security Holders of the Existing Short or Leveraged Commodity Securities outstanding immediately prior to the transfer becoming effective on the basis of one New Short or Leveraged Commodity Security for each Existing Short or Leveraged Commodity Security then held. For this purpose (but subject as provided in paragraph (e)) any Short and Leveraged Commodity Security in respect of which a Defaulted Obligation has occurred and is continuing shall be treated as outstanding;

- (c) the principal amount and Price of each New Short or Leveraged Commodity Security shall (subject as provided in paragraph (e)) be the proportion of the principal amount and Price respectively, of each Existing Short or Leveraged Commodity Security outstanding immediately prior to the transfer becoming effective (including any calculation made of the Price for that day in accordance with Condition 5) that the aggregate Price of the Commodity Contracts to be transferred bears to the aggregate Price of the Commodity Contracts attributable to the Existing Pool, and on the creation and issue of the New Short or Leveraged Commodity Securities becoming effective the principal amount and Price of each Existing Short or Leveraged Commodity Security shall be reduced accordingly;
- (d) the Issuer shall enter into a Security Deed with the Trustee in relation to the assets attributable to the New Pool to secure the New Short or Leveraged Commodity Securities which shall be on the same terms (*mutatis mutandis*) as the Security Deed (the **Existing Security Deed**) in relation to the Existing Pool, and the Trustee shall release the property to be transferred from the Existing Security Deed; and
- (e) any valid Redemption Form received or deemed received prior to (and being in respect of Short or Leveraged Commodity Securities which have not by then been Redeemed and in respect of which the Redemption Amount has not been paid in accordance with Condition 9):
 - (i) in a case where in respect of the Existing Short or Leveraged Commodity Securities notice of a Compulsory Redemption Date has been given under Condition 8.2 prior to such division becoming effective, the date on which such notice of a Compulsory Redemption Date was given;
 - (ii) in a case where in respect of the relevant Existing Short or Leveraged Commodity Securities notice of a Compulsory Redemption Date has been given (either following the giving of notice by the Issuer to nominate a compulsory pricing date under a Facility Agreement following a Counterparty Event of Default or the giving of notice by a Commodity Contract Counterparty to nominate a compulsory pricing date under its Facility Agreement as a result of a Guarantor Tax Event (as defined in any applicable Guarantee)) under Condition 8.1(a) prior to such division becoming effective, the date on which notice of the Compulsory Redemption Date was given;
 - (iii) in any other case where in respect of the relevant Existing Short or Leveraged Commodity Securities, notice of a Compulsory Redemption Date has been given prior to such division becoming effective, the Compulsory Redemption Date; and
 - (iv) in any other case, the date on which such division becomes effective,

and in each case being valid notwithstanding Condition 7.8(g) and Condition 8.4, shall have effect as if given in respect either of the Existing Short or Leveraged Commodity Securities or of the New Short or Leveraged Commodity Securities dependent upon the Commodity Contract Counterparty (the **Relevant Counterparty**) to whom a Cancellation Notice (as defined in the Facility Agreement) (the **Relevant Cancellation Notice**) had been delivered under a Facility Agreement for the purposes of the Redemption intended to

be effected pursuant to such Redemption Form as determined in its absolute discretion by the Issuer. Accordingly:

- (i) for the purposes of the calculations to be made in accordance with paragraph (c), Commodity Contracts the subject of all Relevant Cancellation Notices shall be excluded, and the principal amounts and Prices referred to therein shall be calculated as though all such Commodity Contracts had been terminated;
- (ii) for the purposes of the calculations to be made in accordance with paragraph (c), Commodity Contracts that have been created for the purposes of an Application that has not been completed by the issue of Short or Leveraged Commodity Securities shall be excluded, and the principal amounts and Prices referred to therein shall be calculated as though all such Commodity Contracts had not been created; and
- (iii) each Security Holder from whom such a Redemption Form in respect of Existing Short or Leveraged Commodity Securities was received or deemed received shall not be issued New Short or Leveraged Commodity Securities as provided in paragraph (b) and instead each of the Existing Short or Leveraged Commodity Securities to which such Redemption Form relates shall be divided into Existing Short or Leveraged Commodity Securities or New Short or Leveraged Commodity Securities as are attributable to the Pool to which Commodity Contracts with the Relevant Counterparty are attributable immediately following the transfer becoming effective, each such Existing Short or Leveraged Commodity Security ranking *pari passu* with and having the same principal amount and Price as the other Existing Short or Leveraged Commodity Securities of that class as reduced in accordance with paragraph (c) and each such New Short or Leveraged Commodity Security ranking *pari passu* with and having the same principal amount and Price as the other New Short or Leveraged Commodity Securities of that class, and each such Security Holder shall hold upon such division becoming effective such number as nearly as practicable (rounded down to the nearest whole number) of Existing Short or Leveraged Commodity Securities or New Short or Leveraged Commodity Securities (as the case may be) as has the same aggregate principal amount as had the Existing Short or Leveraged Commodity Securities in respect of which the Redemption Form related immediately prior to the division becoming effective.

18.4 Without prejudice to the foregoing, the Issuer may consolidate or divide all of the Short or Leveraged Commodity Securities of any class into Short or Leveraged Commodity Securities of the same class but with a proportionately larger or smaller Principal Amount and Price. Such consolidation or division shall be effected by deed or instrument supplemental to the Trust Instrument.

18.5 Whenever as a result of consolidation of Short or Leveraged Commodity Securities a Security Holder would become entitled to a fraction of a Short or Leveraged Commodity Security the Issuer will Redeem such fraction of a Short or Leveraged Commodity Security.

19. ISSUER'S ABILITY TO PURCHASE SHORT AND LEVERAGED COMMODITY SECURITIES

There is no restriction on the ability of the Issuer or any of its Affiliates to purchase or repurchase Short and Leveraged Commodity Securities.

20. LISTING

The Issuer covenants in the Trust Instrument to use its best endeavours to obtain and, so long as any of the Short and Leveraged Commodity Securities remain outstanding, maintain a Listing for the Short and Leveraged Commodity Securities or, if it is unable to do so having used such best endeavours or if the maintenance of such listing is agreed by the Trustee to be unduly onerous, use its best endeavours to obtain and maintain the quotation or listing of the Short and Leveraged Commodity Securities on such other stock exchange as it may (with the prior written approval of the Trustee) decide.

21. WAIVER, AUTHORISATION AND DETERMINATION; MEETINGS OF SECURITY HOLDERS

- 21.1 The Trustee may, without prejudice to its rights in respect of any subsequent breach, but only if and in so far as, in its opinion, the interests of the Security Holders shall not be materially prejudiced thereby, waive or authorise any breach or proposed breach by the Issuer of any of the covenants or provisions contained in these Trust Instruments or the Security Deeds, or determine that any Defaulted Obligation, Issuer Insolvency Event or Counterparty Event of Default shall not be treated as such PROVIDED THAT the Trustee shall not exercise any powers conferred on it by this Condition, (a) with respect to a Defaulted Obligation, in contravention of any express direction given by the Security Holder to whom such Defaulted Obligation is owed or (b) with respect to an Issuer Insolvency Event or any Counterparty Event of Default or any other breach or proposed breach by the Issuer of any of the covenants or provisions contained in the Trust Instrument, in contravention of any express direction given by Security Holders holding not less than 25 per cent. by Principal Amount (as at the date of the last signature) of the Short and Leveraged Commodity Securities (as a whole) then outstanding or an Extraordinary Resolution of the Security Holders (as a single class), but so that no such direction shall affect any waiver, authorisation or determination previously given or made. Any such waiver, authorisation or determination may be given or made on such terms and subject to such conditions (if any) as the Trustee may determine, shall be binding on the Security Holders and, if, but only if, the Trustee shall so require, shall be notified by the Issuer to the Security Holders as soon as practicable thereafter.
- 21.2 Security Holders in respect of any class or classes of Short and Leveraged Commodity Securities have power by Extraordinary Resolution, *inter alia*, to sanction the release of the Issuer from the payment of moneys payable pursuant to the Trust Instrument, to sanction any modification, abrogation or compromise of, or arrangement in respect of, their rights against the Issuer, to assent to any modification or abrogation of the covenants or provisions contained in the Trust Instrument proposed or agreed to by the Issuer and also to sanction other matters as provided therein. The Trust Instrument contains provisions relating to the convening of meetings by the Issuer or the Trustee and provides that, except in the case of an adjourned meeting, at least fourteen calendar days' notice (exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given) of every meeting, including any meeting which is being convened for the purpose of passing an Extraordinary Resolution, shall be given to the Security Holders of the relevant class or classes. In the case of a meeting adjourned through want of a quorum, other than one convened at the requisition of Security Holders, at least seven calendar days' notice (exclusive as aforesaid) should be given unless the day, time and place for the adjourned meeting is specified in the notice convening the original meeting.

22. EXERCISE OF DISCRETIONS

The Trustee may exercise its discretions under the Trust Instrument separately in respect of each class of Short and Leveraged Commodity Securities, and any Further Securities in issue from time to time, and shall incur no liability for so doing.

23. PRESCRIPTION

The Trust Instrument does not provide for any prescription periods.

24. REMOVAL, RETIREMENT OR REPLACEMENT OF TRUSTEE

- 24.1 The Trustee may retire at any time without assigning any reason upon giving not less than three months' prior written notice to the Issuer and without being responsible for any Liabilities incurred by reason of such retirement. The Security Holders may by Extraordinary Resolution of the Security Holders (as a single class) appoint or remove any trustee or trustees for the time being of the Trust Instrument.
- 24.2 The Issuer will use its reasonable endeavours to appoint a new Trustee as soon as reasonably practicable after the Trustee gives notice to its retirement or being removed by Extraordinary Resolution. The retirement or removal of any Trustee shall not become effective until a successor trustee is appointed.

25. GOVERNING LAW AND JURISDICTION

The Conditions, the Short and Leveraged Commodity Securities and the Trust Instrument are governed by the laws of Jersey. The Security Deeds are governed by the laws of England. Notwithstanding the submission to the jurisdiction of the English courts contained in the Security Deeds, nothing prevents the Trustee from commencing proceedings in any other competent jurisdiction.

26. TRUSTEE'S LIABILITY

Save in the case of fraud, wilful misconduct or gross negligence, the Trustee (or any director, officer or employee of the Trustee) shall have no liability under the Trust Instrument for a breach of trust and save in such circumstances, no Trustee (and no director, officer or employee of the Trustee) in execution of the trusts and powers under the Trust Instrument, shall be liable for any loss arising by reason of any mistake or omission by him or by reason of any other matter or thing including fraud, wilful misconduct, gross negligence or default of another director, officer or employee or Trustee.

27. AMENDMENTS TO CONDITIONS

These Conditions may be amended as set out herein or by written agreement between the Issuer and the Trustee. Any amendment to these Conditions will, subject to Condition 28.7, be notified to Security Holders through an RIS announcement, and unless otherwise agreed by the Trustee shall not take effect until at least 30 calendar days following such announcement.

28. AMENDMENTS TO DOCUMENTS

28.1 Pursuant to the Trust Instrument, the Issuer covenants that it will not amend, vary, modify or supplement any of the Trustee Consent Documents without the prior written consent of the Trustee save where, in respect of a Facility Agreement, that amendment is at the election of the relevant Commodity Contract Counterparty to amend the terms of the Facility Agreement to substantially conform that Facility Agreement to another Facility Agreement entered into between the Issuer and another Commodity Contract Counterparty.

28.2 The Issuer may, without prejudice to Condition 28.4, by supplemental agreement or supplemental instrument or deed, as applicable, amend these Conditions, the Trust Instrument, any Security Deed(s) or any of the Trustee Consent Documents (in respect of Conditions (a), (d), (e) and (f) below without the consent of the Trustee) and the Trustee agrees in the Trust Instrument to join in a supplemental agreement or supplemental instrument or deed as applicable accordingly, if one or more of the following applies:

- (a) if the amendment is to substitute as debtor under a Facility Agreement or a Guarantee another person having an Acceptable Credit Rating;
- (b) in the opinion of the Issuer and the Trustee the amendment is necessary or desirable and is not materially prejudicial to the rights of Security Holders;
- (c) in the opinion of the Trustee, the amendment is of a formal, minor or technical nature or to correct a manifest or proven error;
- (d) the amendment is to substitute a different commodity index for one or more of the Commodity Indices and consequential changes provided that:
 - (i) corresponding adjustments have been agreed with each of the Commodity Contract Counterparties that have Commodity Contracts outstanding that refer to the relevant Commodity Index or Commodity Indices;
 - (ii) the adjustments so agreed have the consequence that at the time of the substitution of the index there is no change to the aggregate Price of the Short or Leveraged Commodity Securities of that class or classes which are the subject of the substitution; and

- (iii) the adjustments do not take effect until at least 30 calendar days have elapsed after they are announced to Security Holders in an RIS announcement;
 - (e) the Issuer or the Trustee determines in its discretion that the amendment would affect the holders of different classes of Short or Leveraged Commodity Securities differently and the terms of the amendment are authorised by separate Extraordinary Resolutions of the holders of each class of Short or Leveraged Commodity Security affected passed in accordance with the Trust Instrument;
 - (f) Condition (e) above does not apply to the amendment and the terms of the amendment are authorised by an Extraordinary Resolution of the Security Holders (as a single class) passed in accordance with the Trust Instrument; or
 - (g) the terms of the amendment are necessary or desirable in the opinion of the Issuer and the Trustee to comply with any statutory or other requirement of law (including as modified or applied in any respect to the Short and Leveraged Commodity Securities) or any Listing Rules or to rectify any inconsistency, technical defect, manifest error or ambiguity in the terms of the Trust Instrument or such Conditions, Security Deed or Trustee Consent Document.
- 28.3 In the case of an amendment to a Facility Agreement or an Authorised Participant Agreement, the amendment may not take effect for at least 30 calendar days (or five Issuer Business Days if the amendment is to be made pursuant to an obligation in the Facility Agreement to negotiate in good faith following notice being given by either party thereto of the occurrence of a Material Adverse Change (as defined therein), following publication of a notice thereof through a RIS and the Issuer shall not agree to any such amendment unless it does not take effect until such period has elapsed.
- 28.4 Conditions 28.2 and 28.3 shall not apply to any amendment to the terms of a Facility Agreement which, under the terms thereof, is automatic or at the election of the relevant Commodity Contract Counterparty in the circumstances described in Condition 28.1.
- 28.5 The Issuer shall notify all Security Holders of a proposed amendment as referred to in Condition 28.2(a) by publishing a notice on a RIS at least 30 calendar days' prior to such amendment becoming effective.
- 28.6 The Issuer shall notify all Security Holders of a proposed amendment as referred to in Conditions 28.2(e) and 28.2(f) by publishing a notice on a RIS as soon as practicable after such amendment is proposed and in any event, upon such amendment becoming effective.
- 28.7 No notice need be given of any amendment as referred to in Conditions 28.2(b), (c) or (g) or 28.4 unless the Trustee otherwise requires.

29. NOTICES

- 29.1 Except as provided below, all notices required or permitted to be given to Security Holders, the Issuer or the Registrar under the Trust Instrument or pursuant to any other Document must be in writing in English.
- 29.2 All notices required or permitted to be given to a Security Holder under the Trust Instrument or pursuant to any other Trustee Consent Document shall be made by publication through a RIS where required under the terms of such document, but otherwise may be given by publication on the Issuer's Website.
- 29.3 All notices required to be given by the Issuer to Security Holders under the Trust Instrument or otherwise shall be given in writing, except to the extent that the notice relates to a meeting of Security Holders where, in relation to any Short and Leveraged Commodity Securities which are held in Uncertificated Form, the directors may from time to time permit notices of Security Holder meetings to be made by means of an electronic communication in the form of an Uncertificated Notice of Meeting in such form and subject to such terms and conditions as may from time to time be prescribed by the directors (subject always to facilities and requirements of CREST) and may in similar manner permit supplements, or amendments, to any such Uncertificated Notice of Meeting to be made by like means.

29.4 Any Pricing Notice shall be sent by fax to the Issuer's primary fax number, as follows:

Fax: +44 1534 825 335

or such other fax number as may be published on the Issuer's Website, and confirmed by email to the following email address:

Email: info@etfsecurities.com.

29.5 Any Pricing Notice shall be deemed to have been received upon sending, subject to confirmation of uninterrupted and error-free transmission by a transmission report.

29.6 Any General Notice to be given to the Issuer shall be sent to the Issuer's primary fax number set out above or delivered by hand, sent by prepaid recorded delivery or registered post (or registered airmail in the case of an address outside the United Kingdom), to the following address:

Name: ETFS Commodity Securities Limited

Address: Ordnance House, 31 Pier Road
St. Helier, Jersey JE4 8PW
Channel Islands

Attention: Graeme Ross/Craig Stewart

Fax number: +44 1534 825 335

or such other address as may be published for the Issuer on the Issuer's Website.

29.7 Any General Notice shall, in the absence of earlier receipt, be deemed to have been received as follows:

(a) if delivered by hand, at the time of actual delivery; or

(b) if sent by prepaid recorded delivery or registered post (or registered airmail in the case of an address outside the United Kingdom), on the date it is delivered or its delivery is attempted.

30. PAYMENT PROVISIONS

30.1 All monies payable by the Issuer in respect of Short and Leveraged Commodity Securities shall be paid in US Dollars in full cleared and immediately available funds.

30.2 All monies payable by the Issuer on the Redemption of any Short and Leveraged Commodity Securities (including, without limitation, any interest payable under Condition 10.2) shall be paid in full, free and clear of and without any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any relevant jurisdiction or any political sub-division thereof or any authority thereof having power to tax, unless such deduction or withholding is required by law to which the person making the payment is subject.

30.3 Where a day on which a payment would otherwise be due and payable is not a Business Day, such payment shall be due and payable by the payer on the next following Business Day."

PART 7

PARTICULARS OF SECURITY DEEDS

The Issuer and the Trustee have entered into 70 Security Deeds, in each case creating a first-ranking floating charge over the Secured Property attributable to the relevant class for the benefit of the Trustee and the Security Holders of the Short or Leveraged Commodity Securities of that class.

The Security Deeds contain, *inter alia*, provisions to the following effect:

1. Charge

- (a) **Charge:** The Issuer as continuing security for the payment or discharge of all sums owing by or obligations of the Issuer to the Trustee or the Security Holders from time to time under the applicable class of Short or Leveraged Commodity Securities, the Trust Instrument or the relevant Security Deed (the “**Secured Liabilities**”), grants a first ranking floating charge to the Trustee for the benefit of itself and the Security Holders of that class of Short or Leveraged Commodity Securities over all the Issuer’s rights, title and interest, present and future, in and to the relevant Secured Property.
- (b) **Assignment by way of Security:** The Issuer as further security for the Secured Liabilities assigns absolutely to the Trustee all of its present and future rights, title and interest in the Facility Agreement, the Security Agreement and the Control Agreement in so far as it pertains to the relevant Pool.

2. Enforcement

- (a) The Security created by the Security Deed shall become enforceable if (a) a Defaulted Obligation has occurred and is continuing, or (b) an Issuer Insolvency Event has occurred and is continuing, or (c) a Counterparty Event of Default has occurred and is continuing or (d) any event by which the security under the Security Agreement becomes enforceable has occurred and is continuing.
- (b) In addition to any of the powers conferred on the Trustee pursuant to the Trust Instrument with respect to the Secured Property the Trustee may at any time:
 - (i) after the occurrence of a Defaulted Obligation, at its discretion, and shall, if so directed in writing by the Relevant Security Holder to whom such Defaulted Obligation is owed, the Trustee having first been indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing, take such proceedings and/or other action as it may think fit against or in relation to the Issuer to enforce any such obligation of the Issuer under the Trust Instrument and the security constituted by this Deed in respect of the Relevant Securities to which such Defaulted Obligation relates;
 - (ii) if a Counterparty Event of Default and/or an Issuer Insolvency Event has occurred and is continuing, at its discretion, and shall if so directed in writing by Security Holders holding not less than 25 per cent. by Price (as at the date of the last signature or, if no Price was determined on such date the most recently determined Price) of the affected Short and Leveraged Commodity Securities (as a whole) then outstanding or an Extraordinary Resolution of the Security Holders holding affected Short or Leveraged Commodity Securities (as a single class), the Trustee having first been indemnified and/or secured to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing, take such proceedings and/or other action as it may think fit against or in relation to the Issuer to enforce any obligations of the Issuer under the Trust Instrument and the security constituted by this Deed in respect of all outstanding affected Relevant Securities and for this purpose and paragraph (iii) “affected” Short and Leveraged Commodity Securities or “affected” Relevant Securities means, in the context of an Issuer Insolvency Event, all of them, and in the context of a Counterparty Event of Default or (in paragraph (iii)) a Counterparty Insolvency Event, those Short and Leveraged Commodity Securities (or Relevant Securities, if any) that are attributable to the Pool or Pools which include rights against that particular Commodity Contract Counterparty; and
 - (iii) where a Counterparty Event of Default and/or an Issuer Insolvency Event is occurring at the same time as a Defaulted Obligation, a holder of Relevant Securities to whom a

Defaulted Obligation is owed will not be entitled to require the Trustee to take action as described in paragraph (i) until the expiry of 30 days from the occurrence of the Counterparty Event of Default and/or Issuer Insolvency Event, nor shall he be so entitled if, during such period of 30 days, the Trustee has elected, or been required, to take action as described in paragraph (ii).

3. Governing Law

The Security Deeds are governed by the laws of England. Notwithstanding the submission to the jurisdiction of the English courts contained in the Security Deeds, nothing prevents the Trustee from commencing proceedings in any other court of competent jurisdiction.

PART 8

COMMODITIES, COMMODITY AND FUTURES MARKETS AND EXCHANGES

Commodities Overview

The websites referred to in this “Commodities Overview” section do not form part of the Prospectus.

Aluminium

Aluminium is the third most abundant element in the Earth’s crust, and weighs about one-third as much as steel or copper. It is malleable, ductile, easily machined and cast, and has excellent corrosion resistance and durability. Aluminium is used in transportation (automobiles, airplanes, trucks, railcars, marine vessels), packaging (cans, foil), construction (windows, doors, siding), consumer durables (appliances, cooking utensils), electrical transmission lines, and machinery. The primary raw material used for aluminium production is aluminium ore, most commonly known as bauxite. Bauxite, which occurs mainly in tropical areas, is refined into alumina and then electrolytically reduced into aluminium metal. Two to three metric tons of bauxite is required to produce one metric ton of alumina; two metric tons of alumina are required to produce one metric ton of aluminium metal.

A more detailed description including historical data of the aluminium industry can be found at <http://www.abareconomics.com>, which is updated from time to time by the Australian Bureau of Agriculture and Resources Economics and Sciences.

Brent Crude

Brent crude is one of the varieties of crude oil, as described under the heading “Crude Oil” below, and is sourced in the North Sea. Brent crude production has been in decline since 1999, and in order to avoid pricing distortions regarding quality and quantity of production for the benchmark, energy consultant Platts began to combine Brent Crude with other varieties of crude oil. The Brent crude oil benchmark is currently a blend of Brent Crude, Forties, Ecofisk, and Oseberg (BFOE) varieties of crude oil that are produced in the North Sea.

Cocoa

Cocoa grows on cocoa trees, which are generally found in rainforests and in countries near the Equator. Hot and humid conditions are essential for the development of cocoa trees. There are two kinds of cocoa beans “fine” or “flavour” beans, and “bulk” or “ordinary” beans. The latter has dominated most of the world’s cocoa production over the past 5 decades. Historically, cocoa is regarded as a stimulant due to its high calorific content. More recently, it has been found that cocoa contains a high level of flavonoid which is beneficial to cardiovascular health. Besides from human consumption, cocoa has also been used in the manufacture of pet food since the mid-2000s. Subsequent to cocoa being exported outside South America in the 16th century, it has gained more importance globally as 50 million people depend on cocoa for their livelihood. 70 per cent. of cocoa is produced in West Africa and more than 70 per cent. of the global cocoa supply is provided by small farm owners. Due to the complex processing chain and the production structure, farmers usually only receive 5 per cent. of the retail value.

A more detailed description including historical data of the cocoa industry can be found at <http://www.icco.org>, which is updated from time to time by the International Cocoa Organization.

Coffee

The coffee plant produces its first full crop of beans at about 5 years old and then is productive for about 15 years. Coffee is generally classified into two types of beans — arabica and robusta. The most widely produced coffee is arabica, which is typically grown at high altitudes and makes up approximately 70 per cent. of world production. Brazil and Colombia are the largest producers of Arabica coffee. Robusta coffee, the stronger of the two types, is typically grown at lower altitudes in West and Central Africa, South-East Asia and partly Brazil. About 12-20 kg of export ready coffee is produced from every 100 kg of coffee beans harvested. Seasonal factors have a significant influence on coffee prices, which are often subject to upward spikes in June, July and August due to freeze scares in Brazil during the winter months in the Southern Hemisphere.

A more detailed description including historical data of the coffee industry is updated from time to time by the United States Department of Agriculture (<http://www.usda.gov>) and the International Coffee Organization (<http://www.ico.org>).

Copper

Copper is one of the most widely used industrial metals because it is an excellent conductor of electricity, has strong corrosion-resistance properties, and is very ductile. It is also used to produce the alloys of brass (a copper-zinc alloy) and bronze (a copper-tin alloy), both of which are far harder and stronger than pure copper. Electrical uses of copper including power transmission and generation, and electronic equipment account for about 65 per cent. of total copper usage. Copper is biostatic, meaning that bacteria will not grow on its surface, and is therefore used in air-conditioning systems, food processing surfaces, and doorknobs to prevent the spread of disease. Building construction is the single largest market for copper, followed by industrial applications, power utility, diverse, consumer and general products and automotive.

A more detailed description including historical data of the copper industry can be found at <http://www.icsg.org>, which is updated from time to time by the International Copper Study Group.

Corn

Corn is a hardy plant that grows in many different areas of the world, and is a native grain of the American continents. Corn is used primarily as livestock feed; it is also used in alcohol additives for gasoline, adhesives, corn oil for cooking and margarine, sweeteners, and as a food for humans.

A more detailed description including historical data of the corn industry can be found at <http://www.usda.gov>, which is updated from time to time by the United States Department of Agriculture.

Cotton

Cotton accounts for over 40 per cent. of total world fibre production. It is used in a wide range of products from clothing to home furnishings to medical products. The weight of cotton is typically measured in terms of a "bale", which is deemed to weigh 480 pounds. The value of cotton is determined according to the staple, grade, and character of each bale. Staple refers to short, medium, long, or extra-long fibre length, with medium staple accounting for about 70 per cent. of all U.S. cotton. Grade refers to the colour, brightness, and amount of foreign matter. Character refers to the fibre's diameter, strength, body, maturity (ratio of mature to immature fibres), uniformity, and smoothness.

A more detailed description including historical data of the cotton industry can be found at <http://www.usda.gov>, which is updated from time to time by the United States Department of Agriculture.

Crude Oil

According to the Energy Information Administration (EIA), over the past several decades oil has been the world's foremost source of primary energy consumption. Many varieties of crude oil are produced around the world, each with their own price; the characteristics of each variety depend largely on the particular crude oil's geological history. Because there are so many varieties, crude oils are priced and traded relative to well known benchmarks (called markers). Two of these benchmarks dominate world crude oil futures trading, namely Brent Crude, futures contracts for which are traded in London on the ICE Futures Market, and West Texas Intermediate (WTI) Light Sweet Crude, futures contracts for which are traded on NYMEX. Crude oil prices are influenced by a complex interaction of underlying supply and demand factors, political dynamics and increasingly developed spot, term and futures trading. Therefore these prices tend to be highly volatile. The behaviour of the Organization of the Petroleum Exporting Countries (OPEC) is often the key to price developments in the world crude oil market.

A more detailed description including historical data of the crude oil industry is updated from time to time on the BP Statistical Review of World Energy published on BP website (<http://www.bp.com>) and the International Energy Outlook published by the Energy Information Administration (<http://www.eia.doe.gov>).

Gas Oil

Gas oil is also known as diesel distillate or red diesel and is closely related to heating oil. Heating oil and diesel are both distillates, the difference being that heating oil is permitted to contain more sulphur than diesel fuel. Gas oil is primarily used as a fuel for land and marine transport and in industrial and

domestic heating applications. Around 25 per cent. of the yield of a barrel of oil is made up of distillate, with that being broadly divided 80:20 between diesel fuel and heating oil. See also the description under the heading "Heating Oil" below.

Gasoline

Gasoline is primarily used as a fuel for internal-combustion engines. Crude oil is the most economical source of gasoline, and refineries turn more than half of every barrel of crude oil into gasoline. The three basic steps to all refining operations are the separation process (separating crude oil into various chemical components), conversion process (breaking the chemicals down into molecules called hydrocarbons), and treatment process (transforming and combining hydrocarbon molecules and other additives). Octane is a measure of a gasoline's ability to resist pinging or knocking noise from the engine. Additional refining steps are needed to increase the octane level, which increases the retail price.

A more detailed description including historical data of the gasoline industry is updated from time to time on the BP Statistical Review of World Energy published on BP website (<http://www.bp.com>) and the International Energy Outlook published by the Energy Information Administration (<http://www.eia.doe.gov>).

Gold

Three factors set gold apart as an investment from most other commodities: it is indestructible; it is fungible; and the inventory of above-ground stocks is enormous relative to the supply flow. These attributes mean that a sudden surge in gold demand can be met quickly and easily through sales of existing holdings of gold. Additionally, gold's liquidity and responsiveness to price changes differentiates it from other commodities. Gold trading on the global market consists of transactions in spot, forwards, and options and other derivatives on the over-the-counter (OTC) market, together with exchange-traded futures and options. The OTC market trades on a 24-hour per day continuous basis and accounts for most global gold trading.

A more detailed description including historical data of the gold industry can be found at <http://www.gold.org>, which is updated from time to time by the World Gold Council.

Heating Oil

Heating oil is a heavy fuel oil that accounts for approximately 25 per cent. of the yield from a barrel of crude oil, the second largest cut after gasoline. Heating oil prices are highly correlated with crude oil prices, which make up 42 per cent. of the total cost of heating oil, although heating oil prices are also subject to swift supply and demand shifts due to weather changes or refinery shutdowns. However, the primary use for heating oil is residential space heating.

A more detailed description including historical data of the heating oil industry is updated from time to time on the BP Statistical Review of World Energy published on BP website (<http://www.bp.com>) and the International Energy Outlook published by the Energy Information Administration (<http://www.eia.doe.gov>).

Kansas Wheat

Kansas wheat refers to the hard red winter variety whose futures are traded on the Kansas City Board of Trade. Hard red winter wheat is primarily used for bread making and accounts for about 40 per cent. of US wheat production. Winter Wheat is planted in the winter. Hard Red Winter Wheat is grown predominantly in Kansas, Nebraska, Oklahoma, and the Texas panhandle. The cold, sub zero winters and the general lack of precipitation make these regions of the country ideal for hard red winter wheat production.

A more detailed description including historical data of the wheat industry can be found at <http://www.ers.usda.gov/topics/crops/wheat.aspx>, which is updated by the United States Department of Agriculture. A more detailed description of Kansas wheat futures contracts can be found at http://www.kcbt.com/contract_wheat.html, which is updated by the Kansas City Board of Trade.

Lead

Lead is soft, ductile, and highly resistant to corrosion. It has been used for more than 7,000 years and is easy to extract, usually being found in ore with zinc, silver, and copper. Lead's high corrosion resistance makes it ideal for buildings; the high density makes it an effective barrier to radiation in hospitals and helps reduce noise in factories as well as in ships. 80 per cent. of lead's end use is for lead-acid batteries to provide power in vehicles and emergency power. At least three-quarters of all lead used goes into products which are suitable for recycling and the recovery of lead from scrap requires much less energy than extracting from ore, which is why lead has the highest recycling rate of all the common non-ferrous metals. Over 50 per cent. of lead consumed is derived from recycled or re-used material.

A more detailed description including historical data of the lead industry is updated from time to time on the International Lead and Zinc Study Group website (<http://www.ilzsg.org>) and the Australian Bureau of Agriculture and Resources Economics and Sciences website (<http://www.abareconomics.com>).

Lean Hogs

Hogs are generally bred twice a year in a continuous cycle designed to provide a steady flow of production. The time from birth to slaughter is typically six months. Hogs are ready for slaughter at about 254 pounds, producing an average of 89 pounds of lean meat. The lean meat consists of 21 per cent. ham, 20 per cent. loin, 14 per cent. belly, 3 per cent. spareribs, 7 per cent. butt roast and blade steaks, and 10 per cent. picnic, with the remaining 25 per cent. going into miscellaneous cuts and trimmings. Hogs are produced in three types of operations: feeder pig producers raise pigs from birth to about 10-60 pounds, and feeder pig finishers grow them to slaughter weight; alternatively, farrow-to-finish operations raise hogs from birth to slaughter weight.

A more detailed description including historical data of the lean hog industry can be found at <http://http://www.usda.gov>, which is updated from time to time by the United States Department of Agriculture.

Live Cattle

The cattle and beef industry is divided into two production sectors: cow-calf operations and cattle feeding. Cow-calf operations — The cattle and beef industry begins with the cow-calf operation, which breeds the new calves. Cow-calf operations are typically located on land not suited or needed for crop production. These operations are dependent upon range and pasture forage conditions, which are in turn dependent upon variations in the average level of rainfall and temperature for the area. Herds of cows are bred in the summer, thus producing the new crop of calves in spring. Calves are weaned from the mother after 6-8 months; they spend the next 6-10 months in a "stocker" operation where they grow to 600-800 pounds or near full-size, after which point they are sent to a feedlot and become "feeder cattle".

Cattle feedlots — Cattle feedlots produce high-quality beef by feeding grain and other concentrates for about five months. The animal is considered "finished" when it reaches full weight and is ready for slaughter, typically around 1,200 pounds, and then is sold for slaughter to a meat packing plant.

A more detailed description including historical data of the live cattle industry can be found at <http://www.usda.gov>, which is updated from time to time by the United States Department of Agriculture.

Natural Gas

Natural gas is a fossil fuel in gaseous form that is colourless, shapeless, and odourless in its pure form. It is a mixture of hydrocarbon gases formed primarily of methane; it is combustible, clean burning, and gives off a great deal of energy. Natural gas is produced from wells around the world and it is normally transported via pipeline. When pipeline transport is not feasible (e.g. over long distances), the natural gas is turned into a liquid (also called "Liquefied Natural Gas" or LNG) by super-cooling and transported as a liquid on tankers before being warmed up and turned into a gas upon arrival at the delivery port. Natural gas is used primarily for heating and generating electricity by industries such as pulp and paper, metals, chemicals, petroleum refining, stone, clay and glass, plastic, and food processing.

A more detailed description including historical data of the natural gas is updated from time to time on the BP Statistical Review of World Energy published on BP website (<http://www.bp.com>) and the

Nickel

Nickel is a hard, malleable, ductile metal that can take on a high polish. Nickel is also a fair conductor of heat and electricity. Approximately 65 per cent. of nickel is used to manufacture stainless steel and 20 per cent. in other steel and non-ferrous (including “super”) alloys, often for highly specialised industrial, aerospace and military applications. About 9 per cent. is used in plating, and 6 per cent. in other uses including coins and a variety of nickel chemicals (e.g. rechargeable batteries). Nickel plating techniques are employed in applications such as turbine blades, helicopter rotors, extrusion dies, and rolled steel strip.

A more detailed description including historical data of the nickel industry can be found at <http://www.abareconomics.com>, which is updated from time to time by the Australian Bureau of Agriculture and Resources Economics and Sciences.

Platinum

Platinum is soft, with a high resistance to corrosion and a high melting point, and is the most dense metal known. It is also a good oxidation catalyst, conductive and oxidation resistant. Traditionally, platinum is mainly used for jewellery, industrial usage, and autocatalysts. Recently, investment demand for platinum has increased due to the creation of physical platinum backed exchange traded funds. Platinum together with palladium are the major metals used in gasoline and diesel autocatalysts. Other industrial demands include chemical, electrical, petroleum, glass, and dental uses.

A more detailed description including historical data of the platinum industry can be found at <http://www.platinum.matthey.com>, which is updated from time to time by Johnson Matthey.

Silver

Silver has been used for thousands of years in ornaments and utensils, for trade, and as the basis for many monetary systems. It is the most malleable and ductile of all metals with the exception of gold, and conducts heat and electricity better than any other metal. It is not very chemically active, although tarnishing occurs when sulphur and sulphides attack silver. Because silver is too soft in its pure form, a hardening agent, usually copper, is mixed into the silver. Most silver emerges as a by-product from mining; only 30 per cent. of output comes from mines where the main source of revenue is silver (primary silver mine). The term “sterling silver” means silver that contains at least 925 parts of silver per thousand (92.5 per cent.) to 75 parts of copper (7.5 per cent.). Silver is used for jewellery, photography, electrical appliances, glass, and as an antibacterial agent for the health industry. Silver has never really enjoyed the safe haven’ status that gold possesses. However, its link to gold and the base metals meant that silver was often attractive for speculators, since it was perceived to behave in a similar way to these other markets.

A more detailed description including historical data of the silver industry can be found at <http://www.silverinstitute.org>, which is updated from time to time by The Silver Institute.

Soybean Meal

Soybean meal is a by-product of soybean processing. Soybean meal is the most valuable component obtained from processing the soybean, ranging from 50 per cent. to 75 per cent. of its value. Livestock feeds account for 98 per cent. of soybean meal consumption, with the remainder used in human foods such as bakery ingredients and meat substitutes.

A more detailed description including historical data of the soybean industry can be found at <http://www.ers.usda.gov/topics/crops/soybeans-oil-crops/background.aspx> , which is updated by the United States Department of Agriculture. A more detailed description of Chicago Board of Trade soybean meal futures contracts can be found at http://www.cmegroup.com/trading/agricultural/grain-and-oilseed/soybean-meal_contract_specifications.html, which is updated by the Chicago Board of Trade.

Soybean Oil

Soybean oil is the natural oil extracted from whole soybeans; approximately 19 per cent. of a soybean's weight can be extracted as crude soybean oil. It is mainly used in salad and cooking oil, bakery shortening, and margarine, as well as in a number of industrial applications, primarily because soy oil is cholesterol-free and high in polyunsaturated fat. Soybean oil is also used to produce inedible products such as paints, varnish, resins, and plastics. Worldwide, soybean oil is still the largest source of vegetable oil.

A more detailed description including historical data of the soybean oil industry can be found at <http://www.usda.gov>, which is updated from time to time by the United States Department of Agriculture.

Soybeans

Soybeans are used to produce a wide variety of food products because of their high protein content without many of the negative factors of animal meat. Processed soybeans are the largest source of protein feed and vegetable oil in the world. Soybean meal is the most valuable component obtained from processing the soybean, ranging from 50 per cent. to 75 per cent. of its value. Livestock feeds account for 98 per cent. of soybean meal consumption, with the remainder used in human foods such as bakery ingredients and meat substitutes. Popular soy-based food products include whole soybeans, soy oil for cooking and baking, soy flour, protein concentrates, isolated soy protein, soy milk and baby formula, soy yogurt, soy cheese, soy nut butter, soy sprouts, tofu and tofu products, soy sauce, and meat alternatives.

A more detailed description including historical data of the soybean industry can be found at <http://www.usda.gov>, which is updated from time to time by the United States Department of Agriculture.

Sugar

Sugar, also known as sucrose, is a member of the larger group of compounds called carbohydrates, and is characterised by a sweet taste. Sucrose occurs in the highest concentration in sugar cane and sugar beets, which are produced in over 100 countries around the world. About 75 per cent. of all sugar produced is processed from sugar cane, and the remainder from sugar beets. Raw sugar and refined sugar are two different products that are both traded internationally. Sugar beet producing countries export refined sugar, while sugar cane producing countries export either raw or refined sugar.

A more detailed description including historical data of the sugar industry can be found at <http://www.usda.gov>, which is updated from time to time by the United States Department of Agriculture.

Tin

Tin has been used in the production of bronze for at least 5,500 years. Tin is soft, pliable, resistant to corrosion and does not easily oxidise in the air. Therefore, it is widely used to coat other metals. The other important properties of tin are its low melting point, attractive appearance and the ability to readily form alloys with most other metals to create useful materials. Because of the softness of tin, it is seldom used in its pure form and is mainly combined with other metals. The end uses of tin are metal containers (19 per cent.), solders (16 per cent.), transportation (16 per cent.), construction (11 per cent.) and other applications (38 per cent.).

A more detailed description including historical data of the tin industry is updated from time to time on the United States Geological Survey (<http://www.usgs.gov>), the ITRI website (<http://www.itri.co.uk/default.asp>) and the Australian Bureau of Agriculture and Resources Economics and Sciences website (<http://www.abareconomics.com>).

Wheat

Wheat is a cereal grass that has been grown in temperate regions and cultivated for food since prehistoric times; it is currently widely produced across the world. Wheat is used mainly as a human food and supplies about 20 per cent. of the food calories for the world's population. The primary use for wheat is flour, but it is also used in brewing and distilling, and to make oil, gluten, straw for livestock bedding, livestock feed, hay or silage, newsprint, and other products.

Wheat here refers to the soft red winter variety whose futures are traded on the Chicago Board of Trade. Soft red winter wheat futures are the most actively traded wheat futures contract. Soft red winter wheat

is used for cakes, cookies and crackers and accounts for 15 per cent. to 20 per cent. of US wheat production.

A more detailed description including historical data of the wheat industry can be found at <http://www.ers.usda.gov/topics/crops/wheat.aspx>, which is updated by the United States Department of Agriculture. A more detailed description of Chicago Board of Trade wheat futures contracts can be found at http://www.cmegroup.com/trading/agricultural/grain-and-oilseed/wheat_contract_specifications.html, which is updated by the Chicago Board of Trade.

A more detailed description including historical data of the wheat industry can be found at <http://www.usda.gov>, which is updated from time to time by the United States Department of Agriculture.

Zinc

Zinc is the 24th most abundant element in the earth's crust. Zinc is never found in its pure state, but is rather produced from ores (primary zinc), or from scrap and residues (secondary zinc). Approximately three quarters of all zinc is consumed as metal, mainly as a coating to protect iron and steel from corrosion (galvanised metal), as alloying metal to make bronze and brass, as zinc-based die casting alloy, and as rolled zinc. The remaining quarter is consumed as zinc compounds mainly in the negative electrode in dry cell (flashlight) batteries, in the zinc-mercuric-oxide battery cell typically used in watches, cameras, and other electronic devices, and as an antiseptic ointment in medicine. Zinc is also a necessary element for proper growth and development of humans, animals, and plants; it is the second most common trace metal, after iron, found naturally in the human body.

A more detailed description including historical data of the zinc industry is updated from time to time on the International Lead and Zinc Study Group website (<http://www.ilzsg.org>) and the Australian Bureau of Agriculture and Resources Economics website (<http://www.abareconomics.com>).

Futures Markets

Futures contracts are typically traded on organised exchanges in a wide variety of physical commodities (including petroleum products, metals, and grains) and financial instruments (such as stocks, bonds, and currencies). They are traded in two ways: either in an open outcry environment or through an electronic trading platform.

Futures contracts have standardised terms that are determined by the exchange, rather than by market participants. Standardised terms include: the amount of the commodity to be delivered (the contract size), delivery months, the last trading day, the delivery location or locations, and acceptable qualities or grades of the commodity. This standardisation enhances liquidity, by making it possible for large numbers of market participants to trade the same instrument. Most futures contracts (by volume) are liquidated prior to expiry to avoid physical delivery. The purpose of the physical delivery provision is to ensure convergence between the futures price and the cash market price (however some futures are only cash settled).

Futures trades that are made on an exchange are cleared through a clearing organisation (clearing house), which acts as the buyer to all sellers and the seller to all buyers. When an investor buys or sells a futures contract, they are technically buying from, or selling to, the clearing organisation rather than the party with whom they executed the transaction on the trading floor or through an electronic trading platform.

Futures traders are not required to put up the entire value of a contract. Rather, they are required to post a margin that is typically between 2 per cent. and 10 per cent. of the total value of the contract. Thereafter, the position is "marked to the market" daily. If the futures position loses value, the amount of money in the margin account will decline accordingly. If the amount of money in the margin account falls below the specified maintenance margin, the futures trader will be required to post additional margin to bring the account up the initial margin level. On the other hand, if the futures position is profitable, the profits will be added to the margin account. Because only a margin is required, this is known as an un-collateralised position. If 100 per cent. margin is deposited (earning interest), then this is known as a fully collateralised position and the return is known as a Total Return.

Futures exchanges and clearing houses in the United States are subject to regulation by the Commodity Futures Trading Commission (CFTC). Exchanges may adopt rules and take other actions

that affect trading, including imposing speculative position limits, maximum price fluctuations and trading halts and suspensions, and requiring liquidation of contracts in certain circumstances.

Futures markets outside the United States are generally subject to regulation by comparable regulatory authorities. The structure and nature of trading on non-U.S. exchanges, however, may differ from this description.

Exchanges

CBOT (Chicago Board of Trade, now merged with CME)

CBOT is a leading futures and futures-options exchange located in Chicago. In its early history, the CBOT traded only agricultural commodities such as corn, wheat, oats and soybeans. Futures contracts at the Exchange evolved over the years to include non-storable agricultural commodities and non-agricultural products, including U.S. Treasury bonds and notes, 30-Day Federal Funds, stock indexes, and swaps. In 2007, CBOT merged with the Chicago Mercantile Exchange ("**CME**"), becoming the world's largest financial exchange market.

CME (Chicago Mercantile Exchange)

CME is the largest futures exchange in the United States, and also owns and operates the largest futures clearing house in the world. CME products fall into five major areas: interest rates, equities, foreign exchange, agricultural commodities and alternative investments. Two forums are available for trading CME products: the long-standing open outcry trading floors and an electronic trading platform. The CME Clearing House guarantees, clears and settles every contract traded through the CME. In 2007, the CME merged with the Chicago Board of Trade ("**CBOT**"), becoming the world's largest financial exchange market.

LME (London Metal Exchange)

LME is the world's largest futures exchange for base and other metals. LME allows for cash trading, and offers hedging, worldwide reference pricing and storage for physical delivery of trades. Eleven companies have exclusive rights to trade by open outcry, and approximately 100 companies trade inter-office through the London Clearing House, which also clears London Stock Exchange trading. Trades are in futures, options and TAPOs (traded average price contracts, a form of Asian option). Commodities traded on LME include aluminium, copper, zinc, lead, nickel, tin, and aluminium alloy.

KBOT (Kansas Board of Trade)

The Kansas City Board of Trade was founded in 1856 by a group of Kansas City merchants. It served a function similar to a Chamber of Commerce. Early trading at the exchange was primarily in cash grains. Today, hard red winter wheat futures are the mainstay of the Kansas City Board of Trade. In 2011, the exchange traded more than 6.3 million wheat futures contracts, equivalent to more than 31.71 billion bushels. Options on wheat futures were introduced in 1984, and record options volume was traded in 2002.

ICE Futures U.S.

ICE Futures U.S., formerly the New York Board of Trade ("**NYBOT**"), is a physical commodity futures exchange located in New York City. Its two principle divisions are the New York Coffee Sugar and Cocoa Exchange ("**CSCE**") and the New York Cotton Exchange ("**NYCE**"). In January 2007, NYBOT was acquired by ICE and renamed ICE Futures U.S.

NYMEX (The New York Mercantile Exchange, Inc.)

NYMEX, or The New York Mercantile Exchange, Inc., is the world's largest physical commodity futures exchange and is located in New York City. The exchange handles billions of dollars worth of energy products, metals, and other commodities being traded by open auction and electronically. Trading is conducted through two divisions, the NYMEX Division, home to the energy, platinum, and palladium markets; and the COMEX Division, on which all other metals trade. In 2008, NYMEX merged with CME Group becoming the world's largest financial exchange market.

PART 9

GLOBAL BEARER CERTIFICATES

The following is a non-binding English language translation of the form of Global Bearer Certificates. The definitive German language text, of which the following is a direct translation, of the form of the Global Bearer Certificates and the Conditions of the Global Bearer Certificates is set out in Annexes 1 and 2 of this document.

Model Form of Global Bearer Certificate (non-binding translation)

Global Bearer Certificate

for

• registered [see Annex 1] [Short Commodity][Leveraged Commodity] Securities

of

ETFS Commodity Securities Limited

Ordnance House, 31 Pier Road, St Helier, Jersey, Channel Islands, JE4 8PW

divided into securities with a principal amount of • [see Annex 1] each

As underlying stock for this Global Bearer Certificate the Clearstream Banking Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany (hereinafter referred to as "Clearstream"), is holding • registered [see Annex 1] [Short Commodity][Leveraged Commodity] Securities (hereinafter referred to as "Notes") of ETFS Commodity Securities Limited, Jersey, Channel Islands (hereinafter referred to as the "Company") constituted by a Trust Instrument dated 8 February 2008 between the Company and The Law Debenture Trust Corporation p.l.c. (hereinafter referred to as the "Trust Instrument") and secured as described therein and divided into securities with a principal amount of • [see Annex 1] each, registered in the name of Vidacos Nominees Limited, London, England, and held in a special Safe Custody Account with Citibank N.A., London, England. Each co-owner of this Global Bearer Certificate is entitled to demand at any time from Clearstream to arrange for the delivery and registration in the relevant Register of Security Holders, in his name or in the name of a third party designated by him of such number of Notes as corresponds to his share in this Global Bearer Certificate.

In respect of all further matters, the Conditions attached to this Global Bearer Certificate and forming an essential part thereof shall apply.

Frankfurt am Main, ...

CLEARSTREAM BANKING
AKTIENGESELLSCHAFT

Text of the Conditions of the Global Bearer Certificates
(non-binding translation)

Conditions of the Certificate

(non-binding translation)

1. This Global Bearer Certificate bears the signature of two managing directors, or one managing director and one holder of procuration, of the Clearstream Banking Aktiengesellschaft, Frankfurt am Main, Federal Republic of Germany (hereinafter referred to as "Clearstream").
2. Each co-owner of this Global Bearer Certificate is entitled to demand at any time from Clearstream the delivery and the registration in the relevant Register of Security Holders, in his name or in the name of a third party designated by him of such number of registered • [see Annex 1] [Short Commodity][Leveraged Commodity] Securities (hereinafter referred to as "Notes") of ETFS Commodity Securities Limited, Jersey, Channel Islands, England, (hereinafter referred to as the "Company") constituted by a Trust Instrument dated 8 February 2008 between the Company and The Law Debenture Trust Corporation p.l.c. (hereinafter referred to as the "Trust Instrument") and secured as described therein and divided into securities with a principal amount of • [see Annex 1] each, as corresponds to his co-ownership share in this Global Bearer Certificate. Such demand shall be made by the co-owner through his depositary bank to Clearstream, stating to whom the Notes shall be delivered, respectively, the address to which the certificate evidencing the registration shall be mailed by the Registrar.

In addition to the delivery, respectively, transfer fee determined by Clearstream pursuant to § 315 of German Civil Code, the co-owner shall bear any expenses, taxes, fees or duties arising from such delivery resp. transfer and registration.

The co-owners of this Global Bearer Certificate are not entitled to demand delivery of individual bearer certificates out of this Global Bearer Certificate.
3. As a rule, Clearstream shall convey to the co-owner, through his depositary bank and in proportion to his share in the Global Bearer Certificate, all rights arising from the Notes under the laws of England and Jersey, Channel Islands.

Payments of capital, interests and/or other amounts due will be passed on by Clearstream to the co-owner. Furthermore, any terms and conditions announced by Clearstream shall apply.

All payments to the co-owner shall be made in EURO, in accordance with the foreign exchange control regulations prevailing at the time, unless the co-owner has in time before the due date demanded payment in USD (United States Dollars).
4. As a rule, Clearstream shall not exercise voting rights arising in a noteholder meeting. On demand it shall cause a voting proxy to be issued to the co-owner or a third party indicated by him.

The Company has undertaken to publish the agenda of any noteholder meeting as well as the conditions for participating in the meeting and exercising the voting rights before each meeting.
5. Should the issuance of the Global Bearer Certificate be subject at any time to any taxes, fees or duties in the Federal Republic of Germany or in Jersey, Channel Islands, the co-owners shall bear such taxes, fees or duties in proportion to their shares in the Global Bearer Certificate.

Clearstream is entitled to divide among all co-owners in proportion to their co-ownership shares in the Global Bearer Certificate all taxes, fees and duties to which it may at any time be subject in the Federal Republic of Germany or in Jersey, Channel Islands, by the mere fact that it is holding the Notes.
6. If for any reason the Notes should be replaced by other notes or some other valuable, the co-owner's right to the Notes shall convert into a right to the relevant substitutes. In such event these Conditions shall apply *mutatis mutandis*.

7. Clearstream is entitled to substitute another entity for Citibank N.A., London, England, (hereinafter referred to as "Custodian") in its function as Custodian or Vidacos Nominees Limited, London, England, (hereinafter referred to as "Nominee") in its function as Nominee. In such event, Clearstream shall not be responsible for more than careful selection. This does not affect Clearstream's right to assume itself the functions of the Custodian or the Nominee. In the case where the Custodian or the Nominee are replaced, any reference to the Custodian or the Nominee in these Conditions shall be deemed to refer to the new Custodian or Nominee.
8. Should the Notes become good delivery on German stock exchanges in a way which would not require Clearstream's assistance in the present form or should the admission of the Notes in the form of co-ownership shares in the Global Bearer Certificate to trading and official quotation on German stock exchanges be withdrawn, Clearstream shall request from the co-owners instructions as provided for in Clause 2. paragraph 1 above. Should such instructions not be given within 3 months from the publication of the relevant request, Clearstream shall be entitled at its discretion to arrange for registration of the Notes in the name of the co-owner or a third party designated in its request and to deposit the relevant Notes at the co-owner's risk and expense with a depositary designated in its request. All obligations of Clearstream arising from the Global Bearer Certificate shall cease therewith.
9. All notices concerning the Global Bearer Certificate shall be published in at least one supranational newspaper designated by the German stock exchanges to publish obligatory notices of each German stock exchange on which the Notes in form of co-ownership shares in the Global Bearer Certificate are traded and officially quoted.
10. The co-owners shall bear proportionately any prejudice or damage, whether economic or legal, which may affect the Notes held as underlying stock for the Global Bearer Certificate in consequence of *force majeure*, governmental decrees, war, riots, official action at home or abroad or any other circumstances beyond Clearstream's or the Custodian's control.

Clearstream shall perform all its obligations arising from the Global Bearer Certificate with the due care of a proper merchant. If by reason of *force majeure*, governmental decrees, war, riots, official action at home or abroad or by any other circumstances beyond its control it is prevented from performing its obligations, it shall not be responsible.

The Custodian and the Nominee are responsible towards Clearstream for the due performance of their functions. Any claims against the Custodian or the Nominee shall be pursued by Clearstream on the co-owners' behalf. Beyond that Clearstream shall only be responsible for careful selection of the Custodian and the Nominee.
11. Should any of these conditions be or become fully or partly invalid or impracticable, the other conditions shall remain unaffected. Any such invalid or impracticable condition shall be replaced in accordance with the intent and purpose of this contractual agreement.
12. All legal relations between the co-owner and Clearstream shall be governed by the laws of the Federal Republic of Germany. The exclusive court of venue shall be Frankfurt am Main.
13. Except where required by law, an alteration of these Conditions shall be permitted only insofar as it does not impair the rights of the co-owners.

Annex 1

Annex 1 may be amended from time to time if additional types of Notes are issued by ETFS Commodity Securities Limited under its multi-class Programme.

Type	Original ISIN (of the Notes)	LSE Code	Principal Amount (USD)
ETFS Short Aluminium	JE00B24DK421	SALU	\$5.00000000
ETFS Short Cocoa	JE00B2NFT310	SCOC	\$5.00000000
ETFS Short Coffee	JE00B24DK538	SCFE	\$5.00000000
ETFS Short Copper	JE00B24DK645	SCOP	\$5.00000000
ETFS Short Corn	JE00B24DK751	SCOR	\$5.00000000
ETFS Short Cotton	JE00B24DK868	SCTO	\$5.00000000
ETFS Short Crude Oil	JE00B24DK975	SOIL	\$5.00000000
ETFS Short Gasoline	JE00B24DKB91	SGAS	\$5.00000000
ETFS Short Gold	JE00B24DKC09	SBUL	\$5.00000000
ETFS Short Heating Oil	JE00B24DKD16	SHEA	\$5.00000000
ETFS Short Lead	JE00B2NFT088	SLEA	\$5.00000000
ETFS Short Lean Hogs	JE00B24DKF30	SLHO	\$5.00000000
ETFS Short Live Cattle	JE00B24DKG47	SLCT	\$5.00000000
ETFS Short Natural Gas	JE00B24DKH53	SNGA	\$5.00000000
ETFS Short Nickel	JE00B24DKJ77	SNIK	\$5.00000000
ETFS Short Platinum	JE00B2NFT195	SPLA	\$5.00000000
ETFS Short Silver	JE00B24DKK82	SSIL	\$5.00000000
ETFS Short Soybean Oil	JE00B24DKL99	SSYO	\$5.00000000
ETFS Short Soybeans	JE00B24DKP38	SSOB	\$5.00000000
ETFS Short Sugar	JE00B24DKQ45	SSUG	\$5.00000000
ETFS Short Tin	JE00B2NFT203	STIM	\$5.00000000
ETFS Short Wheat	JE00B24DKR51	SWEA	\$5.00000000
ETFS Short Zinc	JE00B24DKS68	SZIC	\$5.00000000
ETFS Short Agriculture DJ AIGCI SM	JE00B24DL056	SAGR	\$5.00000000
ETFS Short All Commodities DJ AIGCI SM	JE00B24DKT75	SALL	\$5.00000000
ETFS Short Energy DJ AIGCI SM	JE00B24DKV97	SNRG	\$5.00000000
ETFS Short Ex-Energy DJ AIGCI SM	JE00B24DKX12	SNEY	\$5.00000000
ETFS Short Grains DJ AIGCI SM	JE00B24DL387	SGRA	\$5.00000000
ETFS Short Industrial Metals DJ AIGCI SM	JE00B24DKZ36	SIME	\$5.00000000
ETFS Short Livestock DJ AIGCI SM	JE00B24DL270	SLST	\$5.00000000
ETFS Short Petroleum DJ AIGCI SM	JE00B24DKW05	SPET	\$5.00000000
ETFS Short Precious Metals DJ AIGCI SM	JE00B24DKY29	SPMT	\$5.00000000
ETFS Short Softs DJ AIGCI SM	JE00B24DL163	SSFT	\$5.00000000
ETFS Leveraged Aluminium	JE00B2NFTC05	LALU	\$5.00000000
ETFS Leveraged Cocoa	JE00B2NFV803	LCOC	\$5.00000000
ETFS Leveraged Coffee	JE00B2NFTD12	LCFE	\$5.00000000
ETFS Leveraged Copper	JE00B2NFTF36	LCOP	\$5.00000000
ETFS Leveraged Corn	JE00B2NFTG43	LCOR	\$5.00000000
ETFS Leveraged Cotton	JE00B2NFTH59	LCTO	\$5.00000000
ETFS Leveraged Crude Oil	JE00B2NFTJ73	LOIL	\$5.00000000
ETFS Leveraged Gasoline	JE00B2NFTK88	LGAS	\$5.00000000
ETFS Leveraged Gold	JE00B2NFTL95	LBUL	\$5.00000000
ETFS Leveraged Heating Oil	JE00B2NFTM03	LHEA	\$5.00000000
ETFS Leveraged Lead	JE00B2NFTZ32	LLEA	\$5.00000000
ETFS Leveraged Lean Hogs	JE00B2NFTN10	LLHO	\$5.00000000
ETFS Leveraged Live Cattle	JE00B2NFTP34	LLCT	\$5.00000000
ETFS Leveraged Natural Gas	JE00B2NFTQ41	LNGA	\$5.00000000
ETFS Leveraged Nickel	JE00B2NFTR57	LNK	\$5.00000000
ETFS Leveraged Platinum	JE00B2NFV134	LPLA	\$5.00000000
ETFS Leveraged Silver	JE00B2NFTS64	LSIL	\$5.00000000
ETFS Leveraged Soybean Oil	JE00B2NFTT71	LSYO	\$5.00000000
ETFS Leveraged Soybeans	JE00B2NFTV93	LSOB	\$5.00000000
ETFS Leveraged Sugar	JE00B2NFTW01	LSUG	\$5.00000000

Type	Original ISIN (of the Notes)	LSE Code	Principal Amount (USD)
ETFS Leveraged Tin	JE00B2NFV241	LTIM	\$5.00000000
ETFS Leveraged Wheat	JE00B2NFTX18	LWEA	\$5.00000000
ETFS Leveraged Zinc	JE00B2NFTY25	LZIC	\$5.00000000
ETFS Leveraged Agriculture DJ AIGCI SM	JE00B2NFT427	LAGR	\$5.00000000
ETFS Leveraged All Commodities DJ AIGCI SM	JE00B2NFV571	LALL	\$5.00000000
ETFS Leveraged Energy DJ AIGCI SM	JE00B2NFT534	LNRG	\$5.00000000
ETFS Leveraged Ex-Energy DJ AIGCI SM	JE00B2NFT641	LNEY	\$5.00000000
ETFS Leveraged Grains DJ AIGCI SM	JE00B2NFT757	LGRA	\$5.00000000
ETFS Leveraged Industrial Metals DJ AIGCI SM	JE00B2NFV688	LIME	\$5.00000000
ETFS Leveraged Livestock DJ AIGCI SM	JE00B2NFT864	LLST	\$5.00000000
ETFS Leveraged Petroleum DJ AIGCI SM	JE00B2NFT971	LPET	\$5.00000000
ETFS Leveraged Precious Metals DJ AIGCI SM	JE00B2NFV795	LPMT	\$5.00000000
ETFS Leveraged Softs DJ AIGCI SM	JE00B2NFTB97	LSFT	\$5.00000000

PART 10

PARTICULARS OF THE COMMODITY CONTRACT COUNTERPARTIES

A Particulars of UBS

UBS AG with its subsidiaries (“**UBS Group**”) draws on its 150-year heritage to serve private, institutional and corporate clients worldwide, as well as retail clients in Switzerland. UBS Group, according to its own opinion, combines its wealth management, investment banking and asset management businesses with its Swiss operations to deliver superior financial solutions. Headquartered in Zurich and Basel, Switzerland, UBS Group has offices in more than 50 countries, including all major financial centres. UBS AG is incorporated and domiciled in Switzerland and operates under Swiss Code of Obligations and Swiss Federal Banking Law as an Aktiengesellschaft, a corporation that has issued shares of common stock to investors. UBS AG shares are listed on the SIX Swiss Exchange, the New York Stock Exchange and the Tokyo Stock Exchange. UBS has issued various series of notes under its Euro Note Programme which have been admitted to trading on the regulated market of the Irish Stock Exchange Limited.

The addresses and telephone numbers of UBS AG’s two registered offices and principal places of business are: Bahnhofstrasse 45, CH-8098 Zurich, Switzerland, telephone +41 44 234 11 11; and Aeschenvorstadt 1, CH-4051 Basel, Switzerland, telephone +41 61 288 20 20. The address of UBS AG, London branch is 1 Finsbury Avenue, London EC2M 2PP.

For the avoidance of doubt, the Short and Leveraged Commodity Securities issued under this Programme do not represent an obligation of, nor will they be insured or guaranteed by, UBS.

B Particulars of MLCI and BAC

MLCI conducts a commodity business, including in over-the-counter commodity derivatives, with institutional clients in various U.S. domestic and international markets.

MLCI is a company which was incorporated in the State of Delaware, United States on 14 June 2004 (Delaware file number 3815358). The registered office of MLCI is care of The Corporation Trust Company, Corporation Trust Center, 1209, Orange Street, Wilmington, Delaware, 19801, United States; and its principal place of business is located at 20, E. Greenway Plaza, Houston, Texas, 77046, United States. MLCI is a wholly-owned and indirectly held subsidiary of BAC.

The payment obligations of MLCI under the MLCI Facility Agreement, MLCI Security Agreement and MLCI Collateral Account Control Agreement are guaranteed by BAC.

BAC is a bank holding company and a financial holding company incorporated in the state of Delaware, United States, in 1998. Through BAC’s banking and various non-banking subsidiaries throughout the U.S. and in international markets, BAC provides a diversified range of banking and non-banking financial services and products.

BAC’s headquarters and principal executive offices are located at 100 North Tryon Street, Charlotte, NC 28255, United States. BAC’s common stock is listed on the New York Stock Exchange. BAC has securities admitted to trading on the regulated market of the London Stock Exchange, including various series of notes issued under its US\$65,000,000,000 Euro Medium Term Note Programme.

BAC acquired Merrill Lynch & Co. Inc. and its subsidiaries (including MLCI) on 1 January 2009.

For the avoidance of doubt, the Short and Leveraged Commodity Securities issued under this Programme do not represent an obligation of, nor will they be insured or guaranteed by, BAC or any of its subsidiaries (including, but without limitation, MLCI).

PART 11

ADDITIONAL INFORMATION

1. Incorporation and Share Capital of Issuer

- (a) The Issuer was incorporated as a private limited company in Jersey on 16 August 2005 under the Companies (Jersey) Law 1991 (as amended) (the “**Law**”) and changed status to a public company on 15 September 2006 pursuant to a written resolution dated 15 September 2006. The Issuer operates under the Law and secondary legislation made thereunder. The Issuer is registered in Jersey under number 90959. The name of the Issuer was changed to “ETFS Commodity Securities Limited” on 15 June 2006.
- (b) The Issuer is authorised to issue an unlimited number of no par value shares of one class designated as Ordinary Shares of which two Ordinary Shares of no par value have been issued.
- (c) The Issuer does not have any subsidiary undertakings.
- (d) All of the Issuer’s issued ordinary shares are owned by HoldCo.
- (e) There has been no material adverse change in the financial or trading position or prospects of the Issuer since 31 December 2011.

2. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Issuer in relation to the Programme or which could result in the Issuer being under an obligation or entitlement that is material to the Issuer’s ability to meet its obligations to Security Holders:

- (a) the Trust Instrument dated 8 February 2008 and the supplemental trust instruments thereto dated 8 October 2008, 11 December 2008, 29 June 2009, 7 August 2009, 13 January 2010, 14 March 2011, 22 December 2011, 26 January 2012 and 14 December 2012, a summary of the principal terms of which is set out in Part 6 (*Trust Instrument and Short and Leveraged Commodity Securities*);
- (b) the following Security Deeds, a summary of the principal terms of which is set out in Part 7 (*Particulars of Security Deeds*):
 - the Short Aluminium Security Deed dated 8 February 2008;
 - the Short Brent Crude Security Deed dated 22 December 2011;
 - the Short Cocoa Security Deed dated 8 February 2008;
 - the Short Coffee Security Deed dated 8 February 2008;
 - the Short Copper Security Deed dated 8 February 2008;
 - the Short Corn Security Deed dated 8 February 2008;
 - the Short Cotton Security Deed dated 8 February 2008;
 - the Short Crude Oil Security Deed dated 8 February 2008;
 - the Short Gas Oil Security Deed dated 22 December 2011;
 - the Short Gasoline Security Deed dated 8 February 2008;
 - the Short Gold Security Deed dated 8 February 2008;
 - the Short Heating Oil Security Deed dated 8 February 2008;
 - the Short Lead Security Deed dated 8 February 2008;
 - the Short Lean Hogs Security Deed dated 8 February 2008;

- the Short Live Cattle Security Deed dated 8 February 2008;
- the Short Natural Gas Security Deed dated 8 February 2008;
- the Short Nickel Security Deed dated 8 February 2008;
- the Short Platinum Security Deed dated 8 February 2008;
- the Short Silver Security Deed dated 8 February 2008;
- the Short Soybean Oil Security Deed dated 8 February 2008;
- the Short Soybeans Security Deed dated 8 February 2008;
- the Short Sugar Security Deed dated 8 February 2008;
- the Short Tin Security Deed dated 8 February 2008;
- the Short Wheat Security Deed dated 8 February 2008;
- the Short Zinc Security Deed dated 8 February 2008;
- the Short All Commodities Security Deed dated 8 February 2008;
- the Short Energy Security Deed dated 8 February 2008;
- the Short Petroleum Security Deed dated 8 February 2008;
- the Short Ex-Energy Security Deed dated 8 February 2008;
- the Short Precious Metals Security Deed dated 8 February 2008;
- the Short Industrial Metals Security Deed dated 8 February 2008;
- the Short Agriculture Security Deed dated 8 February 2008;
- the Short Softs Security Deed dated 8 February 2008;
- the Short Livestock Security Deed dated 8 February 2008;
- the Short Grains Security Deed dated 8 February 2008;
- the Leveraged Aluminium Security Deed dated 8 February 2008;
- the Leveraged Brent Crude Security Deed dated 22 December 2011;
- the Leveraged Cocoa Security Deed dated 8 February 2008;
- the Leveraged Coffee Security Deed dated 8 February 2008;
- the Leveraged Copper Security Deed dated 8 February 2008;
- the Leveraged Corn Security Deed dated 8 February 2008;
- the Leveraged Cotton Security Deed dated 8 February 2008;
- the Leveraged Crude Oil Security Deed dated 8 February 2008;
- the Leveraged Gas Oil Security Deed dated 22 December 2011;
- the Leveraged Gasoline Security Deed dated 8 February 2008;
- the Leveraged Gold Security Deed dated 8 February 2008;
- the Leveraged Heating Oil Security Deed dated 8 February 2008;
- the Leveraged Lead Security Deed dated 8 February 2008;
- the Leveraged Lean Hogs Security Deed dated 8 February 2008;

- the Leveraged Live Cattle Security Deed dated 8 February 2008;
 - the Leveraged Natural Gas Security Deed dated 8 February 2008;
 - the Leveraged Nickel Security Deed dated 8 February 2008;
 - the Leveraged Platinum Security Deed dated 8 February 2008;
 - the Leveraged Silver Security Deed dated 8 February 2008;
 - the Leveraged Soybean Oil Security Deed dated 8 February 2008;
 - the Leveraged Soybeans Security Deed dated 8 February 2008;
 - the Leveraged Sugar Security Deed dated 8 February 2008;
 - the Leveraged Tin Security Deed dated 8 February 2008;
 - the Leveraged Wheat Security Deed dated 8 February 2008;
 - the Leveraged Zinc Security Deed dated 8 February 2008;
 - the Leveraged All Commodities Security Deed dated 8 February 2008;
 - the Leveraged Energy Security Deed dated 8 February 2008;
 - the Leveraged Petroleum Security Deed dated 8 February 2008;
 - the Leveraged Ex-Energy Security Deed dated 8 February 2008;
 - the Leveraged Precious Metals Security Deed dated 8 February 2008;
 - the Leveraged Industrial Metals Security Deed dated 8 February 2008;
 - the Leveraged Agriculture Security Deed dated 8 February 2008;
 - the Leveraged Softs Security Deed dated 8 February 2008;
 - the Leveraged Livestock Security Deed dated 8 February 2008; and
 - the Leveraged Grains Security Deed dated 8 February 2008;
- (c) the Facility Agreement dated 5 August 2009 between the Issuer and UBS, a summary of the principal terms of which is set out in Part 4 (*Description of Facility Agreements and Commodity Contracts*);
- (d) the Facility Agreement dated 14 March 2011 between the Issuer and MLCI, a summary of the principal terms of which is set out in Part 4 (*Description of Facility Agreements and Commodity Contracts*);
- (e) a Capital Adjustment Agreement dated 5 August 2009 between the Issuer and UBS pursuant to which UBS agrees to pay monthly to the Issuer the Management Fee and the Licence Allowance in respect of the Commodity Contracts to which it is party and the Issuer and UBS agree that the Capital Adjustment will be at a rate equal to the rate per annum which is the most recent weekly auction high rate for 3 month U.S. Treasury Bills less a Spread agreed between the Issuer and UBS (currently agreed to be 0.85 per cent. per annum in respect of the Short Commodity Securities and 1.30 per cent. per annum in respect of the Leveraged Commodity Securities) less the Management Fee rate notified to UBS by the Issuer (initially being 0.98 per cent. per annum) and the Licence Allowance rate notified to UBS by the Issuer (initially being 0.05 per cent. per annum);
- (f) a Capital Adjustment Agreement dated 14 March 2011 between the Issuer and MLCI pursuant to which MLCI agrees to pay monthly to the Issuer the Management Fee and the Licence Allowance in respect of the Commodity Contracts to which it is party and the Issuer and MLCI agree that the Capital Adjustment will be at a rate equal to the rate per annum which is the most recent weekly auction high rate for 3 month U.S. Treasury Bills less a Spread agreed between the Issuer and MLCI (currently agreed to be 0.85 per cent. per annum in respect of the Short Commodity

Securities and 1.30 per cent. per annum in respect of the Leveraged Commodity Securities) less the Management Fee rate notified to MLCI by the Issuer (currently being 0.98 per cent. per annum) and the Licence Allowance rate notified to MLCI by the Issuer (currently being 0.05 per cent. per annum);

- (g) the Calculation Agency Agreement dated 14 March 2011 between the Issuer, MLCI, UBS Securities and UBS;
- (h) the Security Agreement between the Issuer and UBS, a summary of the principal terms of which is set out in Part 4 (*Description of Facility Agreements and Commodity Contracts*);
- (i) the Security Agreement between the Issuer and MLCI, a summary of the principal terms of which is set out in Part 4 (*Description of Facility Agreements and Commodity Contracts*);
- (j) the Collateral Account Control Agreement between the Issuer, UBS and The Bank of New York Mellon, a summary of the principal terms of which is set out in Part 4 (*Description of Facility Agreements and Commodity Contracts*);
- (k) the Collateral Account Control Agreement between the Issuer, MLCI and The Bank of New York Mellon, a summary of the principal terms of which is set out in Part 4 (*Description of Facility Agreements and Commodity Contracts*);
- (l) the following Authorised Participant Agreements, a summary of the principal terms of which is set out in paragraph 3 below:
 - (i) an Authorised Participant Agreement between the Issuer, ETFSL and ABN AMRO Clearing Bank N.V. dated 19 February 2008;
 - (ii) an Authorised Participant Agreement between the Issuer, ETFSL and Bluefin Europe LLP dated 9 March 2011;
 - (iii) an Authorised Participant Agreement between the Issuer, ETFSL and Knight Capital Europe Limited dated 14 October 2009;
 - (iv) an Authorised Participant Agreement between the Issuer, ETFSL and Merrill Lynch International dated 2 June 2008;
 - (v) an Authorised Participant Agreement between the Issuer, ETFSL and Morgan Stanley & Co. International plc dated 14 February 2008;
 - (vi) an Authorised Participant Agreement between the Issuer, ETFSL and The Royal Bank of Scotland plc dated 8 April 2008;
 - (vii) an Authorised Participant Agreement between the Issuer, ETFSL and Susquehanna International Securities Limited dated 14 October 2009;
 - (viii) an Authorised Participant Agreement between the Issuer, ETFSL and Susquehanna Ireland Limited dated 14 October 2009;
 - (ix) an Authorised Participant Agreement between the Issuer, ETFSL and UBS AG, London branch dated 19 March 2008;
 - (x) an Authorised Participant Agreement between the Issuer, ETFSL and UniCredit Bank AG dated 2 May 2008; and
 - (xi) an Authorised Participant Agreement between the Issuer, ETFSL and Virtu Financial Ireland Limited dated 13 December 2012;
- (m) the following Security Assignments between UBS and the Issuer securing to UBS the Secured Obligations of the Issuer in relation to the Authorised Participant Agreement to which it pertains:
 - (i) Security Assignment dated 5 August 2009 between the Issuer and UBS pertaining to the Authorised Participant Agreement between the Issuer and ABN AMRO Clearing Bank N.V.;
 - (ii) Security Assignment dated 14 October 2009 between the Issuer and UBS pertaining to the Authorised Participant Agreement between the Issuer and Knight Capital Europe Limited;

- (iii) Security Assignment dated 5 August 2009 between the Issuer and UBS pertaining to the Authorised Participant Agreement between the Issuer and Merrill Lynch International;
 - (iv) Security Assignment dated 7 August 2009 between the Issuer and UBS pertaining to the Authorised Participant Agreement between the Issuer and Morgan Stanley & Co. International plc;
 - (v) Security Assignment dated 5 August 2009 between the Issuer and UBS pertaining to the Authorised Participant Agreement between the Issuer and The Royal Bank of Scotland plc;
 - (vi) Security Assignment dated 3 November 2009 between the Issuer and UBS pertaining to the Authorised Participant Agreement between the Issuer and Susquehanna International Securities Limited;
 - (vii) Security Assignment dated 3 November 2009 between the Issuer and UBS pertaining to the Authorised Participant Agreement between the Issuer and Susquehanna Ireland Limited;
 - (viii) Security Assignment dated 5 August 2009 between the Issuer and UBS pertaining to the Authorised Participant Agreement between the Issuer and UniCredit Bank AG; and
 - (ix) Security Assignment dated 13 December 2012 between the Issuer and UBS pertaining to the Authorised Participant Agreement between the Issuer and Virtu Financial Ireland Limited.
- (n) the following Security Assignments between MLCI and the Issuer securing to MLCI the Secured Obligations of the Issuer in relation to the Authorised Participant Agreement to which it pertains:
- (i) Security Assignment dated 13 April 2011 between the Issuer and MLCI pertaining to the Authorised Participant Agreement between the Issuer and ABN AMRO Clearing Bank N.V.;
 - (ii) Security Assignment dated 13 April 2011 between the Issuer and MLCI pertaining to the Authorised Participant Agreement between the Issuer and Bluefin Europe LLP;
 - (iii) Security Assignment dated 13 April 2011 between the Issuer and MLCI pertaining to the Authorised Participant Agreement between the Issuer and Knight Capital Europe Limited;
 - (iv) Security Assignment dated 13 April 2011 between the Issuer and MLCI pertaining to the Authorised Participant Agreement between the Issuer and Merrill Lynch International;
 - (v) Security Assignment dated 13 April 2011 between the Issuer and MLCI pertaining to the Authorised Participant Agreement between the Issuer and Morgan Stanley & Co. International plc;
 - (vi) Security Assignment dated 13 April 2011 between the Issuer and MLCI pertaining to the Authorised Participant Agreement between the Issuer and The Royal Bank of Scotland plc;
 - (vii) Security Assignment dated 13 April 2011 between the Issuer and MLCI pertaining to the Authorised Participant Agreement between the Issuer and Susquehanna International Securities Limited;
 - (viii) Security Assignment dated 13 April 2011 between the Issuer and MLCI pertaining to the Authorised Participant Agreement between the Issuer and Susquehanna Ireland Limited;
 - (ix) Security Assignment dated 13 April 2011 between the Issuer and MLCI pertaining to the Authorised Participant Agreement between the Issuer and UBS AG, London branch;
 - (x) Security Assignment dated 13 April 2011 between the Issuer and MLCI pertaining to the Authorised Participant Agreement between the Issuer and UniCredit Bank AG; and
 - (xi) Security Assignment dated 13 December 2012 between the Issuer and MLCI pertaining to the Authorised Participant Agreement between the Issuer and Virtu Financial Ireland Limited.

3. Authorised Participant Agreements

The Authorised Participants as at the date of this document are the persons who have entered into an Authorised Participant Agreement with the Issuer as described in paragraph 2(l) above.

Pursuant to the terms of the Authorised Participant Agreements, each Authorised Participant represents, warrants and undertakes to the Issuer that:

- (a) in relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant Implementation Date**”), it has not made and will not make an offer of Short or Leveraged Commodity Securities to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Short or Leveraged Commodity Securities to the public in that Relevant Member State:
 - (i) in the period beginning on the date of publication of a prospectus in relation to those Short or Leveraged Commodity Securities which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
 - (ii) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
 - (iii) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than EUR 43,000,000, and (3) an annual turnover of more than EUR 50,000,000, each as shown in its last annual or consolidated accounts; or
 - (iv) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Short or Leveraged Commodity Securities to the public” in relation to any Short or Leveraged Commodity Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Short or Leveraged Commodity Securities to be offered so as to enable an investor to decide to purchase or subscribe for the Short or Leveraged Commodity Securities, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State;

- (b) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Short or Leveraged Commodity Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or any Affiliate of the Issuer;
- (c) it has complied and will comply with all applicable provisions of the FSMA and the United Kingdom financial services regime (including, without limitation, the obligation to treat customers fairly) with respect to anything done by it in relation to any Short or Leveraged Commodity Securities in, from or otherwise involving the United Kingdom;
- (d) that it will not offer or sell any Short and Leveraged Commodity Securities to, and will not conduct any offers, selling efforts, promotions, marketing, advertising or other related activities in respect of any Short and Leveraged Commodity Securities in a manner that could denote, hold out or suggest that Short and Leveraged Commodity Securities may be suitable for investment by, any persons other than professional or institutional investors (it being agreed that the publication of the Prospectus in accordance with the provisions of the Authorised Participant Agreement, and acts done for the purpose of compliance with listing rules, prospectus rules or disclosure and

transparency rules in respect thereof, will not of themselves be regarded as a breach of this undertaking);

- (e) that neither it nor any of its Affiliates (including any person acting on behalf of it or any of its Affiliates):
 - (i) has knowingly offered or sold or will knowingly offer or sell Short or Leveraged Commodity Securities within the United States or to U.S. Persons;
 - (ii) has knowingly offered or sold or will knowingly offer or sell Short or Leveraged Commodity Securities to a Prohibited US Person or a Prohibited Benefit Plan Investor, whether before, on or after the relevant Application Date; or
 - (iii) has engaged or will engage in any “directed selling efforts” with respect to Short or Leveraged Commodity Securities.

Terms used in this paragraph 3(d) have the meanings given to them by Regulation S under the Securities Act of 1933 of the United States.

- (f) that it will not permit Short or Leveraged Commodity Securities to be offered to, sold to, or purchased by persons resident for income tax purposes in Jersey (other than financial institutions in the normal course of business).

Further restrictions on offers and sales of Short and Leveraged Commodity Securities and on the distribution of this Prospectus are set out in paragraph 24 of Part 11 (*Additional Information*).

The Authorised Participant Agreements may be terminated by either party thereto at any time upon thirty days’ prior written notice to the other parties.

The Issuer may enter into agreements with institutions to act as Authorised Participants and/or market-makers which may include commitments to make markets on varying terms, but which may include commitments to maintain particular maximum spreads and minimum lot sizes.

4. Licence Agreement

ETFSL has entered into an amended and restated licence agreement with UBS Securities and CME Indexes (as successor to Dow Jones & Company Inc.) (the “**Licence Agreement**”) dated as of 22 December 2011 pursuant to which ETFSL has been granted the right to use the DJ-UBS Commodity Indices and sub-indices thereof including the Individual Commodity Indices and Composite Commodity Indices for the issuance and trading of, *inter alia*, the Short and Leveraged Commodity Securities and the right to use and refer to the trademarks of UBS Securities, CME Indexes and Dow Jones associated with such Commodity Indices for certain purposes in connection with the issuance, distribution, marketing and promotion, *inter alia*, of the Short and Leveraged Commodity Securities. The Licence Agreement also permits ETFSL to post on its website delayed intra-day and settlement pricing for such Commodity Indices. A fee is payable by ETFSL to CME Indexes under the Licence Agreement. The Licence Agreement is in full force and effect until 31 August 2015 but may be terminated earlier for non-payment of the fee or other breaches of the agreement by ETFSL.

ManJer will, out of the Licence Allowance, pay ETFSL such amounts as ETFSL requires to pay such fees as are due under the Licence Agreement from time to time.

The Issuer has the right to use the DJ-UBS CISM and sub-indices thereof including the Individual Commodity Indices and Composite Commodity Indices and the trademarks of UBS Securities, CME Indexes and Dow Jones in connection with the issuance, marketing and promotion of the Short and Leveraged Commodity Securities provided it agrees to be bound by all the provisions of the Licence Agreement as if it were the licensee thereunder including, without limitation, those provisions imposing any obligations on ETFSL.

5. ISINs and Principal Amounts of the Short and Leveraged Commodity Securities

25 classes of Short Individual Securities and 25 classes of Leveraged Individual Securities are specifically described in this Prospectus. The ISINs and Principal Amounts of such Individual Securities are as follows:

Class of Short Individual Securities	ISIN	Principal Amount
ETFS Daily Short Aluminium	JE00B24DK421	US\$5.00
ETFS Daily Short Brent Crude	JE00B78DPL57	US\$5.00
ETFS Daily Short Cocoa	JE00B2NFT310	US\$5.00
ETFS Daily Short Coffee	JE00B24DK538	US\$5.00
ETFS Daily Short Copper	JE00B24DK645	US\$5.00
ETFS Daily Short Corn	JE00B24DK751	US\$5.00
ETFS Daily Short Cotton	JE00B24DK868	US\$5.00
ETFS Daily Short WTI Crude Oil	JE00B24DK975	US\$5.00
ETFS Daily Short Gas Oil	JE00B6VP1681	US\$5.00
ETFS Daily Short Gasoline	JE00B24DKB91	US\$5.00
ETFS Daily Short Gold	JE00B24DKC09	US\$5.00
ETFS Daily Short Heating Oil	JE00B24DKD16	US\$5.00
ETFS Daily Short Lead	JE00B2NFT088	US\$5.00
ETFS Daily Short Lean Hogs	JE00B24DKF30	US\$5.00
ETFS Daily Short Live Cattle	JE00B24DKG47	US\$5.00
ETFS Daily Short Natural Gas	JE00B24DKH53	US\$5.00
ETFS Daily Short Nickel	JE00B24DKJ77	US\$5.00
ETFS Daily Short Platinum	JE00B2NFT195	US\$5.00
ETFS Daily Short Silver	JE00B24DKK82	US\$5.00
ETFS Daily Short Soybean Oil	JE00B24DKL99	US\$5.00
ETFS Daily Short Soybeans	JE00B24DKP38	US\$5.00
ETFS Daily Short Sugar	JE00B24DKQ45	US\$1.85
ETFS Daily Short Tin	JE00B2NFT203	US\$5.00
ETFS Daily Short Wheat	JE00B24DKR51	US\$5.00
ETFS Daily Short Zinc	JE00B24DKS68	US\$5.00
Class of Leveraged Individual Securities	ISIN	Principal Amount
ETFS Daily Leveraged Aluminium	JE00B2NFTC05	US\$1.23
ETFS Daily Leveraged Brent Crude	JE00B789ZG89	US\$5.00
ETFS Daily Leveraged Cocoa	JE00B2NFV803	US\$2.58
ETFS Daily Leveraged Coffee	JE00B2NFTD12	US\$2.22
ETFS Daily Leveraged Copper	JE00B2NFTF36	US\$1.24
ETFS Daily Leveraged Corn	JE00B2NFTG43	US\$1.19
ETFS Daily Leveraged Cotton	JE00B2NFTH59	US\$1.12
ETFS Daily Leveraged WTI Crude Oil	JE00B2NFTJ73	US\$0.59
ETFS Daily Leveraged Gas Oil	JE00B6XJ6744	US\$5.00
ETFS Daily Leveraged Gasoline	JE00B2NFTK88	US\$1.43
ETFS Daily Leveraged Gold	JE00B2NFTL95	US\$2.69
ETFS Daily Leveraged Heating Oil	JE00B2NFTM03	US\$1.02
ETFS Daily Leveraged Lead	JE00B2NFTZ32	US\$0.69
ETFS Daily Leveraged Lean Hogs	JE00B2NFTN10	US\$1.52
ETFS Daily Leveraged Live Cattle	JE00B2NFTP34	US\$2.39
ETFS Daily Leveraged Natural Gas	JE00B2NFTQ41	US\$0.02
ETFS Daily Leveraged Nickel	JE00B2NFTR57	US\$0.66
ETFS Daily Leveraged Platinum	JE00B2NFV134	US\$0.68
ETFS Daily Leveraged Silver	JE00B2NFTS64	US\$0.91
ETFS Daily Leveraged Soybean Oil	JE00B2NFTT71	US\$1.04
ETFS Daily Leveraged Soybeans	JE00B2NFTV93	US\$1.91
ETFS Daily Leveraged Sugar	JE00B2NFTW01	US\$2.01
ETFS Daily Leveraged Tin	JE00B2NFV241	US\$2.68
ETFS Daily Leveraged Wheat	JE00B2NFTX18	US\$0.51
ETFS Daily Leveraged Zinc	JE00B2NFTY25	US\$0.88

In addition ten classes of Short Index Securities and ten classes of Leveraged Index Securities are specifically described in this Prospectus. The ISINs and Principal Amounts (as at the date of this Prospectus) of such Index Securities are as follows:

Class of Short Index Securities	ISIN	Principal Amount
ETFS Daily Short Agriculture DJ-UBSCI SM	JE00B24DL056	US\$5.00
ETFS Daily Short All Commodities DJ-UBSCI SM	JE00B24DKT75	US\$5.00
ETFS Daily Short Energy DJ-UBSCI SM	JE00B24DKV97	US\$5.00
ETFS Daily Short Ex-Energy DJ-UBSCI SM	JE00B24DKX12	US\$5.00
ETFS Daily Short Grains DJ-UBSCI SM	JE00B24DL387	US\$5.00
ETFS Daily Short Industrial Metals DJ-UBSCI SM	JE00B24DKZ36	US\$5.00
ETFS Daily Short Livestock DJ-UBSCI SM	JE00B24DL270	US\$5.00
ETFS Daily Short Petroleum DJ-UBSCI SM	JE00B24DKW05	US\$5.00
ETFS Daily Short Precious Metals DJ-UBSCI SM	JE00B24DKY29	US\$5.00
ETFS Daily Short Softs DJ-UBSCI SM	JE00B24DL163	US\$5.00

Class of Leveraged Index Securities	ISIN	Principal Amount
ETFS Daily Leveraged Agriculture DJ-UBSCI SM	JE00B2NFT427	US\$1.75
ETFS Daily Leveraged All Commodities DJ-UBSCI SM	JE00B2NFV571	US\$1.86
ETFS Daily Leveraged Energy DJ-UBSCI SM	JE00B2NFT534	US\$0.65
ETFS Daily Leveraged Ex-Energy DJ-UBSCI SM	JE00B2NFT641	US\$1.87
ETFS Daily Leveraged Grains DJ-UBSCI SM	JE00B2NFT757	US\$1.73
ETFS Daily Leveraged Industrial Metals DJ-UBSCI SM	JE00B2NFV688	US\$1.36
ETFS Daily Leveraged Livestock DJ-UBSCI SM	JE00B2NFT864	US\$2.07
ETFS Daily Leveraged Petroleum DJ-UBSCI SM	JE00B2NFT971	US\$0.80
ETFS Daily Leveraged Precious Metals DJ-UBSCI SM	JE00B2NFV795	US\$2.08
ETFS Daily Leveraged Softs DJ-UBSCI SM	JE00B2NFTB97	US\$1.86

6. UK Taxation

(a) General

The following paragraphs summarise certain limited aspects of the UK taxation treatment of holding Short and Leveraged Commodity Securities. They are based on current UK law and HM Revenue & Customs practice, both of which are subject to change, possibly with retrospective effect. The following paragraphs relate to Security Holders who are within the charge to UK corporation tax, are UK resident individuals or who are UK open-ended investment companies or authorised unit trust schemes unless otherwise stated. The statements in this summary are intended only as a general guide, and should be treated with appropriate caution. Any person who is contemplating acquiring Short and Leveraged Commodity Securities (whether or not pursuant to the Programme), particularly if that person is subject to taxation in any jurisdiction other than the UK, is strongly recommended to consult their independent professional advisers immediately.

(b) The Issuer

The Directors intend that the affairs of the Issuer should be managed and conducted so that it should not become resident in the UK for UK taxation purposes. Accordingly, and provided that the Issuer does not carry on a trade in the UK through a permanent establishment situated therein for UK corporation tax purposes or through a branch or agency situated in the UK which would bring the Issuer within the charge to UK income tax, the Issuer will not be subject to UK corporation tax or income tax on income and capital gains arising to it. The Directors intend that the affairs of the Issuer are conducted so that no such permanent establishment, branch or agency will arise insofar as this is within their control, but it cannot be guaranteed that the conditions necessary to prevent any such permanent establishment, branch or agency coming into being will at all times be satisfied.

(c) **Withholding Tax**

No payments made by the Issuer to Security Holders are required to be made under deduction or withholding for or on account of UK tax.

(d) **Corporation Tax on income and gains**

In general, a Security Holder which is subject to UK corporation tax will be treated for tax purposes as realising profits, gains or losses in respect of Short and Leveraged Commodity Securities on a basis reflecting the treatment in its statutory accounts, calculated in accordance with the Security Holder's authorised accounting method. These profits, gains or losses, (which will include any profits, gains or losses on a disposal or redemption of Short and Leveraged Commodity Securities and which may include fluctuations in value relating to foreign exchange gains or losses) will be treated as income, profits or losses for the purposes of a Security Holder's corporation tax computation.

(e) **Capital Gains Tax (Individuals)**

Subscriptions made before 1 December 2009

Provided the Short or Leveraged Commodity Securities are not treated as "deeply discounted securities" for UK tax purposes, any transfer or redemption of a Short or Leveraged Commodity Security by a Security Holder who is a UK individual will be a disposal of that Short or Leveraged Commodity Security for UK capital gains tax purposes which may, subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for those purposes.

The Issuer has received a non-statutory confirmation from HM Revenue & Customs that, in its view, the Short and Leveraged Commodity Securities are not deeply discounted securities. However, since this confirmation is addressed to the Issuer and is not binding on HM Revenue & Customs in its dealings with Security Holders, investors may wish to consult their own tax advisors in this respect.

The tax treatment of subscriptions made prior to 1 December 2009 will not be affected by the new definition of "offshore fund" discussed below.

Subscriptions made on or after 1 December 2009

For periods before 1 December 2009, the Issuer was not regarded as an "offshore fund" for UK tax purposes. On 1 December 2009, a new definition of "offshore fund" took effect, expanding the scope of the definition of an "offshore fund". As a result, the Issuer may be treated as an "offshore fund", and accordingly, subscriptions made on or after December 1, 2009 may be treated as investments in an "offshore fund" for UK tax purposes. Any gain accruing to an investor upon the sale, redemption or other disposal of investments in offshore funds on or after 1 December 2009 will be taxed as income and not as a capital gain, unless the issuer of such investments achieves certification as a "reporting fund" (or some other exemption applies). The Issuer has obtained notification from HM Revenue & Customs that all the Short and Leveraged Commodity Securities have been accepted for entry into the "reporting fund" regime with effect from the accounting period which commenced 1 January 2009. Whilst it is expected that certification as a "reporting fund" will be maintained for all periods, this cannot be guaranteed.

Note that under the reporting fund rules the Issuer is required to report to investors 100 per cent. of the net income attributable to the relevant class of Short or Leveraged Commodity Securities. It is not expected that any such reportable income will arise in respect of any of the Short or Leveraged Commodity Securities.

A copy of the annual report required to be made to investors under the reporting fund rules will be provided on the following website: http://www.etfsecurities.com/en/document/etfs_document.asp.

(f) **Income Tax (Individuals)**

If the Short or Leveraged Commodity Securities are treated as "deeply discounted securities" for UK tax purposes, and do not qualify as "excluded indexed securities" for those purposes, any profit arising to a Security Holder who is a UK individual on transfer or redemption of a Short or Leveraged Commodity Security will be subject to UK income tax and not to UK capital gains tax.

As noted under the heading “Capital Gains Tax (Individuals)” above, the Issuer has received a non-statutory confirmation from HM Revenue & Customs that the Short and Leveraged Commodity Securities are not deeply discounted securities.

(g) **UK Open-Ended Investment Companies and Authorised Unit Trust Schemes**

Whilst UK open-ended investment companies and authorised unit trust schemes are generally subject to UK corporation tax (although currently at the rate of 20 per cent.) they are exempt from tax on capital gains. Part 2 of The Authorised Investment Funds (Tax) Regulations 2006 (S.I. No. 2006/964) provides an exemption for capital profits, gains or losses accruing to UK open-ended investment companies and authorised unit trust schemes on creditor loan relationships and derivative contracts. In this respect capital profits, gains or losses are those which, in accordance with UK generally accepted accounting practice, fall to be dealt with in the statement of total return (under the heading of “net capital gains/losses” or “other gains/losses”) in accordance with the relevant Statement of Recommended Practice. These provisions do not however apply to a qualified investor scheme which does not meet the genuine diversity of ownership condition. In addition Part 2B of the Regulations treats all capital profits, gains and losses (determined in accordance with UK generally accepted accounting practice, as described above) arising to a UK open-ended investment company or authorised unit trust, which meets the genuine diversity of ownership condition, from an “investment transaction” (which includes loan relationships and derivative contracts) as a non-trading transaction and thus not taxable as income. These Parts of the Regulations will determine whether any profits, gains or losses arising to a Security Holder which is a UK open-ended investment company or authorised unit trust scheme in respect of Short or Leveraged Commodity Securities will be exempt from tax.

(h) **UK Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)**

Provided the Register is not kept by or on behalf of the Issuer in the UK, neither stamp duty nor SDRT will be payable on the issue or the subsequent transfer of, or agreement to transfer, Short and Leveraged Commodity Securities in Uncertificated Form.

In the case of Short and Leveraged Commodity Securities held in Certificated Form, provided (i) the Register is not kept by or on behalf of the Issuer in the UK; (ii) any instrument of transfer is not executed in the UK; and (iii) any instrument of transfer does not relate to anything to be done in the UK, neither stamp duty nor SDRT will be payable on the issue or subsequent transfer of Short and Leveraged Commodity Securities.

The redemption of Short and Leveraged Commodity Securities will not give rise to stamp duty or SDRT.

(i) **The European Saving Directive**

EU Council Directive 2003/48/EC on the taxation of savings income (the “**Directive**”) came into force on 1 July 2005. The Directive applies, amongst other matters, to payments of interest or other income on debt claims of every kind made by a paying agent in an EU Member State for the benefit of individual investors resident in another EU Member State. In circumstances where the Directive applies, such a paying agent would be under an obligation to provide information to the tax authorities of the EU Member States in which individual investors reside. A paying agent for these purposes is any economic operator who pays interest to, or secures interest for, the beneficial owner, and could include a UK broker effecting the sale of Short and Leveraged Commodity Securities.

Short and Leveraged Commodity Securities are undated secured limited recourse debt obligations of the Issuer. However, as no return in respect of Short and Leveraged Commodity Securities (whether in the form of cash on redemption, or as a result of trading on the London Stock Exchange) should constitute a payment of interest for the purposes of the Directive, it is not envisaged that Security Holders or their paying agents will be within the scope of the Directive.

7. Jersey Taxation

The following paragraphs summarise certain aspects of the Jersey taxation treatment of holding Short and Leveraged Commodity Securities. The statements are intended only as a general guide.

Under the Income Tax (Jersey) Law 1961 (the “**Jersey Income Tax Law**”), the Issuer will be regarded as resident in Jersey but (being neither a financial services company nor a specified utility company under the Jersey Income Tax Law at the date hereof) will (except as noted below) be subject to Jersey income tax at a rate of 0 per cent.

The Issuer will not be required to make any deduction or withholding for, or on account of, Jersey income tax from any payments in respect of the Short or Leveraged Commodity Securities. Holders of the Short or Leveraged Securities (other than residents of Jersey) should not be subject to any tax in Jersey in respect of the holding, sale, redemption or other disposition of its Short or Leveraged Securities. Redemption payments (other than to residents of Jersey) will not be subject to withholding for or on account of Jersey tax.

Stamp duty

Under current Jersey law, there are no death or estate duties, capital gains, gift, wealth, inheritance or capital transfer taxes. No stamp duty is levied in Jersey on the issue, transfer, acquisition, ownership, redemption, sale or other disposal of Short or Leveraged Commodity Securities. In the event of the death of an individual sole holder of Short or Leveraged Commodity Securities, duty at rates of up to 0.75 per cent. of the value of the Short or Leveraged Commodity Securities held may be payable on registration of Jersey probate or letters of administration which may be required in order to transfer or otherwise deal with Short or Leveraged Commodity Securities held by the deceased individual sole holder thereof.

Goods and services tax

The Issuer is an “international services entity” for the purposes of the Goods and Services Tax (Jersey) Law 2007 (the “**GST Law**”). Consequently, the Issuer is not required to:

- (a) register as a taxable person pursuant to the GST Law;
- (b) charge goods and services tax in Jersey in respect of any supply made by it; or
- (c) (subject to limited exceptions that are not expected to apply to the Issuer) pay goods and services tax in Jersey in respect of any supply made to it.

European Union directive on the taxation of savings income

As part of an agreement reached in connection with the European Union directive on the taxation of savings income in the form of interest payments, and in line with steps taken by other relevant third countries, Jersey introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

The retention tax system in Jersey is implemented by means of bilateral agreements with each of the EU Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Policy & Resources Committee of the States of Jersey. Based on these provisions and our understanding of the current practice of the Jersey tax authorities (and subject to the transitional arrangements described above), the Issuer would not be obliged to levy retention tax in Jersey under these provisions in respect of redemption payments made by it to a paying agent established outside Jersey.

8. Taxation in Austria

(a) General

The following is a brief summary of some principles of Austrian tax law that may be of relevance for Austrian resident holders of the Short and Leveraged Commodity Securities. It does not claim to fully describe all Austrian tax consequences of the acquisition, ownership, disposition or redemption of the Short and Leveraged Commodity Securities. This summary does not take into account or discuss the tax laws of any country other than Austria nor does it take into account the investors' individual circumstances.

Prospective investors are advised to consult their own professional advisors to obtain further information about the tax consequences of the acquisition, ownership, disposition, redemption, exercise or settlement of the Instruments. Only personal advisors are in a position to adequately take into account special tax aspects of the particular instruments in question as well as the investor's personal circumstances and any special tax treatment applicable to the investor.

This summary is based on Austrian law as in force when drawing up this Prospectus. The laws and their interpretation by the tax authorities may change and such changes may also have retroactive effect.

(b) Taxation of capital gains or redemption gains upon disposal or redemption of the Short and Leveraged and Commodity Securities

Individual Investors

Capital gains upon the disposal or redemption of Short and Leveraged Commodity Securities are subject to a 25 per cent. flat tax rate. If Short and Leveraged Commodity Securities are deposited with an Austrian custodian bank, the bank will, in most circumstances, withhold the 25 per cent. capital gains tax and forward it to the tax authorities. If for an individual investor the 25 per cent. flat rate is higher than the rate which would be applicable under the regular progressive tax rate (0 per cent. - 50 per cent. depending on the individual's total annual income) applicable for this individual, the individual can apply for a tax refund in his or her annual tax return.

Corporate Investors

Corporate entities are in general subject to a 25 per cent. flat corporate income tax rate. Capital gains incurred upon disposal or redemption of the Short and Leveraged Commodity Securities are subject to this general 25 per cent. taxation.

(c) The European Savings Directive

The rules implementing Directive 2003/48/EC in Austrian national law, provide that interest payments (including payments of certain types of capital gains incurred from the disposal or redemption of a security) made by an Austrian paying agent to EU resident beneficial owners of securities are subject to a EU-withholding tax. The applicable tax rate is 35 per cent.

No EU-withholding tax is levied if the beneficial owner presents to his paying institution a certificate as provided for under Article 10 of the EU-Withholding Tax Act issued by the competent authority of his EU member state of residence for tax purposes.

(d) Other taxes

Transfer Taxes

There are no transfer taxes, registration taxes or similar taxes payable in Austria as a consequence of the acquisition, ownership, disposition or redemption of the Short and Leveraged Commodity Securities.

Inheritance or Gift Taxes

The Austrian inheritance and gift tax (*Erbschafts-und Schenkungssteuer*) was abolished with effect as of 1 August 2008.

VAT

The acquisition or disposal of the Short and Leveraged Commodity Securities is not subject to Austrian VAT.

Application of the Austrian Investment Fund Act

There is a risk that Short and Leveraged Commodity Securities whose underlying assets are composed of a variety of commodities (in order to achieve an effect of risk diversification) could be treated as investments in a foreign investment fund according to section 188 of the Austrian Investment Fund Act. The consequence of such treatment could be a taxation of the investment regardless of actual disposals, redemptions or distributions. Please discuss this issue with your personal tax advisor if you consider investing in Short and Leveraged Commodity Securities whose underlying assets are composed of a variety of commodities.

9. Taxation in Denmark

(a) General

The following is a brief summary of some important principles of Danish tax law that may be of relevance for Danish holders of Short and Leveraged Commodity Securities. The summary does not fully cover all aspects of Danish tax law that may be of relevance to holders of Short and Leveraged Commodity Securities. The summary is based on Danish tax law as of December 2012. The summary deals only with taxation in Denmark and not with foreign tax rules.

It should also be noted that the taxation of holders of Short and Leveraged Commodity Securities may change at any time as a result of new legislation, court practice or decrees issued by the relevant taxation authorities, potentially with retroactive effect. Investors interested in acquiring Short and Leveraged Commodity Securities should consult their tax advisors with regard to any tax consequences that may be involved in acquiring, holding, redeeming, selling or gratuitously transferring the Short and Leveraged Commodity Securities.

Only a tax advisor is able to adequately assess the individual tax situation of a specific investor.

Under Danish Law, Short and Leveraged Commodity Securities are governed by special provisions in The Shares, Transfers and Capital Gains Taxation Act. Basically, this means that gains and losses on the Short and Leveraged Commodity Securities are taxed separately from the underlying assets applying a mark-to-market principle.

(b) Security Holders liable to corporate tax

Under Danish law, Short and Leveraged Commodity Securities are governed by special provisions in The Shares, Transfers and Capital Gains Taxation Act. Basically, this means that gains and losses on the instruments are taxed separately from the underlying assets, applying a mark-to-market principle. Both losses and gains are included in the taxable income. Net gains are taxed at a flat rate of 25 per cent. The ability to utilize net losses is limited. Basically, the utilization requires that a previous gain has been realized.

(c) Individual holding Short and Leveraged Commodity Securities

Under Danish law, Short and Leveraged Commodity Securities are governed by special provision in the Shares, Transfers and Capital Gains taxation Act. Basically, this means that gains and losses on the financial instruments are taxed separately from the underlying assets, applying a mark-to-market principle. Both losses and gains are included in the taxable income. Net gains are taxed as capital income at a marginal tax rate of 45.5 per cent. (43.5 per cent. in 2013, and 42 per cent. in 2014 and subsequent years).

(d) Investors holding securities via a pension scheme

The investor will be taxed according to the mark-to-market principle. The Danish individual investor will be taxed at a rate of 15.3 per cent on the return pursuant to section 2 of the Pension Returns Tax Act.

(e) **Individual covered by the corporate tax regime (“Virksomhedsskatteordningen”)**

It is possible for an individual to hold the Short and Leveraged Commodity Securities through the corporate tax regime (*Virksomhedsskatteordningen*).

(f) **Withholding Taxes**

Generally, no withholding tax is levied on outbound interest payments. However, special rules apply to intergroup interest payments from a Danish company to a controlling foreign company. However, in substance, this will only apply if the foreign company is a financial company situated in (i) a tax haven, or (ii) a jurisdiction with which Denmark does not have a double taxation treaty. Anti-avoidance provisions have been introduced which exclude the possibility of using back-to-back loan structures to avoid the withholding tax. The interest payments are in these cases subject to a final tax of 25 per cent.

Generally, no withholding tax is levied on outbound debt claims. However, Denmark has introduced taxation on intergroup debt claims payments from a Danish company to a controlling foreign company. However, in substance, this will only apply if the foreign company is a financial company situated in (i) a tax haven, or (ii) a jurisdiction with which Denmark does not have a double taxation treaty. The debt claims payments are in these, case subject to a final tax of 25 per cent.

(g) **VAT**

No Danish value added tax applies.

(h) **Inheritance/Gift tax**

Upon inheritance a tax must be paid if the deceased person's home is within Danish jurisdiction or if real estate is situated in Denmark. The tax calculation basis is the estate value exceeding, in 2012, DKK 2,595,100 (corresponding to approximately EUR 347,879). The tax rate for relatives is 15 per cent. and for other beneficiaries 36.25 per cent. calculated on the basis of inheritance exceeding in 2012, DKK 264,000 (corresponding to approximately EUR 35,403). A non-separated spouse is not taxed on the inheritance.

Gifts are as a starting point taxed the same way as proceeds from inheritance. Gifts to a spouse are tax free. Gifts exceeding, in 2012, DKK 58,700 per year (corresponding to approximately EUR 7,868) to certain relatives are taxed at rate of 15 per cent. whilst gifts to others are taxed at 36.25 per cent. The receiver or the donor must be a Danish tax subject in order for these thresholds/amounts to apply.

(i) **EU Savings Directive**

EU Council Directive 2003/48/EC on the taxation of savings income applies amongst other matters, to payments of income on debt claims of every kind made by a paying agent in an EU member state for the benefit of individual investors resident in another Member State in the EU. In circumstances where the Directive applies, such a paying agent would be under an obligation to provide information to the tax authorities of the EU Member States in which individual investors reside to operate a withholding system in relation to such payments. A paying agent for these purposes is any economic operator who pays interest or other similar income to, or secures interest or other similar income for the beneficial owner, and could in relation to Short and Leveraged Commodity Securities include a Danish broker effecting the sale of the said securities.

10. Taxation in Finland

(a) **General**

The following is a brief summary of some important principles of Finnish tax law that may be of relevance for Finnish resident investors acquiring, holding, redeeming or selling Short and Leveraged Commodity Securities. The summary does not fully cover all aspects of Finnish tax law that may be of relevance to the Short and Leveraged Commodity Securities. The summary is based on Finnish tax law as of the date of this Prospectus (rates as at 5 December 2012). It should also be noted that the taxation of investors may change at any time as a result of new

legislation, court practice or decrees issued by the relevant taxation authorities, potentially with retroactive effect.

Investors interested in acquiring the Short and Leveraged Commodity Securities should consult their tax advisors with regard to any tax consequences that may be involved in acquiring, holding, redeeming, selling or gratuitously transferring the Short and Leveraged Commodity Securities. Only a tax advisor is able to adequately assess the individual tax situation of a specific investor.

(b) Tax on income and capital gains

Resident individuals

Individuals and death estates, who sell their Short and Leveraged Commodity Securities, are subject to capital gains taxation at the rate of 30 per cent. or 32 per cent. for taxable capital income exceeding EUR 50,000. The taxable capital gain on disposal of Short and Leveraged Commodity Securities is calculated by deducting the acquisition costs and sales costs from the sales price. Alternatively, the taxable capital gain can be calculated by deducting from the sales price as a deemed acquisition cost 20 per cent. of the sales price (40 per cent. for Short and Leveraged Commodity Securities held for at least 10 years). According to the Finnish Income Tax Act, capital losses can be deducted from capital gains (but not from other capital income) arising during the year of disposal and the five following years. A capital gain is tax exempt if the aggregate income derived from disposals of assets during the tax year is less than EUR 1,000.

Resident companies

Resident companies are taxable on their worldwide income at the general corporate income tax rate of 24.5 per cent. This applies to both business income and other income.

Any capital gain or income on the Short and Leveraged Commodity Securities relating to the business operations is regarded as taxable business income and the tax assessment is made according to the Business Income Tax Act. Generally, expenses incurred in acquiring or maintaining taxable business income are deductible. Tax losses can generally be carried forward for ten years.

Where the investment in the Short and Leveraged Commodity Securities does not form part of business assets, tax assessment is made according to the Income Tax Act. Capital gains and income on the Short and Leveraged Commodity Securities are then taxed as other income of the company. Capital losses from the disposal and/or redemption of the Short and Leveraged Commodity Securities can be deducted from capital gains arising during the year of disposal and the following five years. Losses in the company's business income source cannot be deducted from the company's other income source or vice versa.

(c) Withholding tax

No deduction or withholding for or on account of Finnish tax is required to be made on payments directly from the Issuer to Security Holders on Redemption of Short and Leveraged Commodity Securities.

(d) Inheritance and gift taxes

A transfer of the Short and Leveraged Commodity Securities by way of gift or on death will be subject to Finnish inheritance or gift tax if the Security Holder, or heir, donee or other beneficiary, is a Finnish tax resident.

(e) Value added tax

No Finnish value added tax will be payable by a Security Holder in consideration for the issue of Short and Leveraged Commodity Securities.

(f) Other taxes or duties

No Finnish registration tax, customs duty, transfer tax, stamp duty or any other similar tax or duty will be payable in Finland by a holder of Short and Leveraged Commodity Securities.

(g) **The European Savings Directive**

EU Council Directive 2003/48/EC on the taxation of savings income applies amongst other matters, to payments of income on debt claims of every kind made by a paying agent in an EU member state for the benefit of individual investors resident in another Member State in the EU. In circumstances where the Directive applies, such a paying agent would be under an obligation to provide information to the tax authorities of the EU Member States in which individual investors reside. A paying agent for these purposes is any economic operator who pays interest or other similar income to, or secures interest or other similar income for the beneficial owner, and could in relation to Short and Leveraged Commodity Securities include a Finnish broker effecting the sale of Short and Leveraged Commodity Securities.

11. Taxation in France

(a) **General**

The following summary describes the principal French tax treatment applicable to the holding of the Short and Leveraged Commodity Securities by a French investor residing in France or outside of France following an offer of the Short and Leveraged Commodity Securities in France.

This information is of a general nature and does not purport to be a comprehensive description of all French tax considerations that may be relevant to a decision to acquire, to hold and to dispose of the Short and Leveraged Commodity Securities. In some cases, different rules can be applicable. Furthermore, the tax rules can be amended in the future, possibly implemented with retroactive effect, and the interpretation of the tax rules may change.

This summary is based on the French tax legislation, treaties, rules, and administrative interpretations and similar documentation, in force as of the date of this Prospectus and on the legal qualification of the Short and Leveraged Commodity Securities as bond instruments, without prejudice to any amendments introduced at a later date, even if implemented with retroactive effect.

Any persons interested in acquiring the Short and Leveraged Commodity Securities should consult their tax advisers with regard to any tax consequences that may be involved in acquiring, holding, redeeming, selling or gratuitously transferring the Short and Leveraged Commodity Securities. Only a tax adviser is able to adequately assess the individual tax situation of a specific investor.

(b) **Investors residing in France**

Taxation of individuals

Taxation of capital gains

Capital gains derived from the disposal of the Short and Leveraged Commodity Securities are subject to capital gains tax at the rate of 19 per cent. plus 13.5 per cent. social contributions (i.e., a total rate of taxation of 32.5 per cent.).

If a French investor disposes of the Short and Leveraged Commodity Securities at a loss, such loss may be offset against capital gains of the same nature made during the year of the loss or the ten following years, subject to filing obligations.

Taxation of bond redemption premium (Prime de remboursement)

Bond redemption payments made to an individual residing in France are taxed according to the standard progressive income tax schedule, whose top rate is currently 41 per cent. and to which a 3 per cent. or 4 per cent. surtax is added upon certain circumstances. The above-mentioned social contributions of 13.5 per cent. are also applicable.

Taxation of companies subject to French corporate income tax

Taxation of capital gains

Capital gains from the disposal of the Short and Leveraged Commodity Securities are subject to corporate income tax at the standard rate of 33 1/3 per cent. (or to a reduced rate applicable to

small companies where the relevant conditions are met), to which a 3.3 per cent. and/or 5 per cent. surtax is added upon certain circumstances. Capital losses are, in principle, treated as ordinary losses which may be set off against operational profits and any remaining balance carried forward in accordance with standard rules (i.e., unlimited carry forward save specific circumstances).

Taxation of bond redemption premium (Prime de remboursement)

Bond redemption premiums are taxed at the above-mentioned standard corporate income tax rate (or to a reduced rate applicable to small companies where the relevant conditions are met). Furthermore, Article 238 *septies* E of the French general tax code (FGTC) may possibly apply. According to the provisions of Article 238 *septies* E, if the estimated value of the redemption premium exceeds the purchase value by 10 per cent. and the issue price is less than 90 per cent. of the estimated redemption value, such premium due to indexation of the principal is partially taxed before maturity on an annual basis, even though this premium is only collected on disposal or redemption on maturity.

(c) **Investors residing outside of France**

Taxation of capital gains

In principle, capital gains realised by investors residing outside of France upon the sale or disposal of Short and Leveraged Commodity Securities are not subject to capital gains tax in France. The same applies to companies, provided that the Short and Leveraged Commodity Securities are not booked in a permanent established or fixed base in France.

(d) **The European Savings Directive**

EU Council Directive 2003/48/EC on the taxation of savings income (the Directive) applies, amongst other matters, to payments of interest or other income on debt claims of every kind made by a paying agent in an EU Member State for the benefit of individual investors resident in another Member State in the EU. In circumstances where the Directive applies, such a paying agent would be under an obligation to provide information to the tax authorities of the EU Member States in which individual investors reside. A paying agent for these purposes is any economic operator who pays interest or other similar income to, or secures interest or other similar income for, the beneficial owner, and could in relation to Short and Leveraged Commodity Securities include a French broker effecting the sale of Short and Leveraged Commodity Securities on a stock market.

12. Taxation in Germany

The following is a brief summary of some important principles of German tax law that may be of relevance for German investors acquiring, holding, or selling Short and Leveraged Commodity Securities. The summary does not fully cover all aspects of German tax law that may be of relevance to the Short and Leveraged Commodity Securities. The summary is based on German tax law as of the date of this Prospectus. It should also be noted that the taxation of investors may change at any time as a result of new legislation, court practice or decrees issued by the relevant taxation authorities, potentially with retroactive effect.

Investors interested in acquiring the Short and Leveraged Commodity Securities should consult their tax advisors with regard to any tax consequences that may be involved in acquiring, holding, redeeming, selling or gratuitously transferring the Short and Leveraged Commodity Securities.

Only a tax advisor is able to adequately assess the individual tax situation of a specific investor.

(a) **Taxation of capital gains**

The German Ministry of Finance on 22 December 2009 has issued a tax circular regarding the taxation of capital income in Germany and the new German flat income tax (*Abgeltungsteuer*) (circular no. IV C 1 – S 2252/08/10004) (the “**Tax Circular**”). Pursuant to this Tax Circular gains or losses from a note instrument, eligible for listings on stock exchanges, which neither provide for the payment of interest payments, nor for a guaranteed repayment of principal as of maturity,

would be treated by the German tax authorities as gains or losses from a debt instrument in the form of a speculative certificate (*Risikozertifikat*) and thus, be subject to German income taxation.

As a consequence of the court case of the German Federal Tax Court (BFH) dated 24 April 2012 structured financial instruments which mirror the performance of an underlying investment without any additional embedded leverage ("Delta 1-instrument") should not qualify as a so-called "Derivative Instrument" (*Termingeschäft*) but rather as a "other financial instrument" (*Sonstige Kapitalforderung*). Short and Leveraged Commodity Securities which provide for a short exposure or an embedded leverage may therefore qualify as a Derivative Instrument (*Termingeschäft*).

As a consequence, German individual investors and German corporate investors are subject to German personal or corporate income tax and solidarity surcharge on any capital gains from the sale or other disposal of the Short and Leveraged Commodity Securities, which do not provide for any ongoing interest payments.

The tax rate in respect of such capital gains for German individual investors who hold the Securities as private assets (*Privatvermögen*) is 25 per cent. (plus 5.5 per cent. solidarity surcharge thereon and, if applicable, church tax). However, taxpayers are entitled to apply for a tax assessment on the basis of their net taxable income. In this case the personal income tax will be levied on the gross income. No expenses related to the capital gains except for a lump-sum tax allowance of EUR 801 for individuals and EUR 1602 for married couples subject to German joint taxation will be deductible. If the Short and Leveraged Commodity Securities are held in custody with a German credit institution or financial service institution (including a German permanent establishment of a foreign institution) as disbursing agent (*inländische auszahlende Stelle*), a flat withholding tax (*Abgeltungsteuer*) at a rate of 25 per cent. (plus 5.5 per cent. solidarity surcharge thereon and, if applicable, church tax) is deducted. Payment of the flat withholding tax satisfies any income tax liability of the investor in respect of such income (unless the investor elects to have the tax assessment of such income).

Losses from the sale or redemption of the Short and Leveraged Commodity Securities can be set off only against other capital income (*Einkünfte aus Kapitalvermögen*) of the investor.

Losses which cannot be set off in the same calendar year can be carried forward to a limited extent, if a tax loss certificate has been provided by the German paying agent, if applicable. If the Short and Leveraged Commodity Securities are held as business assets, all capital gains from the sale or other disposal of the Short and Leveraged Commodity Securities by German investors will be subject to German personal or corporate income tax and solidarity surcharge thereon based on the applicable tax rate for the investor. In such case gains will also be subject to German trade tax. Withholding tax on such gains is deducted at the rates mentioned above but does not satisfy any income tax liability of the investor in respect of such gains.

(b) Applicability of the Investment Tax Act (Investmentsteuergesetz)

The Issuer believes that there exist good arguments that investors in Short and Leveraged Commodity Securities will not be subject to the German Investment Tax Act since Short and Leveraged Commodity Securities do not, among other things, provide for regular redemption rights for investors in the Short and Leveraged Commodity Securities they should not constitute a participation of an investor in a foreign investment fund or a foreign unit of foreign investment funds.

(c) Gift or inheritance tax

A transfer of the Short and Leveraged Commodity Securities by way of gift or on death will be subject to German inheritance or gift tax if the investor, or their heir, donee or other beneficiary, is a German resident for German gift or inheritance tax purposes according to the specific rules of the German Gift and Inheritance Tax Act. This may in particular be the case if the investor, heir, donee or other beneficiary is:

- (i) an individual having at the time of the donation or death its residence or habitual abode in Germany or if the individual is a German citizen who has not been living abroad for more than 5 years without having a residence in Germany; or

(ii) a corporation having its seat or central place of management in Germany,

or the Short and Leveraged Commodity Securities constitute business assets attributable to a permanent establishment or a permanent representative in Germany.

(d) **Other taxes**

No stamp, issue, registration or similar direct or indirect taxes or duties will be payable in Germany in connection with the issue, delivery or execution of the Short and Leveraged Commodity Securities, the Global Bearer Certificates or any interest therein. No net asset tax is currently levied in Germany.

(e) **The European Savings Directive**

On 3 June 2003, the Council of the European Union has adopted directive 2003/48/EC on the taxation of savings income in the form of interest payments. Under this directive, Germany is, as of 1 July 2005, required to provide the tax authorities of other member states with details of certain payments of interest paid or secured by a paying agent established in Germany to or for the benefit of an individual resident in that other member state. These details include but are not limited to details of the respective person considered the beneficial owner.

Short and Leveraged Commodity Securities are undated secured limited recourse debt obligations of the Issuer. However, as no return in respect of Short and Leveraged Commodity Securities (whether in the form of cash on redemption, or as a result of trading on the London Stock Exchange) should constitute a payment of interest for the purposes of the directive, the Issuer believes that investors in Short and Leveraged Commodity Securities or their paying agents will not be within the scope of the directive.

The EU Council has published a proposal for amending the directive 2003/48/EC dated 13 November 2008, which may expand the scope of such directive.

13. **Taxation in Ireland**

(a) **General**

The following summary outlines certain aspects of Irish tax law and practice regarding the ownership and disposition of Short and Leveraged Commodity Securities. This summary deals only with Short and Leveraged Commodity Securities held beneficially as capital assets and does not address special classes of Security Holders such as dealers in securities. This summary is not exhaustive and Security Holders are advised to consult their own tax advisors with respect to the taxation consequences of their ownership or disposition. The comments are made on the assumption that the Issuer is not resident in Ireland for Irish tax purposes. The summary is based on current Irish taxation legislation and practice of the Irish Revenue Commissioners.

(b) **Irish Withholding Tax**

Under Irish tax law there is no obligation on the Issuer to operate any withholding tax on a payment in respect of the Short and Leveraged Commodity Securities except where such payment has an Irish source. The payment is only likely to be considered to have an Irish source, if, for example, the payment constitutes yearly interest and such interest was paid out of funds maintained in Ireland or where the Short and Leveraged Commodity Securities were secured on Irish situated assets which it is understood will not be the case. The mere offering of the Short and Leveraged Commodity Securities to Irish investors will not cause such a payment to have an Irish source.

In certain circumstances collection agents and other persons receiving interest on the Short and Leveraged Commodity Securities in Ireland on behalf of a Security Holder, will be obliged to operate a withholding tax.

(c) **Taxation of Income**

Unless exempted, an Irish resident or ordinarily resident Security Holder and a non-resident Security Holder holding Short and Leveraged Commodity Securities through an Irish branch or agency will be liable to Irish tax on the amount of any interest or other income, including potentially any premium on redemption, received from the Issuer. Individual Security Holders would also potentially be liable to Pay Related Social Insurance and the universal social charge. Credit against Irish tax on the interest received may be available in respect of any foreign withholding tax deducted by the Issuer.

(d) **Taxation of Capital Gains**

Irish resident or ordinarily resident Security Holders and a non-resident Security Holders holding Short and Leveraged Commodity Securities through an Irish branch or agency would potentially be liable to Irish tax on capital gains on any gains arising on a disposal of Short and Leveraged Commodity Securities. Reliefs and allowances may be available in computing the Security Holder's liability.

(e) **Stamp Duty**

Transfers of Short and Leveraged Commodity Securities should not be subject to Irish stamp duty, provided the transfers do not relate to Irish land or buildings or securities of an Irish registered company.

(f) **Capital Acquisitions Tax**

A gift or inheritance comprising of Short and Leveraged Commodity Securities will be within the charge to capital acquisitions tax if either (i) the disponent or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponent is domiciled in Ireland irrespective of his residence or that of the donee/successor) or (ii) if the Short and Leveraged Commodity Securities are regarded as property situated in Ireland. The Short and Leveraged Commodity Securities could only be considered property situated in Ireland if the register of Short and Leveraged Commodity Security Holders was maintained in Ireland or, to the extent that certificates are issued in bearer form, the bearer certificates were located in Ireland.

(g) **Offshore Fund Taxation**

While a holding of Short and Leveraged Commodity Securities could potentially be treated as a material interest in an offshore fund and subject to the more onerous tax provisions applicable to offshore funds, the Irish Revenue Commissioners have indicated to ETFSL that exchange traded commodity linked securities in the nature of the Short and Leveraged Commodity Securities should not be so treated. As recommended above, Security Holders should obtain independent tax advice in relation to the tax implications of holding and disposing of Short and Leveraged Commodity Securities.

(h) **Provision of Information**

Generally

Security Holders should be aware that where any interest or other payment on Short and Leveraged Commodity Securities is paid to them by or through an Irish paying agent or collection agent then the relevant person may be required to supply the Irish Revenue Commissioners with details of the payment and certain details relating to the Security Holder. Where the Security Holder is not Irish resident, the details provided to the Irish Revenue Commissioners may, in certain cases, be passed by them to the tax authorities of the jurisdiction in which the Security Holder is resident for taxation purposes.

EU Savings Directive

The Council of the European Union has adopted a directive regarding the taxation of interest income known as the "European Union Directive on the Taxation of Savings Income (Directive 2003/48/EC)". Ireland has implemented the directive into national law. Any Irish paying agent making an interest payment on behalf of the Issuer to an individual, and certain residual entities

defined in the Taxes Consolidation Act, 1997 resident in another EU Member State and certain associated and dependent territories of a Member State will have to provide details of the payment to the Irish Revenue Commissioners who in turn will provide such information to the competent authorities of the state or territory of residence of the individual or residual entity concerned.

14. Taxation in Italy

(a) General

The information set out below is a summary of certain limited aspects of the Italian tax consequences of the acquisition, ownership and disposition of Short and Leveraged Commodity Securities and it does not purport to be a comprehensive description of all the tax issues that may be relevant to a decision to purchase Short and Leveraged Commodity Securities.

This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than Italy.

This summary is based on the tax laws of Italy as in effect on the date of this Prospectus, as well as regulations, rulings and decisions of its taxing and other authorities available on or before such date and now in effect. All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of this summary.

Because it is a general summary, holders of Short and Leveraged Commodity Securities should consult their own tax advisers as to the Italian or other tax consequences of the purchase, holding and disposition of Short and Leveraged Commodity Securities including, in particular, the application to their specific situations of the tax aspects discussed below, as well as the application of state, local, foreign or other tax laws. This summary assumes that the Issuer is not a tax resident nor deemed to be a tax resident of Italy.

(b) Tax on income and capital gains

Provided the Short and Leveraged Commodity Securities qualify broadly as derivative instruments for the purposes of Italian tax law, which they are expected to do, then the following consequences apply to a Security Holder in respect of the periodic measurement of Short and Leveraged Commodity Securities and/or in relation to the net proceeds received from a redemption or sale of the Short and Leveraged Commodity Securities over the sum paid by such a holder on their subscription or purchase:

- (i) proceeds from the sale or redemption of the Short and Leveraged Commodity Securities received by a Security Holder which is (a) an Italian resident corporation or similar commercial entity, (b) an Italian individual engaged in entrepreneurial activities to which the Short and Leveraged Commodity Securities are effectively connected, or (c) a permanent establishment in Italy of a non-Italian resident to which the Short and Leveraged Commodity Securities are effectively connected, as well as unrealised gains reported in the statutory financial statements, may have to be included in the relevant holder's taxable income and are therefore subject to the general Italian corporate tax regime (corporate income tax, IRES, is currently applicable at a rate of 27.5 per cent.), or to personal income taxation (as business income), as the case may be, according to the ordinary rules. In certain cases, depending on the status of the Security Holder such proceeds, may also have to be included in its taxable base for regional income tax on productive activities (*IRAP*, currently applicable at a rate of 3.9 per cent. *IRAP* rate may be increased in certain Italian regions, also in accordance with the provisions of Law Decree No. 93 of 27 May 2008, which has been converted into Law No. 126 of 24 July 2008; *IRAP* rate has also been increased to 4.65 per cent. and 5.9 per cent. by article 23(5) of Law Decree no. 98 of 6 July 2011 for the categories of companies indicated, respectively, under article 6 and article 7 of Legislative Decree no. 446 of 15 December 1997);
- (ii) according to article 5 of Legislative Decree No. 461 of 21 November 1997, capital gains realised by Italian resident individuals, not engaged in entrepreneurial activities to which the Short and Leveraged Commodity Securities are effectively connected, and by certain other non commercial entities upon the sale for consideration or redemption of the Short

and Leveraged Commodity Securities are subject to a substitute tax (*imposta sostitutiva*) currently at the rate of 20 per cent. Under the tax return regime (*regime della dichiarazione*), which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in an entrepreneurial activity, *imposta sostitutiva* on capital gains is applicable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised in a fiscal year pursuant to all disposals of Short and Leveraged Commodity Securities and other financial instruments triggering a capital gain that is subject to the same tax regime, carried out during any given fiscal year. These individuals and non commercial entities must report the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual income tax return to be filed with the Italian tax authorities for such year and pay *imposta sostitutiva* on such gains. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years;

- (iii) as an alternative to the tax return regime, according to article 6 of Legislative Decree No. 461 of 21 November 1997, Italian resident individuals not engaged in entrepreneurial activities to which the Short and Leveraged Commodity Securities are effectively connected and certain other non commercial entities may elect to pay the *imposta sostitutiva* separately on the capital gains realised upon each sale or redemption of the Short and Leveraged Commodity Securities (under the so called *Risparmio Amministrato* regime, which is managed through the provision of non discretionary asset management services to a taxpayer). Such a separate taxation of each capital gain is allowed subject to: (a) the Short and Leveraged Commodity Securities being deposited with an Italian bank, a *Società di Intermediazione Mobiliare* (SIM) or with certain authorised financial intermediaries, (b) each relevant capital gain being realised through such intermediary, and (c) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant Short and Leveraged Commodity Securities holder. The financial intermediary, also on the basis of the information provided by the taxpayer, accounts for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of Short and Leveraged Commodity Securities (as well as in respect of capital gains realised at revocation of its mandate and upon other specific circumstances which are deemed to trigger an assignment under this regime), net of any incurred capital loss, and is required to pay the relevant amount of tax to the Italian fiscal authorities on behalf of the taxpayer, deducting a corresponding amount from proceeds to be credited to the Short and Leveraged Commodity Securities holder. Under the *Risparmio Amministrato* regime, where a sale or redemption of Short and Leveraged Commodity Securities results in a capital loss, such loss may be used to reduce the subsequent capital gains realised in the same tax year and up to the following fourth. All gains that have been subject to the *Risparmio Amministrato* regime do not have to be included in the yearly income tax return of the holder of Short and Leveraged Commodity Securities;
- (iv) also as an alternative to the tax return regime, according to article 7 of Legislative Decree No. 461 of 21 November 1997, the increase or decrease in the fair market value of the Short and Leveraged Commodity Securities, as well as the gains or losses realised upon the sale for consideration or redemption of the same securities by Italian resident individuals not engaged in entrepreneurial activities to which the Short and Leveraged Commodity Securities are effectively connected, and by certain other non commercial entities, who have elected for the so called *Risparmio Gestito* regime (namely, a regime managed by an intermediary providing discretionary management services), will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end which is subject to a 20 per cent. *imposta sostitutiva* applied directly by the authorised asset manager. Under the *Risparmio Gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward and deducted against future increase in value of the managed assets in the four succeeding years. All gains that have been subject to the *Risparmio Gestito* regime do not have to be included in the yearly income tax return of the holder of Short and Leveraged Commodity Securities;
- (v) the increase or decrease in the fair market value of the Short and Leveraged Commodity Securities, as well as the gains or losses realised upon the sale for consideration or redemption of the same securities by Italian resident collective investment funds and

hedge funds, with the exception of Italian real estate investment funds, are not subject to taxation at the fund's level;

- (vi) the increase or decrease in the fair market value of the Short and Leveraged Commodity Securities, as well as the gains or losses realised upon the sale for consideration or redemption of the same securities by Italian resident pension funds (subject to the regime provided for by articles 14, 14-*ter* and 14-*quater*, paragraph 1, of Legislative Decree 21 April 1993, no. 124 as further substituted by Legislative Decree no. 252 of 5 December 2005) are included in the determination of the yearly NAV accrued appreciation or depreciation of the assets under management that is subject to a substitute tax (*imposta sostitutiva*) currently at a rate of 11 per cent.;
- (vii) non-Italian resident Security Holders without a permanent establishment in Italy to which the Short and Leveraged Commodity Securities are effectively connected, are not subject to income tax in Italy on the proceeds realised on the sale of the Short and Leveraged Commodity Securities, provided that:
 - the Short and Leveraged Commodity Securities have not been deposited in Italy; or
 - the Short and Leveraged Commodity Securities have been deposited in Italy and are traded on a regulated market; or
 - the Short and Leveraged Commodity Securities have been deposited in Italy but are not traded on a regulated market and the beneficial owner of proceeds from the relevant Short and Leveraged Commodity Securities complies with certain filing requirements and is a resident of a country which is included in the list of jurisdictions allowing exchange of information with the Italian tax authorities as provided under a Ministerial Decree of 4 September 1996 or, starting from the tax period following to the one of enactment of a specific Ministerial Decree to be issued under article 168-*bis*(1) of Presidential Decree no. 917 of 1986 (Italian Income Tax Code), will be included in the new list of qualifying jurisdictions as specified by the Decree to be enacted.

The tax treatment of the Short and Leveraged Commodity Securities described above has been confirmed by the Italian tax authorities decision No. 72/E of 12 July 2010 dealing with the Italian tax treatment of investment in secured exchange commodities. Nevertheless, should the Italian tax authority and/or tax courts take the view that, regardless of the previous position taken by the Italian tax authority in its decision No. 72/E quoted, the Short and Leveraged Commodity Securities are to be characterised as debt instruments representing so-called “atypical securities” pursuant to Article 8 of Law Decree no. 512 of 30 September 1983 (as subsequently amended) a different tax treatment would apply. Interest and other proceeds deriving from “atypical securities” issued by non-Italian resident issuers are subject to a 20 per cent. withholding tax applied by the Italian resident intermediary intervening in the payment save where held by a commercial partnership, a commercial private and public institution resident in Italy for tax purposes or by an Italian permanent establishment of a non-Italian resident entity. Instead these entities must include the proceeds in their taxable business income, under the same terms as described under paragraph (b)(i) above.

(c) **Inheritance and gift taxes**

Law no. 286 of 24 November 2006, which has converted into law, with amendments, Law Decree no. 262 of 3 October 2006, has introduced inheritance and gift tax to be paid at the transfer of assets (such as the Short and Leveraged Commodity Securities) and rights by reason of death or gift.

As regards the inheritance and gift tax to be paid at the transfer of the Short and Leveraged Commodity Securities by reason of death or gift, the following rates apply:

- (i) transfers in favour of spouses and direct descendants or direct relatives are subject to an inheritance and gift tax of 4 per cent. on the value of the inheritance or the gift exceeding EUR 1,000,000.00 for each beneficiary;

- (ii) transfers in favour of brothers and sisters are subject to an inheritance and gift tax of 6 per cent. on the value of the inheritance or the gift exceeding EUR 100,000.00 for each beneficiary;
- (iii) transfers in favour of relatives up to the fourth degree or relatives-in-law to the third degree, are subject to an inheritance and gift tax of 6 per cent. on the entire value of the inheritance or the gift;
- (iv) any other transfer is subject to an inheritance and gift tax of 8 per cent. on the entire value of the inheritance or the gift;
- (v) transfers in favour of seriously disabled persons are subject to an inheritance and gift tax at the relevant rate as described above on the value of the inheritance or the gift exceeding EUR 1,500,000.00 for each beneficiary.

Moreover, an anti-avoidance rule is provided by Law No. 383 of 18 October 2001 for any gift of assets (such as the Short and Leveraged Commodity Securities) which, if sold for consideration, would give rise to capital gains subject to the *imposta sostitutiva* provided for by Legislative Decree No. 461 of 21 November 1997. In particular, if the donee sells the Short and Leveraged Commodity Securities for consideration within five years from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift had never taken place.

(d) **Value Added Tax**

No Italian Value Added Tax will be payable by a holder of Short and Leveraged Commodity Securities in consideration for the issue or transfer of Short and Leveraged Commodity Securities.

(e) **Securities Transfer Tax**

According to Article 37 of Law Decree No. 248 of 31 December 2007, as converted with amendments into Law No. 31 of 28 February 2008, the transfer of the Short and Leveraged Commodity Securities is not subject to Italian transfer tax.

(f) **Stamp duty**

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 ("Decree 201"), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Short and Leveraged Commodity Securities deposited therewith. The stamp duty applies at a rate of 0.1 per cent. for year 2012 and at 0.15 per cent. for subsequent years; this stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the Short and Leveraged Commodity Securities held. The stamp duty can be no lower than €34.20 and, for the year 2012 only, it cannot exceed €1,200.00.

(g) **Wealth Tax on securities deposited abroad**

Pursuant to Article 19(18) of Decree 201, Italian resident individuals holding the Short and Leveraged Commodity Securities outside the Italian territory are required to pay an additional tax at a rate of 0.1 per cent. for 2012 and at 0.15 per cent. for subsequent years.

This tax is calculated on the market value of the Short and Leveraged Commodity Securities at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

(h) **The European Savings Directive**

The EU Savings Directive (the "**Directive**") came into force on 1 July 2005. The Directive applies, amongst other matters, to payments of interest on debt claims of every kind made by a paying agent in an EU Member State for the benefit of individual investors resident in the EU. In

circumstances where the Directive applies, such a paying agent would be under an obligation to provide information to the tax authorities of the EU Member States in which individual investors reside. A paying agent for these purposes is any economic operator who pays interest to, or secures interest for the beneficial owner, and could in relation to Short and Leveraged Commodity Securities include an Italian broker effecting the sale of Short and Leveraged Commodity Securities.

Short and Leveraged Commodity Securities are undated secured limited recourse debt obligations of the Issuer. However, as no return in respect of Short and Leveraged Commodity Securities (whether in the form of cash on redemption, or as a result of trading on the ETFplus market of *Borsa Italiana S.p.A.* or any other stock exchange) should constitute a payment of interest for the purposes of the Directive, it is not envisaged that holders or their paying agents will be within the scope of the Directive.

15. Netherlands Taxation

(a) General

The information set out below is a summary of certain material Dutch tax consequences of the acquisition, ownership and disposition of Short or Leveraged Commodity Securities and it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Short or Leveraged Commodity Securities. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than The Netherlands. This summary is based on the tax laws of The Netherlands as in effect on the date of this Prospectus, as well as regulations, rulings and decisions of The Netherlands or of its taxing and other authorities available on or before such date and now in effect and as applied and interpreted by Netherlands courts, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect. All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of this summary. Because it is a general summary, prospective holders of Short or Leveraged Commodity Securities should consult their own tax advisors as to the Dutch or other tax consequences of the purchase, holding and disposition of Short or Leveraged Commodity Securities including, in particular, the application to their particular situations of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws. The Issuer believes that it is not a resident nor that it is deemed to be a resident of The Netherlands nor that it qualifies as a non-resident tax payer (*buitenlands belastingplichtige*) for Netherlands tax purposes, and the following summary assumes that the Issuer will not be treated as a resident or deemed resident of The Netherlands nor that it will be treated as a non-resident tax payer for Netherlands tax purposes.

(b) Withholding tax

Payments of the Issuer with regard to the Short or Leveraged Commodity Securities will be free from withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof or therein.

(c) Tax on income and capital gains

General

The description of taxation set out in this section of this Prospectus is not intended for any holder of Short or Leveraged Commodity Securities, who:

- (i) is an individual and for whom the income or capital gains derived from Short or Leveraged Commodity Securities are attributable to employment activities the income from which is taxable in The Netherlands;
- (ii) is an entity that is a resident or deemed to be a resident of The Netherlands and that is, in whole or in part, not subject to or exempt from Netherlands corporate income tax;
- (iii) is an investment institution (*Fiscale beleggingsinstelling*) or an exempt investment institution (*vrijgestelde beleggingsinstelling*) as defined in the Netherlands Corporate Income Tax Act 1969; and/or

- (iv) has directly or indirectly, a substantial interest or a deemed substantial interest (*agnmerkelijk-belang*) as defined in the Netherlands Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) in the Issuer.

Residents of The Netherlands

Individuals

An individual who is resident or deemed to be resident in The Netherlands, or who opts to be taxed as a resident of The Netherlands for purposes of Dutch taxation (a “**Dutch Resident Individual**”) and who holds Short or Leveraged Commodity Securities is subject to Netherlands income tax on income and/or capital gains derived from Short or Leveraged Commodity Securities at the progressive rate (up to 52 per cent.; rate for 2012) if:

- (i) the holder derives profits from an enterprise or deemed enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder), to which enterprise the Short or Leveraged Commodity Securities are attributable; or
- (ii) the holder derives income or capital gains from Short or Leveraged Commodity Securities that are taxable as benefits from “miscellaneous activities” (*resultaat uit overige werkzaamheden*, as defined in the Netherlands Income Tax Act 2001), which include the performance of activities with respect to the Short or Leveraged Commodity Securities that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If conditions (i) and (ii) mentioned above do not apply, any holder of Short or Leveraged Commodity Securities who is a Dutch Resident Individual will be subject to Netherlands income tax on a deemed return regardless of the actual income and/or capital gains benefits derived from Short or Leveraged Commodity Securities. This deemed return has been fixed at a rate of 4 per cent. of the individual's yield basis (*rendementsgrondslag*) insofar as this exceeds a certain threshold (*heffingvrij vermogen*). The individual's yield basis is determined as the fair market value of certain qualifying assets (including, as the case may be, the Short or Leveraged Commodity Securities) held by the Dutch Resident Individual less the fair market value of certain qualifying liabilities, both determined on 1 January of the relevant year. The deemed return of 4 per cent., will be taxed at a rate of 30 per cent. (rate for 2012).

Entities

An entity that is resident or deemed to be resident in The Netherlands (a “**Dutch Resident Entity**”) will generally be subject to Netherlands corporate income tax with respect to income and capital gains derived from Short or Leveraged Commodity Securities. The Netherlands corporate income tax rate is 20 per cent. for the first EUR 200,000 of taxable amount, and 25 per cent. for the excess of the taxable amount over EUR 200,000 (rates applicable for 2012).

Non-residents of The Netherlands

A person who is neither a Dutch Resident Individual nor Dutch Resident Entity (a “**Non-Dutch Resident**”) and who holds Short or Leveraged Commodity Securities is generally not subject to Netherlands income or corporate income tax on income and capital gains derived from Short or Leveraged Commodity Securities, provided that:

- (i) such Non-Dutch Resident does not derive profits from an enterprise or deemed enterprise, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder) which enterprise is, in whole or in part, carried on through a permanent establishment or a permanent representative in The Netherlands and to which enterprise or part of an enterprise, as the case may be, Short or Leveraged Commodity Securities are attributable or deemed attributable;
- (ii) in the case of a Non-Dutch Resident who is an individual, such individual does not derive income or capital gains from Short or Leveraged Commodity Securities that are taxable as benefits from “miscellaneous activities” in The Netherlands (*resultaat uit overige werkzaamheden in Nederland*, as defined in the Netherlands Income Tax Act 2001)

performed or deemed to be performed in the Netherlands, which include the performance of activities with respect to the Short or Leveraged Commodity Securities that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*); and

- (iii) such Non-Dutch Resident is neither entitled to a share in the profits of an enterprise nor co-entitled to the net worth of such enterprise effectively managed in The Netherlands, other than by way of the holding of securities or, in case of an individual, through an employment contract, to which enterprise Short or Leveraged Commodity Securities or payments in respect of Short or Leveraged Commodity Securities are attributable.

A Non-Dutch Resident that falls under any of the exclusions (i) through (iii) mentioned above, may be subject to Netherlands income tax or corporate income tax on income and capital gains derived from Short or Leveraged Commodity Securities. In case such holder of a Short or Leveraged Commodity Security is considered to be a resident of Aruba, Curaçao or St. Maarten under the provisions of the Tax Arrangement for the Kingdom of the Netherlands (*Belastingregeling voor het Koninkrijk*), or is considered to be a resident of a country other than the Netherlands under the provisions of a double taxation convention the Netherlands has concluded with such country, the following may apply. Such holder of a Short or Leveraged Commodity Security may, depending on the terms of and subject to compliance with the procedures for claiming benefits under the Tax Arrangement for the Kingdom of the Netherlands or such double taxation convention, be eligible for a full or partial exemption from Netherlands taxes (if any) on (deemed) income or capital gains in respect of a Short or Leveraged Commodity Security, provided such holder is entitled to the benefits of the Tax Arrangement for the Kingdom of the Netherlands or such double taxation convention.

(d) **Gift or inheritance tax**

No Netherlands gift or inheritance taxes will be levied on the transfer of Short or Leveraged Commodity Securities by way of gift by or on the death of a holder, who is neither a resident nor deemed to be a resident of The Netherlands for the purpose of the relevant provisions, unless:

- (i) the transfer is construed as an inheritance or bequest or as a gift made by or on behalf of a person who, at the time of the gift or death, is or is deemed to be a resident of The Netherlands for the purpose of the relevant provisions; or
- (ii) such holder dies while being a resident or deemed resident of the Netherlands within 180 days after the date of a gift of Short or Leveraged Commodity Securities.

For purposes of Netherlands gift and inheritance tax, an individual who is of Dutch nationality will be deemed to be a resident of The Netherlands if he has been a resident of The Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Netherlands gift tax, an individual will, irrespective of his nationality, be deemed to be resident of The Netherlands if he has been a resident in The Netherlands at any time during the 12 months preceding the date of the gift.

(e) **Value added tax**

No Netherlands value added tax will be payable by a holder of Short or Leveraged Commodity Securities in consideration for the issue of Short or Leveraged Commodity Securities (other than value added taxes on fees payable in respect of services not exempt from Netherlands value added tax).

(f) **Other taxes or duties**

No Netherlands registration tax, custom duty, transfer tax, stamp duty or any other similar tax or duty, other than court fees, will be payable in The Netherlands by a holder of Short or Leveraged Commodity Securities in respect of or in connection with the acquisition, ownership and disposition of the Short or Leveraged Commodity Securities.

(g) **The European Savings Directive**

EU Council Directive 2003/48/EC on the taxation of savings income (the “**Directive**”) applies amongst other matters, to payments of interest or other income on debt claims of every kind made by a paying agent in an EU Member State for the benefit of individual investors resident in another EU Member State. In circumstances where the Directive applies, such a paying agent would be under an obligation to provide information to the tax authorities of the EU Member States in which individual investors reside. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries and territories). The Belgian Government has elected to end the transitional period applicable to Belgium and therefore operates the information exchange regime with effect from 1 January 2010. A paying agent for these purposes is any economic operator who pays interest or other similar income to, or secures interest for the beneficial owner, and could in relation to Short or Leveraged Commodity Securities include a Dutch broker effecting the sale of Short or Leveraged Commodity Securities. A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures.

On 15 September 2008 the European Commission issued a report to the Council of the European Union on the operation of the Directive, which included the Commission’s advice on the need for changes to the Directive. On 13 November 2008 the European Commission published a more detailed proposal for amendments to the Directive, which included a number of suggested changes. If any of those proposed changes are made in relation to the Directive, they may amend or broaden the scope of the requirements described above.

16. Taxation in Norway

(a) **General**

The following summary of certain tax issues that may arise as a result of holding Short or Leveraged Commodity Securities is based on the Norwegian tax legislation in force as of the date of this Supplementary Prospectus and is intended only as general information for holders of securities who are resident or domiciled in Norway for tax purposes. The summary does not purport to cover all aspects of Norwegian law that may be of relevance for the Norwegian holders of Short or Leveraged Commodity Securities, nor does it cover the specific rules where Short or Leveraged Commodity Securities are held by a partnership or are held as current assets in a business operation. Special tax consequences that are not described below also may apply for certain categories of taxpayers, including investment companies, mutual funds and persons who are not resident or domiciled in Norway. Furthermore, Norwegian tax legislation may to some extent be amended with retroactive effect. It is recommended that prospective applicants for Short or Leveraged Commodity Securities consult their own tax advisors for information with respect to the special tax consequences that may arise as a result of holding Short or Leveraged Commodity Securities, including the applicability and effect of foreign income tax rules, provisions contained in double taxation treaties and other rules which may be applicable.

(b) **Taxation on realisation**

Holders of Short or Leveraged Commodity Securities who are Norwegian resident corporations or individuals, and who sell or redeem their Short or Leveraged Commodity Securities are subject to capital gains taxation in Norway. Correspondingly, losses may be deducted.

The tax liability applies irrespective of how long the Short or Leveraged Commodity Securities have been owned and the number of Short or Leveraged Commodity Securities realised or redeemed. Gains are taxable as general income in the year of realisation, and losses can be deducted from income from other sources in the year of realisation. The tax rate of general income is currently 28 per cent.

The capital gain or loss is calculated per Short or Leveraged Commodity Security and equals the remuneration received in respect of the Short or Leveraged Commodity Security less the purchase price and acquisition and realisation costs for the Short or Leveraged Commodity Security.

Income taxes or capital gains taxes payable in other jurisdictions, by Norwegian Security Holders, or withholding tax payable on redemption amounts in respect of the Short or Leveraged Commodity Securities, may be deductible against Norwegian tax payable on the same income. The deduction is limited, however, to the corresponding amount of Norwegian tax applicable. The right for both Norwegian and other jurisdictions to tax Security Holders directly or through the application of withholding taxes may be limited by applicable tax treaty.

(c) **Withholding tax**

No deduction or withholding for or on account of Norwegian tax is required to be made on payments from the Issuer to the Security Holders on Redemption of Short or Leveraged Commodity Securities.

(d) **Net Wealth Tax**

Corporate holders are not subject to net wealth taxation in Norway.

Individual holders are subject to net wealth taxation in Norway. For any year, the value of the Short or Leveraged Commodity Securities on 1 January in the next year will form part of the taxable base of a holder for the purpose of the net wealth taxation. The maximum aggregated rate of net wealth tax is currently 1.1 per cent.

(e) **Stamp duty**

There is currently no stamp duty or other charges in Norway on the purchase, sale or realisation of Short or Leveraged Commodity Securities.

(f) **Inheritance tax**

When Short or Leveraged Commodity Securities are transferred either through inheritance or as a gift, such transfer may give rise to inheritance or gift tax in Norway if the decedent, at the time of death, or the donor, at the time of the gift, is a resident or citizen of Norway, or if the Short or Leveraged Commodity Securities are effectively connected with a business carried out through a permanent establishment in Norway.

(g) **VAT**

Transactions regarding Short or Leveraged Commodity Securities are exempt from Norwegian value added tax.

17. Taxation in Portugal

(a) **General**

The following is a summary of the material Portuguese tax issues applicable to the acquisition, holding and disposition of Short and Leveraged Commodity Securities by investors residing for tax purposes in or outside of Portugal pursuant to an offer of the Short and Leveraged Commodity Securities in Portugal.

The Short and Leveraged Commodity Securities are not expressly dealt with in the Portuguese legislation and no express opinion has been issued by the Portuguese tax authorities or courts as to their status for tax purposes.

The Short and Leveraged Commodity Securities should be considered zero-coupon secured debt securities for the purposes of Personal Income Tax ("**PIT**") and Corporate Income Tax ("**CIT**").

However, the Portuguese tax authorities and courts may adopt a different approach and there is no guarantee that the courts or tax authorities will adopt the position described above (for instance, the legal qualification as derivative financial instruments) and this could lead to the application of a tax treatment significantly diverse from that described herein.

This information is of a general nature and does not purport to be a comprehensive description of all Portuguese tax considerations that may be relevant to a decision to acquire, to hold and to

dispose of the Short and Leveraged Commodity Securities. Holders of and prospective investors in Short and Leveraged Commodity Securities should consult their own tax advisors as to the Portuguese and any other tax consequences that may be involved in acquiring, holding, redeeming, selling or gratuitously transferring the Short and Leveraged Commodity Securities. Only a tax advisor is able to adequately assess the individual tax situation of a specific investor.

Finally, the tax rules may be amended in the future and the interpretation of the tax rules may change.

(b) **Taxation of capital gains arising from the disposal of Short and Leveraged Commodity Securities**

Capital gains obtained by Portuguese resident individuals

Capital gains obtained on the disposal of the Short and Leveraged Commodity Securities, by individuals resident for tax purposes in Portugal, are currently subject to tax at a special 126.5 per cent. rate levied on the positive difference between the capital gains and capital losses of each year, unless an individual chooses to aggregate such capital gains to their taxable income and then be subject to the general progressive Personal Income Tax rates of up to 46.5 per cent. An income tax exemption applies if such annual positive difference does not surpass EUR 500.

Law no. 49/2011, of 7 September, approved an extraordinary surtax for Portuguese resident individuals, at a rate of 3.5 per cent. According to such Law, this extraordinary surtax will only apply to income obtained in 2011 and will cease to be in force in subsequent years. This extraordinary surtax will be levied on the investment income obtained during 2011 that the individual chooses to aggregate to its taxable income, as well as to capital gains obtained in the same period, if the aggregate amount of both and other income subject to the surtax exceeds EUR 6,790 per taxable person, on the part that exceeds such amount.

Capital gains obtained by Portuguese corporate entities

Capital gains obtained on the disposal of the Short and Leveraged Commodity Securities, by corporate entities resident for tax purposes in Portugal and by non-Portuguese resident corporate entities with a permanent establishment therein to which the gains are attributable, are included in their taxable income and subject to Corporate Income Tax at a 25 per cent. rate to which may be added a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of its taxable income as well as a state surcharge, if taxable income exceeds EUR 3,500,000, which is levied over the part of the taxable income exceeding such amount, at a 3 per cent. rate or 5 per cent. rate, if taxable income exceeds EUR 10,000,000 (*derrama estadual*).

Capital gains obtained by Non-Portuguese residents

Capital gains obtained on the disposal of Short and Leveraged Commodity Securities, by individuals and corporate entities not resident for tax purposes in Portugal and without a permanent establishment therein to which the gains are attributable, are not subject to taxation in Portugal.

(c) **Gratuitous Transfers of Short and Leveraged Commodity Securities**

Gratuitous transfers of the Short and Leveraged Commodity Securities to Portuguese resident individuals would not be liable to Portuguese Stamp Duty, as they fall outside the territorial scope of such tax (i.e., no connection with the Portuguese territory exists as the debtor of the patrimonial or credit rights has its domicile, head office, place of effective management or permanent establishment outside the Portuguese territory).

Gratuitous transfers of the Short and Leveraged Commodity Securities in favour of Portuguese corporate entities (or non-Portuguese corporate entities with a permanent establishment located in Portugal to which such transfer is attributable) shall qualify as patrimonial increases, which would be included in their taxable income and subject to Corporate Income Tax at a 25 per cent. rate to which may be added a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of its taxable income as well as a state surcharge, if taxable income exceeds EUR 3,500,000, which is levied over the part of the taxable income exceeding such amount, at a 1 per cent. rate or 5 per cent. rate, if taxable income exceeds EUR 10,000,000 (*derrama estadual*). These patrimonial

increases deriving from the gratuitous acquisition of the Short and Leveraged Commodity Securities shall be assessed at the market price of the Short and Leveraged Commodity Securities.

Gratuitous transfer of the Short and Leveraged Commodity Securities, obtained by non-Portuguese investors would not be subject to taxation in Portugal.

(d) **The European Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Portugal is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and certain dependent or associated territories of certain Member States have agreed to adopt similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State (Switzerland adopts such a withholding system). In addition, certain Member States have entered into arrangements for reciprocal provision of information and/or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

For these purposes, a paying agent is any economic operator who pays interest or other similar income to the beneficial owner and could in relation to Short and Leveraged Commodity Securities include a Portuguese broker or a financial entity that would intervene in the reimbursement or redemption of Short and Leveraged Commodity Securities.

The Short and Leveraged Commodity Securities should not, from a Portuguese point of view, be affected by the obligations foreseen in the Directive and its corresponding transposition into the Portuguese legislation, as no Portuguese paying agent intervenes in this issue.

(e) **Taxation of income arising from the redemption of Micro and Commodity Securities**

(only applicable in case where Security Holders (other than Authorised Participants) are permitted to redeem the Short and Leveraged Commodity Securities directly with the Issuer, e.g., if there are no Authorised Participants)

As a general rule, the economic advantages arising from the Short and Leveraged Commodity Securities are qualified as investment income for Portuguese tax purposes.

Investment income obtained by Portuguese resident individuals

Investment income derived on the Micro and Commodity Securities paid to a Security Holder considered to be resident in the Portuguese territory for tax purposes (or to a non-Portuguese resident having a permanent establishment in the Portuguese territory to which such income is attributable), is subject to Personal Income Tax at a special rate of 35 per cent., unless the individual chooses to aggregate such investment income to their taxable income and then be subject to general progressive Personal Income Tax rates of up to 46.5 per cent.

Law no. 49/2011, of 7 September, approved an extraordinary surtax for Portuguese resident individuals, at a rate of 3.5 per cent. According to such Law, this extraordinary surtax will only apply to income obtained in 2011 and will cease to be in force in subsequent years. This extraordinary surtax will be levied on the investment income obtained during 2011 that the individual chooses to aggregate to its taxable income, as well as to capital gains obtained in the same period, if the aggregate amount of both and other income subject to the surtax exceeds EUR 6,790 per taxable person, on the part that exceeds such amount.

Investment income obtained by Portuguese resident corporate entities

Regarding Security Holders that are corporate entities resident in Portuguese territory (or non-residents having a permanent establishment therein to which income is imputable) investment income is included in their taxable income and is subject to Corporate Income Tax at a 25 per cent. rate, to which may be added a municipal surcharge (*derrama municipal*) of up to 1.5 per cent. of its taxable income as well as a state surcharge, if taxable income exceeds EUR 1,500,000, which is levied over the part of the taxable income exceeding such amount, at a 3 per cent. rate or 5 per cent. rate, if taxable income exceeds EUR 10,000,000 (*derrama estadual*).

Investment income obtained by non-Portuguese residents

Investment income derived on the Short and Leveraged Commodity Securities paid to Security Holders non-resident for tax purposes in the Portuguese territory and without having a permanent establishment therein would not be subject to Portuguese taxation.

Common rules

Pension funds and some other exempt entities may not be subject to taxation in Portugal, as specified by current Portuguese tax law.

18. Taxation in Spain

(a) General

A brief summary is provided below of the Spanish tax regime applicable to the investments arising in respect of the Short and Leveraged Commodity Securities, for which purpose only current legislation and general factors which may affect investors are taken into account. No regional legislation which may be of application to a particular investor is considered.

The Short and Leveraged Commodities Securities are not expressly dealt with in Spanish legislation and no express opinion has been issued by the Spanish tax authorities or courts as to their status for tax purposes.

The Issuer believes that the Short and Leveraged Commodities Securities would be considered interest generating debt securities for the purposes of Personal Income Tax and Corporate Income Tax and that the special tax regime applicable to participants in tax haven Collective Investment Institutions should not apply to the Short and Leveraged Commodities Securities.

Nevertheless, the Spanish tax authorities and courts could adopt a different approach, since it is an uncertain matter and there is no guarantee, therefore, that such Courts or Tax Authorities will adopt the position of the Issuer. A different position from that of the Issuer, if adopted by the Tax Authorities or Courts (including but not limited to, as regards the application of the tax regime of participants in tax haven Collective Investment Institutions), could lead to the application of a tax treatment radically different from that described herein.

Holders of and potential investors in Short and Leveraged Commodities Securities should consult their own tax advisors as to the Spanish or other tax consequences of the purchase, holding and disposition of Short and Leveraged Commodities Securities including, in particular, the application to their particular situation of the tax considerations discussed below, as well as the application of state, local, foreign or other tax laws, taking into account the tax uncertainties arising.

This summary assumes that all Short and Leveraged Commodities Securities issued as at the date of this Prospectus or to be issued will be admitted to trading on the Main Market of the London Stock Exchange which is part of its Regulated Market for listed securities (being securities admitted to the Official List).

The tax regime in Spain applicable to the Short and Leveraged Commodities Securities may change from time to time.

Finally, it should be pointed out that the tax treatment described here is of a general nature and, therefore, among other aspects, does not describe the tax consequences for certain categories

of taxpayers including, but not limited to, entities falling under the attribution of income regime, financial institutions, Collective Investment Institutions and Cooperatives, which may be subject to specific rules.

(b) **Taxation of income from the Short and Leveraged Commodities Securities**

Natural or legal persons resident in Spain

Personal Income Tax: Natural persons

The income obtained by individual holders of the Short and Leveraged Commodities Securities who have the status of taxpayers for the purposes of Spanish Personal Income Tax, due to the purchase, holding and disposition of such Short and Leveraged Commodity Securities, will be considered income from movable capital obtained due to the supply of funds to third parties upon the terms of Article 25.2 of Law 35/2006, of November 28, on the Personal Income Tax Law. Such income would be included in the savings tax base and, in cases of losses, their integration on the savings tax base and their offsetting will be subject to the rules foreseen in that respect in the Personal Income tax legislation.

Any income derived from the purchase, holding and disposition of the Short and Leveraged Commodities Securities will be subject to withholding tax on account of the Personal Income Tax of the holder, in case there is any person or entity obliged to levy said withholding tax in accordance with the general rules of the levying of withholding taxes. From 1 January 2012 pursuant to the Royal Decree Law 20/2011, of 30 December, the withholding tax will be of 21 per cent. for the tax periods 2012 and 2013. From 1 January 2014 and onwards, in principle, the withholding tax will be of 19 per cent.

For tax periods 2012 and 2013, income included in the savings income taxable base will be taxed 21 per cent. (applicable to the first 6,000 Euros), 25 per cent. (applicable to the following 18,000 Euros) and 27 per cent. (applicable to the remainder amounts). In principle, from 1 January 2014 and onwards, income included in the savings income taxable base will be taxed 19 per cent. for amounts up to €6,000 and 21 per cent. for amount including and in excess of €6,000.01.

Corporate Income Tax: Entities

The tax regime for Spanish-resident entities holders of Short and Leveraged Commodities Securities is included in the Royal Legislative Decree 4/2004, of March 5, that approves the Revised Text of the Corporate Income Tax Law ("**Royal Legislative Decree 4/2004**") and the Royal Decree 1777/2004, of July 30, that approves the Corporate Income Tax Ruling ("**Royal Decree 1777/2004**").

According to article 10.3 of the Royal Legislative Decree 4/2004, the taxable income will be calculated in accordance with the accounting treatment of such income by the relevant entity. The tax adjustments to the accounting treatment which may be of application should be taken into account when calculating the taxable base.

The income obtained from the purchase, holding and disposition of the Short and Leveraged Commodities Securities by entities which are considered taxable persons for Corporate Income Tax purposes will not be subject to withholding tax on account of Corporate Income Tax, in accordance with the provisions of Article 59.s) of Royal Decree 1777/2004.

Natural or legal persons not resident in Spain

The income obtained from the purchase, holding and disposition by holders of Short and Leveraged Commodities Securities who are taxpayers pursuant to the Spanish Non-Residents Income Tax will be taxed pursuant to the Refunded Text of the Non-Residents Income Tax Law, passed by Royal Legislative Decree 5/2004, of March 5 (hereinafter "**Non-Residents Income Tax Law**").

Income obtained through a permanent establishment

The income from the Short and Leveraged Commodities Securities obtained through a permanent establishment in Spain will be taxed in accordance with the rules of Chapter III of the Non-Residents Income Tax Law, subject to the provisions of any relevant double tax treaties.

Such income will not be subject to withholding tax on account of Non-Residents Income Tax upon the same terms set out above for taxable persons under Spanish Corporate Income Tax (entities resident in Spain).

Income obtained without a permanent establishment

The Issuer believes that income realized by investors residing outside Spain and without a permanent establishment within the Spanish territory (individuals and legal entities) would not be considered as Spanish-source income and, therefore, would not be subject to taxation and withholding tax in Spain under the Non-Residents Income Tax Law.

(c) **Value Added Tax**

No Spanish Value Added Tax is payable in connection with the purchase, holding and disposition of the Short and Leveraged Commodities Securities.

(d) **Transfer Tax**

The purchase, holding and disposition of the Short and Leveraged Commodities Securities would not be taxed under the Spanish Transfer Tax.

(e) **Inheritance and Gift Tax**

The transfer of the Short and Leveraged Commodities Securities as a result of an inheritance or gift situation would be subject to the general rules of the Spanish Inheritance and Gift Tax, subject to the application of any relevant double tax treaties.

If the beneficiary of any inheritance or gift were a Spanish legal entity or a non resident entity with a permanent establishment in Spain, income obtained would be subject to taxation under the Spanish Corporate Income Tax or the Non-residents Income Tax, subject to the application of any relevant double tax treaties.

However, in principle, non-Spanish resident individuals and non-Spanish entities without a permanent establishment in a Spanish territory would not be subject to the Spanish Inheritance and Gift tax on the acquisition of the Short and Leveraged Commodities Securities.

(f) **Net Wealth Tax**

The ownership of Short and Leveraged Commodities Securities would be subject to the Spanish Net Wealth Tax pursuant to the Royal Decree 13/2011, of September 16 that has restored temporarily for years 2011 and 2012 the Spanish Net Wealth Tax regulated by Law 19/1991, of June 6 (hereinafter "**Net Wealth Tax Law**"), subject to the application of any relevant double tax treaties.

Only natural persons holders of Short and Leveraged Commodities Securities would be subject to the Net Wealth Tax.

Ownership of Short and Leveraged Commodities Securities by natural persons resident in Spain

Under article 5 of the Net Wealth Tax Law, the relevant taxpayers will be all those natural persons who have their habitual residence in Spain regardless of the place where their assets or rights are located or could be exercised.

Consequently, the ownership of the Short and Leveraged Commodities Securities by individuals resident for tax purposes in Spain will be subject to taxation under the Net Wealth Tax at a progressive rate scale from 0.2 per cent to 2.5 per cent.

However, it is necessary to take into account that the power to implement the NWT (including certain tax benefits) has been transferred to the Spanish regions. Therefore, an analysis must be made in each specific case to determine to what extent any regional legislation might be applicable, since there might be differences in respect of taxation under Net Wealth Tax depending on the region in which an investor resides.

Ownership of Short and Leveraged Commodities Securities by natural persons not resident in Spain

Non-Spanish residents would not be subject to the Spanish Net Wealth Tax on the holding of the Short and Leveraged Commodities Securities.

(g) **The European Savings Directive**

EU Council Directive 2003/48/EC on the taxation of savings income (the “**Directive**”) applies, amongst other matters, to payments of interest or other income on debt claims of every kind made by a paying agent in an EU Member State for the benefit of individual investors resident in another Member State in the EU. In circumstances where the Directive applies, such a paying agent would be under an obligation to provide information to the tax authorities of the EU Member States in which individual investors reside (although, for a transitional period, certain countries (not Spain) are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries and territories).

A paying agent for these purposes is any economic operator who pays interest or other similar income to, or secures interest or other similar income for, the beneficial owner, and could in relation to Short and Leveraged Commodities Securities include a Spanish broker or financial entity that would intervene in the sale or reimbursement or redemption of Short and Leveraged Commodities Securities. A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

The Issuer believes that the Short and Leveraged Commodities Securities are, from a Spanish point of view, affected by the obligations foreseen in the Directive and its corresponding transposition into the Spanish legislation.

19. Taxation in Sweden

(a) **General**

The following summary of certain tax issues that may arise as a result of holding Short or Leveraged Commodity Securities is based on current Swedish tax legislation and is intended only as general information for Security Holders who are resident or domiciled in Sweden for tax purposes. This description does not deal comprehensively with all tax consequences that may occur for Security Holders, nor does it cover the specific rules where Short or Leveraged Commodity Securities are held by a partnership or are held as current assets in a business operation. The description does not cover the special rules which apply if the Short or Leveraged Commodity Securities are held on an investment savings account (*Sw. Investeringssparkonto*). Special tax consequences that are not described below may also apply for certain categories of taxpayers, including investment companies, life insurance companies and persons who are not resident or domiciled in Sweden. It is recommended that prospective applicants for Short or Leveraged Commodity Securities consult their own tax advisers for information with respect to the special tax consequences that may arise as a result of holding Short or Leveraged Commodity Securities, including the applicability and effect of foreign income tax rules, provisions contained in double taxation treaties and other rules which may be applicable. Moreover, this summary assumes that the Issuer is not a tax resident nor deemed to be a tax resident of Sweden.

(b) **Taxation of individuals resident in Sweden**

Capital gains and losses

Individuals and the estates of deceased Swedish individuals, who sell their Short or Leveraged Commodity Securities, are subject to capital gains taxation. The current tax rate is 30 per cent. of the gain. The capital gain or loss is equal to the difference between the sales proceeds after deduction of sales costs and the acquisition cost of the Short or Leveraged Commodity Securities. The acquisition cost is calculated according to the so-called average method. This means that the costs of acquiring all Short or Leveraged Commodity Securities of the same type and class are added together and calculated collectively, with respect to changes to the holding.

As a general rule, 70 per cent. of a capital loss is deductible against any other taxable income derived from capital. However, if the Short or Leveraged Commodity Securities should be treated as foreign listed receivables, any capital loss will be fully deductible in the capital income category.

Should the total of "income from capital" be negative, a reduction of the tax on income from employment and from business, as well as the tax on real estate, is allowed. The tax reduction allowed amounts to 30 per cent. of any deficit not exceeding SEK 100,000 and 21 per cent. of any deficit in excess of SEK 100,000. Any deficits may not be carried forward to a subsequent fiscal year.

(c) **Taxation of Swedish legal entities**

Capital gains and losses

Limited liability companies and other legal entities, except for the estates of deceased Swedish individuals, are taxed on all income (including income from the sale of Short or Leveraged Commodity Securities) as income from business activities at a flat rate of 22 per cent. For Fiscal years beginning prior to 2013 a tax rate of 26.3 per cent. applies regarding the calculation of a capital gain or loss and the acquisition cost, see "Taxation of individuals resident in Sweden" above.

Capital loss attributable to Short or Leveraged Commodity Securities is fully deductible against any other taxable income from business activities. Capital losses that are not deducted against taxable income within a certain year may normally be carried forward and offset against taxable income the following fiscal year without any limitation in time.

(d) **Withholding tax**

No deduction or withholding for or on account of Swedish tax is required to be made on payments from the Issuer to Security Holders on Redemption of Short or Leveraged Commodity Securities.

(e) **Inheritance and gift taxes**

No Swedish gift or inheritance tax will be levied on the transfer of Short or Leveraged Commodity Securities by way of gift by or on the death of a Security Holder.

(f) **Value added tax**

No Swedish value added tax will be payable by a Security Holder in consideration for the issue of Short or Leveraged Commodity Securities.

(g) **Other taxes or duties**

No Swedish registration tax, custom duty, transfer tax, stamp duty or any other similar tax or duty will be payable in Sweden by a holder of a Short and Leveraged Commodity Security.

(h) **The European Savings Directive**

The EU Savings Directive (the "**Directive**") came into force on 1 July 2005. The Directive applies, amongst other matters, to payments of interest on debt claims of every kind made by a paying agent in an EU Member State for the benefit of individual investors resident in the EU.

In circumstances where the Directive applies, such a paying agent would be under an obligation to provide information to the tax authorities of the EU Member States in which individual investors reside. A paying agent for these purposes is any economic operator who pays interest to, or secures interest for, the beneficial owner, and could in relation to Short or Leveraged Commodity Securities include a broker effecting the sale of Short or Leveraged Commodity Securities.

Short or Leveraged Commodity Securities are undated secured limited recourse debt obligations of the Issuer. However, as no return in respect of the Short or Leveraged Commodity Securities (whether in the form of cash on redemption, or as a result of trading on the London Stock Exchange or any other stock exchange or market) should constitute a payment of interest for the

purposes of the Directive, it is not envisaged that Security Holders or their paying agents will be within the scope of the Directive.

20. Sources

The information given under the heading “Composition and Weightings” in Part 2 (*Dow Jones — UBS Commodity Indices*) is sourced from the DJ-UBS CISM Handbook.

The information given in “Table 2 — Designated Contracts and Designated Month Contracts” under the heading “Designated Contracts” in Part 2 (*Dow Jones — UBS Commodity Indices*) is sourced from the DJ-UBS CISM Handbook.

The figures given in “Table 3 — Simulated Historical Investment Returns” under the heading “Simulated Historical Investment Returns” in Part 2 (*Dow Jones — UBS Commodity Indices*) are extracted from Commodity Index data published by Dow Jones and made available on its website at <http://www.djindexes.com/ubs/indexdata/index.cfm?go=indexvalues>. The “Index Volatility”, “Index Return”, “Short Return” and “Leveraged Return” figures given in such table have been calculated by ETFSL based on such data. The figures given in such table have been calculated by ETFSL based on Commodity Index data published by Dow Jones and the DJ-UBS CISM “Excess Return” sub-indices (the Commodity Indices) published by Dow Jones.

Aluminium

The statements under the heading “Aluminium” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau, and the United States Geological Survey website (<http://www.usgs.gov>).

Brent Crude

The statements under the heading “Brent Crude” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from the website of Platts (<http://www.platts.com>), a division of The McGraw-Hill Companies.

Cocoa

The statements under the heading “Cocoa” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from the website of the International Cocoa Organization (<http://www.icco.org/about/growing.aspx>).

Coffee

The statements under the heading “Coffee” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau, and the International Coffee Organization website (<http://www.ico.org>).

Copper

The statements under the heading “Copper” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau, and the International Copper Study Group website (<http://www.icsg.org>) and the Copper Development Association (<http://www.copperinfo.co.uk/applications.shtml>).

Corn

The statements under the heading “Corn” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau.

Cotton

The statements under the heading “Cotton” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau.

Crude Oil

The statements under the heading “Crude Oil” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) that over the past several decades oil has been the world’s foremost source of primary energy consumption, that the behaviour of the Organization of the Petroleum Exporting Countries (OPEC) is often the key to price developments in the world crude oil market are derived from the International Energy Outlook, published by the Energy Information Administration.

Gas Oil

The statements under the heading “Gas Oil” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from the websites of the Energy Information Administration (<http://www.eia.gov>) and Total UK Limited (<http://www.total.co.uk>).

Gasoline

The statements under the heading “Gasoline” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005 published by the Commodity Research Bureau.

Gold

The statements under the heading “Gold” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from the GFMS Limited Gold Survey 2005 and World Gold Council.

Heating Oil

The statements under the heading “Heating Oil” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau.

Kansas Wheat

The statements under the heading “Kansas Wheat” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from the United States Department of Agriculture (<http://www.ers.usda.gov/topics/crops/wheat.aspx>) and the Kansas City Board of Trade (http://www.kcbot.com/contract_wheat.html).

Lead

The statements under the heading “Lead” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from the website of the International Lead and Zinc Study Group (<http://www.ilzsg.org>) and Lead Development Association International (<http://www.ldaint.org>).

Lean Hogs

The statements under the heading “Lean Hogs” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau.

Live Cattle

The statements under the heading “Live Cattle” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau.

Natural Gas

The statements under the heading “Natural Gas” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau.

Nickel

The statements under the heading “Nickel” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau and the Nickel Institute (<http://www.nickelinstitute.org>).

Platinum

The statements under the heading “Platinum” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from the website of the International Platinum Group Metals Association (<http://www.ipa-news.com/pgm/platinum/index.htm>).

Silver

The statements under the heading “Silver” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau, and the Silver Institute website (<http://www.silverinstitute.org>).

Soybean Meal

The statements under the heading “Soybean Meal” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from United States Department of Agriculture (<http://www.ers.usda.gov/topics/crops/soybeans-oil-crops/background.aspx>) and the Chicago Board of Trade (http://www.cmegroup.com/trading/agricultural/grain-and-oilseed/soybean-meal_contract_specifications.html) and The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau.

Soybean Oil

The statements under the heading “Soybean Oil” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau.

Soybeans

The statements under the heading “Soybeans” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau.

Sugar

The statements under the heading “Sugar” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau.

Tin

The statements under the heading “Tin” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau and the ITRI (<http://www.itri.co.uk/default.asp>) and the U.S. Geological Survey website (<http://www.usgs.gov>).

Wheat

The statements under the heading “Wheat” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau, and the United States Department of Agriculture’s Economic Research Service.

Zinc

The statements under the heading “Zinc” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from The CRB Commodity Yearbook 2005, published by the Commodity Research Bureau, and the International Lead and Zinc Study Group website (<http://www.ilzsg.org>).

Futures Markets

The statements under the heading “Futures Markets” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from the Commodity Futures Trading Commission website (<http://www.cftc.gov>), and the Chicago Mercantile Exchange website (<http://www.cme.com>).

Exchanges

The statements under the heading “CBOT (Chicago Board of Trade, now merged with CME)” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from the Chicago Board of Trade website (<http://www.cbot.com>).

The statements under the heading “CME (Chicago Mercantile Exchange)” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from the Chicago Mercantile Exchange website (<http://www.cme.com>).

The statements under the heading “KBOT (Kansas Board of Trade)” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from the Kansas City Board of Trade (<http://www.kcbt.com>).

The statements under the heading “LME (London Metal Exchange)” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from the London Metal Exchange website (<http://www.lme.co.uk>).

The statements under the heading “ICE Futures U.S.” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from the Intercontinental Exchange website (<http://www.theice.com>).

The statements under the heading “NYMEX (The New York Mercantile Exchange, Inc.)” in Part 8 (*Commodities, Commodity and Futures Markets, and Exchanges*) are derived from the New York Mercantile Exchange website (<http://www.nymex.com>).

To the extent that the information referred to in this paragraph 20 above has been sourced from a third party, such information has been accurately reproduced and, so far as the Issuer is aware and is able to ascertain from information published by the referenced third party source, no facts have been omitted which would render the reproduced information inaccurate or misleading.

None of the documents or websites referred to in this paragraph 20 above are incorporated into or form part of this Prospectus for the purposes of the Prospectus Directive or the Prospectus Rules.

21. General

- (a) The Issuer’s auditors are Deloitte LLP, Lord Coutanche House, 66-68 Esplanade, St. Helier, Jersey, JE2 3QB, Channel Islands. The annual reports of the Issuer for the years ended 31 December 2010 and 31 December 2011 as published by the Issuer through the Regulatory News Service of the London Stock Exchange on 28 April 2011 and 12 March 2012 respectively are incorporated in this document by reference and are available at the Issuer’s website at <http://www.etfsecurities.com/csl> and at the registered office of the Issuer as set out in paragraph 22 of Part 11 (*Additional Information*). The annual audited accounts of the Issuer will generally be published within four months of year end, currently 31 December in each year. Half-yearly unaudited accounts will generally be published within within four months of the mid-year end, currently 30 June in each year.
- (b) There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the issuer is aware) during the 12 months preceding the date of this document which may have or have had during the 12 months preceding the date of this document a significant effect on the Issuer’s financial position or profitability.
- (c) All Short and Leveraged Commodity Securities in issue at the date of this document have been admitted to the Official List and admitted to trading on the Main Market of the London Stock Exchange (a Regulated Market). Applications have been made to the UK Listing Authority for all Short and Leveraged Commodity Securities issued within 12 months from the date of this

document to be admitted to the Official List and to the London Stock Exchange for all such Short and Leveraged Commodity Securities to be admitted to trading on the Main Market.

- (d) The Short and Leveraged Commodity Securities (other than the BG Securities) have been admitted to listing on the Regulated Market (General Standard) (*Regulierter Markt [General Standard]*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) since 12 June 2008.

The following Short and Leveraged Commodity Securities have been admitted to listing on the ETFplus market of Borsa Italiana S.p.A., a Regulated Market since 26 May 2009:

Short Individual Securities

ETFS Daily Short Aluminium
ETFS Daily Short Copper
ETFS Daily Short Crude Oil
ETFS Daily Short Gold
ETFS Daily Short Natural Gas
ETFS Daily Short Platinum
ETFS Daily Short Silver
ETFS Daily Short Wheat

Short Index Securities

ETFS Daily Short Agriculture DJ-UBSCISM
ETFS Daily Short All Commodities DJ-UBSCISM

Leveraged Individual Securities

ETFS Daily Leveraged Aluminium
ETFS Daily Leveraged Copper
ETFS Daily Leveraged Crude Oil
ETFS Daily Leveraged Gold
ETFS Daily Leveraged Natural Gas
ETFS Daily Leveraged Platinum
ETFS Daily Leveraged Silver
ETFS Daily Leveraged Wheat

Leveraged Index Securities

ETFS Daily Leveraged Agriculture DJ-UBSCISM
ETFS Daily Leveraged All Commodities DJ-UBSCISM

All other classes of Short and Leveraged Commodity Securities (other than the BG Securities) have been admitted to listing on the ETFplus market of the Borsa Italiana since 9 January 2012. The ETFS Daily Short Brent Crude Individual Securities and the ETFS Daily Leveraged Brent Crude Individual Securities have been listed on the Regulated Market (General Standard) (*Regulierte Markt [General Standard]*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) since 14 March 2012.

- (e) The Issuer intends to publish annual financial statements and Final Terms as required by Listing Rules and to publish Capital Adjustments, Collateral Yields and Prices in respect of the Short and Leveraged Commodity Securities on its website as described under the heading “Pricing and Trading of Short and Leveraged Commodity Securities — Publication of Pricing Information” in Part 1 (*General*). The Issuer does not intend to provide post-issuance information in respect of the underlying assets.

22. Documents Available for Inspection

For the duration of the Programme or so long as any Short or Leveraged Commodity Securities remain outstanding, copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer:

- (a) the Memorandum and Articles of Association of the Issuer;
- (b) the Services Agreement;
- (c) the UBS Facility Agreement;
- (d) the MLCI Facility Agreement,
- (e) the BAC Guarantee;
- (f) the UBS Security Agreement;

- (g) the MLCI Security Agreement;
- (h) the UBS Control Agreement;
- (i) the MLCI Control Agreement
- (j) the Authorised Participant Agreements;
- (k) the Security Assignments;
- (l) the Trust Instrument and the Classic and Longer Dated Trust Instrument and supplemental trust instruments to each;
- (m) the Security Deeds;
- (n) the Registrar Agreement;
- (o) the Licence Agreement;
- (p) the Novation Agreement: and
- (q) the Novation Agreement Amendment Agreement.

23. Jersey Law Consents

This prospectus is prepared, and a copy of it has been sent to the Jersey Financial Services Commission, in accordance with the Collective Investment Funds (Certified Funds – Prospectuses) (Jersey) Order 2012.

The Issuer has obtained a certificate under the Collective Investment Funds (Jersey) Law 1988, as amended (the “**CIF Law**”) to enable it to undertake its functions in relation to the ETFS Short and Leveraged Commodity Securities. The Jersey Financial Services Commission is protected by the CIF Law against liability arising from the discharge of its functions thereunder.

Each of ManJer, R&H Fund Services (Jersey) Limited and the Registrar is registered under the Financial Services (Jersey) Law, 1998, as amended, (the “**Financial Services Law**”) to enable it to undertake its functions in relation to ETFS Short and Leveraged Commodity Securities. The Jersey Financial Services Commission is protected by the Financial Services Law against liability arising from the discharge of its functions thereunder.

The Jersey Financial Services Commission does not take any responsibility for the financial soundness of the fund or for the correctness of any statements made or expressed in this prospectus.

24. Selling Restrictions

The following restrictions on offer and sales apply. The Short and Leveraged Commodity Securities are not subject to any restrictions on transferability.

(a) *United States*

The Issuer has imposed the restrictions described below on the Programme so that the Issuer will not be required to register the offer and sale of Short and Leveraged Commodity Securities under the Securities Act, so that the Issuer will not have an obligation to register as an investment company under the Investment Company Act and related rules and to address certain ERISA, U.S. Internal Revenue Code and other considerations. These restrictions, which will remain in effect until the Issuer determines in its sole discretion to remove them, may adversely affect the ability of holders of Short and Leveraged Commodity Securities to trade them.

Short and Leveraged Commodity Securities have not been and will not be registered under the US Securities Act or any other applicable law of the United States. Short and Leveraged Commodity Securities are being offered and sold only outside the United States to non-US persons in reliance on the exemption from registration provided by Regulation S of the Securities Act.

The Issuer has not been and does not intend to become registered as an investment company under the Investment Company Act and related rules. Short and Leveraged Commodity Securities and any beneficial interest therein may not be reoffered, resold, pledged or otherwise transferred in the United States or to US persons. If the Issuer determines that any Security Holder is a Prohibited US Person (being a US Person who is not a “qualified purchaser” as defined in the Investment Company Act), the Issuer may redeem the Short and Leveraged Commodity Securities held by that Security Holder in accordance with the provisions of the Conditions under the heading “Compulsory Redemption by the Issuer or the Trustee” (Condition 8).

The Short and Leveraged Commodity Securities may not be purchased with plan assets of any “employee benefit plan” within the meaning of section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), subject to Part 4. Subtitle B of Title I of ERISA, any “plan” to which section 4975 of the United States Internal Revenue Code of 1986, (the “**Code**”) applies (collectively, “**Plans**”), any entity whose underlying assets include “plan assets” of any of the foregoing Plans within the meaning of 29 C.F.R. Section 2510.3-101 or section 3(42) of ERISA, as they may be modified, by reason of a Plan’s investment in such entity, any governmental or church plan that is subject to any U.S. Federal, state or local law that is similar to the prohibited transaction provisions of ERISA or Section 4975 of the Code, or any person who holds Short and Leveraged Commodity Securities on behalf of, for the benefit of or with any assets of any such Plan or entity (any such Plan entity or person, a “**Prohibited Benefit Plan Investor**”). If the Issuer determines that any Security Holder is a Prohibited Benefit Plan Investor, the Issuer may redeem the Short and Leveraged Commodity Securities held by that Security Holder in accordance with the provisions of the Conditions under the heading “Compulsory Redemption by the Issuer or the Trustee” (Condition 8).

Further restrictions on offers and sales of Short and Leveraged Commodity Securities and on the distribution of this Prospectus are set out in paragraph 3 of Part 11 (*Additional Information*).

25. Consent to use of Prospectus by Financial Intermediaries in certain Member States

The Issuer has consented to the use of this Prospectus, and has accepted responsibility for the content of this Prospectus, with respect to subsequent resale or final placement by way of public offer of the Short or Leveraged Commodity Securities by any financial intermediary in any of Austria, Denmark, Finland, France, Germany, Ireland, Italy, Portugal, the Netherlands, Norway, Spain, Sweden and the United Kingdom by any financial intermediary which is an investment firm within the meaning of MiFID and which is authorised in accordance with MiFID in any member state. Such consent applies to any such resale or final placement by way of public offer during the period of 12 months from the date of this Prospectus unless such consent is withdrawn prior to that date by notice published on the Issuer’s website. Other than the right of the Issuer to withdraw the consent, no other conditions are attached to the consent described in this paragraph.

In the event of an offer being made by a financial intermediary, this financial intermediary will provide information to investors on the terms and conditions of the offer at the time the offer is made. Any financial intermediary using this Prospectus for the purpose of any offering must state on its website that it uses this Prospectus in accordance with the consent given and the conditions attached thereto.

In the event this Prospectus is used with respect to a subsequent resale or final placement by way of public offer of the Short or Leveraged Commodity Securities by any financial intermediary in any of the Public Offer Jurisdictions identified above, such Short or Leveraged Commodity Securities may only be sold: (i) in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a Prospectus pursuant to Article 16 of the Prospective Directive, in each case, in relation to such offer; or (ii) in those Public Offer Jurisdictions identified in the Final Terms, provided such offer is made during the Offer Period specified in the applicable Final Terms.

In the event of a public offer in one or more Public Offer Jurisdictions, the Short or Leveraged Commodity Securities may be offered and sold to persons in the relevant Public Offer Jurisdiction who are legally eligible to participate in a public offering of such securities in such jurisdiction under applicable laws and regulations.

ANNEX 1

FORM OF THE GLOBAL BEARER CERTIFICATES

INHABER-SAMMELZERTIFIKAT

für

- [siehe Anhang 1] [Short Commodity][Leveraged Commodity] Securities
Namensschuldverschreibungen

der

ETFS Commodity Securities Limited

Ordinance House, 31 Pier Road, St Helier, Jersey, Channel Islands, JE4 8PW

eingeteilt in Teilschuldverschreibungen im Nennbetrag von je • [siehe Anhang 1]

Für dieses Inhaber-Sammelzertifikat hält die Clearstream Banking Aktiengesellschaft mit Sitz in Frankfurt am Main, Bundesrepublik Deutschland (im folgenden "Clearstream" genannt), als Deckung • [siehe Anhang 1] [Short Commodity][Leveraged Commodity] Securities Namensschuldverschreibungen (im folgenden "Schuldverschreibungen" genannt) der ETFS Commodity Securities Limited, Jersey, Channel Islands (im folgenden "Gesellschaft" genannt). Die durch den Treuhandvertrag vom 8 Februar 2008 zwischen der Gesellschaft und der The Law Debenture Trust Corporation p.l.c. (im folgenden "Treuhandvertrag") begründeten Schuldverschreibungen sind, wie im Treuhandvertrag näher dargelegt, besichert, und in Namensteilschuldverschreibungen mit einem Nennbetrag von je • [siehe Anhang 1] eingeteilt. Die Schuldverschreibungen sind auf Vidasco Nominees Limited, London, England, eingetragen und in einem bei der Citibank N.A., London, England, unterhaltenen Sonderdepot, verwahrt. Jeder Miteigentümer dieses Sammelzertifikats ist berechtigt, jederzeit von Clearstream die Auslieferung und Registrierung einer seinem Miteigentumsanteil entsprechenden Stückzahl von [Short Commodity][Leveraged Commodity] Securities Schuldverschreibungen der Gesellschaft auf seinen Namen oder den Namen eines von ihm benannten Dritten in das maßgebliche Schuldverschreibungsregister, zu verlangen.

Im Übrigen gelten die diesem Inhaber-Sammelzertifikat beigelegten Zertifikatsbedingungen, die Bestandteil dieser Urkunde sind.

Frankfurt am Main, den ...

CLEARSTREAM BANKING

AKTIENGESELLSCHAFT

ANNEX 2

TEXT OF THE CONDITIONS OF THE GLOBAL BEARER CERTIFICATES

Zertifikatsbedingungen

1. Dieses Inhaber-Sammelzertifikat trägt die Unterschriften zweier Vorstandsmitglieder oder eines Vorstandsmitgliedes und eines Prokuristen der Clearstream Banking Aktiengesellschaft, Frankfurt am Main, Bundesrepublik Deutschland, (im folgenden "Clearstream" genannt).
2. Jeder Miteigentümer dieses Inhaber-Sammelzertifikats ist berechtigt, jederzeit von der Clearstream die Auslieferung und Registrierung einer seinem Miteigentumsanteil entsprechenden Stückzahl von • [siehe Anhang 1] [Short Commodity][Leveraged Commodity] Securities Namensschuldverschreibungen (im folgenden "Schuldverschreibungen" genannt) der ETFS Commodity Securities Limited, Jersey, Channel Islands, England, (im folgenden "Gesellschaft" genannt) auf seinen Namen oder den Namen eines von ihm benannten Dritten in das maßgebliche Schuldverschreibungsregister zu verlangen. Die durch den Treuhandvertrag vom 8 Februar 2008 zwischen der Gesellschaft und der The Law Debenture Trust Corporation p.l.c. (im folgenden "Treuhandvertrag") begründeten Schuldverschreibungen sind, wie im Treuhandvertrag näher dargelegt, besichert und in Namensteilschuldverschreibungen mit einem Nennbetrag von je • [siehe Anhang 1] eingeteilt. Einen entsprechenden Auftrag hat der Miteigentümer der Clearstream über seine Depotbank zu erteilen, wobei die Lieferadresse bzw. die Adresse, an welche die Urkunde bezüglich der Eintragung in das Schuldverschreibungsregister durch den Registrar versandt werden soll, angegeben sein muss.

Außer der von der Clearstream im Rahmen des § 315 des Bürgerlichen Gesetzbuches bestimmten Gebühr für die Auslieferung bzw. Übertragung hat der Miteigentümer etwaige mit der Auslieferung bzw. Übertragung und Umschreibung entstehende sonstige Kosten, Steuern, Gebühren oder Abgaben zu tragen.

Die Auslieferung von Einzelstücken aus diesem Inhaber-Sammelzertifikat kann von den Miteigentümern nicht verlangt werden.

3. Die Clearstream vermittelt dem Miteigentümer über dessen Depotbank nach Maßgabe seines Anteils am Inhaber-Sammelzertifikat grundsätzlich alle Rechte aus den Schuldverschreibungen, soweit sie ihr nach Maßgabe des englischen Rechts bzw. des Rechts von Jersey, Channel Islands, zustehen.

Zinsen, Ausschüttungen, Kapital und etwaige sonstige Barzahlungen leitet die Clearstream an den Miteigentümer weiter.

Im Übrigen gelten die von der Clearstream gegebenenfalls bekanntzugebenden Fristen und Bedingungen.

Sämtliche Zahlungen an den Miteigentümer erfolgen nach Maßgabe der jeweils geltenden Devisenvorschriften in EURO, es sei denn, dass der Miteigentümer rechtzeitig vor Fälligkeit Zahlung in USD (United States Dollars) verlangt hat.

4. Ein etwaiges Stimmrecht anlässlich einer Gläubigerversammlung wird die Clearstream grundsätzlich nicht ausüben. Sie wird dem Miteigentümer oder einem von diesem benannten Dritten auf Verlangen eine Vollmacht zur Ausübung des Stimmrechts erteilen lassen.

Die Gesellschaft hat sich verpflichtet, die Tagesordnung von Gläubigerversammlungen sowie die Voraussetzungen zur Teilnahme an der Gläubigerversammlung und zur Ausübung des Stimmrechts im Vorfeld einer solchen Gläubigerversammlung bekanntzugeben.

5. Sollte die Ausgabe des Inhaber-Sammelzertifikats zu irgendeinem Zeitpunkt in der Bundesrepublik Deutschland oder auf Jersey, Channel Islands, irgendwelchen Steuern, Gebühren oder Abgaben unterliegen, so haben die Miteigentümer diese Steuern, Gebühren oder Abgaben nach Maßgabe ihrer Anteile am Inhaber-Sammelzertifikat zu tragen.

Die Clearstream ist berechtigt, Steuern, Gebühren oder Abgaben, denen sie zu irgendeinem Zeitpunkt in der Bundesrepublik Deutschland oder auf Jersey, Channel Islands, allein auf Grund

der Tatsache unterworfen wird, dass sie die Schuldverschreibungen hält, auf alle Miteigentümer nach Maßgabe ihrer Anteile am Inhaber-Sammelzertifikat umzulegen.

6. Treten aus irgendeinem Grunde an die Stelle der Schuldverschreibungen andere Schuldverschreibungen oder ein sonstiger Vermögenswert, so wandelt sich das Recht der Miteigentümer auf die Schuldverschreibungen in ein Recht auf den Ersatzgegenstand. Die Zertifikatsbedingungen gelten dann sinngemäß.
7. Die Clearstream ist berechtigt, die Citibank N.A., London, England, (im folgenden "Verwahrer" genannt) in ihrer Funktion als Verwahrer oder die Vidacos Nominees Ltd., London, England, (im folgenden "Nominee" genannt) in ihrer Funktion als Nominee durch eine andere Person zu ersetzen. Die Haftung der Clearstream beschränkt sich hierbei auf die sorgfältige Auswahl. Unberührt bleibt die Befugnis der Clearstream, die Funktion des Verwahrers oder des Nominees selbst wahrzunehmen. Im Fall der Ersetzung des Verwahrers oder des Nominees gelten alle Bezugnahmen auf den Verwahrer bzw. den Nominee in diesen Bedingungen als Bezugnahmen auf den neuen Verwahrer bzw. Nominee.
8. Werden die Schuldverschreibungen in einer die Mitwirkung der Clearstream in dieser Form nicht mehr erfordernden Weise an deutschen Wertpapierbörsen lieferbar oder wird die Zulassung der Schuldverschreibungen in Form von Miteigentumsanteilen am Inhaber-Sammelzertifikat zum Handel und zur amtlichen Notierung an deutschen Wertpapierbörsen zurückgenommen, so wird die Clearstream die Miteigentümer auffordern, ihr einen Auftrag gemäß Ziffer 2. Abs. 1 zu erteilen. Wird dieser Auftrag nicht innerhalb einer Frist von 3 Monaten seit Veröffentlichung der Aufforderung erteilt, so ist die Clearstream nach ihrem Ermessen berechtigt, die Eintragung der Schuldverschreibungen auf den Namen des Miteigentümers oder eines in der Aufforderung benannten Dritten zu veranlassen und die Schuldverschreibungen bei einer in der Aufforderung angegebenen Stelle für den Miteigentümer auf dessen Kosten und Gefahr zu hinterlegen. Damit erlöschen sämtliche Pflichten der Clearstream aus dem Inhaber-Sammelzertifikat.
9. Alle das Inhaber-Sammelzertifikat betreffenden Bekanntmachungen werden in mindestens je einem überregionalen Börsenpflichtblatt der deutschen Wertpapierbörsen veröffentlicht werden, an denen die Schuldverschreibungen in Form von Miteigentumsanteilen am Inhaber-Sammelzertifikat gehandelt und amtlich notiert werden.
10. Die Miteigentümer tragen anteilig alle wirtschaftlichen und rechtlichen Nachteile und Schäden, die den für das Inhaber-Sammelzertifikat als Deckung gehaltenen Bestand an Schuldverschreibungen infolge höherer Gewalt, Regierungserlassen, Krieg, Aufruhr, Verfügungen von hoher Hand im In- oder Ausland oder anderer Umstände treffen sollten, die die Clearstream oder der Verwahrer nicht zu vertreten haben.

Die Clearstream wird alle Verpflichtungen aus dem Inhaber-Sammelzertifikat mit der Sorgfalt eines ordentlichen Kaufmannes erfüllen. Wird sie durch höhere Gewalt, Regierungserlasse, Krieg, Aufruhr, Verfügungen von hoher Hand im In- oder Ausland oder andere Umstände, die sie nicht zu vertreten hat, an der Erfüllung ihrer Verpflichtungen gehindert, so trifft sie keine Verantwortung.

Der Verwahrer und der Nominee sind der Clearstream gegenüber zur ordnungsgemäßen Wahrnehmung der ihnen obliegenden Aufgaben verpflichtet. Etwaige Ansprüche gegen den Verwahrer oder den Nominee wird die Clearstream zugunsten der Miteigentümer geltend machen. Darüber hinaus haftet die Clearstream nur für die sorgfältige Auswahl des Verwahrers und des Nominees.

11. Sollte irgendeine dieser Bestimmungen ganz oder teilweise unwirksam oder undurchführbar sein oder werden, so bleiben die übrigen Bestimmungen hiervon unberührt. Für unwirksame oder undurchführbare Bestimmungen soll eine dem Sinn und Zweck dieses Vertragsverhältnisses entsprechende Regelung gelten.
12. Alle Rechtsbeziehungen zwischen dem Miteigentümer und der Clearstream unterliegen dem Recht der Bundesrepublik Deutschland. Ausschließlicher Gerichtsstand ist Frankfurt am Main.
13. Eine Änderung dieser Zertifikatsbedingungen ist nur zulässig, soweit durch sie die Rechte der Miteigentümer nicht beeinträchtigt werden, es sei denn, dass sie durch gesetzliche Vorschriften bedingt ist.

Anhang 1

Sofern ETFS Commodity Securities Limited weitere Schuldverschreibungen im Rahmen ihres Programms begibt, kann Anhang 1 jederzeit geändert werden.

Name	Ursprüngliche ISIN (der) Schuldverschreibung)	LSE Code	Nennbetrag (USD)
ETFS Short Aluminium	JE00B24DK421	SALU	\$5.00000000
ETFS Short Cocoa	JE00B2NFT310	SCOC	\$5.00000000
ETFS Short Coffee	JE00B24DK538	SCFE	\$5.00000000
ETFS Short Copper	JE00B24DK645	SCOP	\$5.00000000
ETFS Short Corn	JE00B24DK751	SCOR	\$5.00000000
ETFS Short Cotton	JE00B24DK868	SCTO	\$5.00000000
ETFS Short Crude Oil	JE00B24DK975	SOIL	\$5.00000000
ETFS Short Gasoline	JE00B24DKB91	SGAS	\$5.00000000
ETFS Short Gold	JE00B24DKC09	SBUL	\$5.00000000
ETFS Short Heating Oil	JE00B24DKD16	SHEA	\$5.00000000
ETFS Short Lead	JE00B2NFT088	SLEA	\$5.00000000
ETFS Short Lean Hogs	JE00B24DKF30	SLHO	\$5.00000000
ETFS Short Live Cattle	JE00B24DKG47	SLCT	\$5.00000000
ETFS Short Natural Gas	JE00B24DKH53	SNGA	\$5.00000000
ETFS Short Nickel	JE00B24DKJ77	SNIK	\$5.00000000
ETFS Short Platinum	JE00B2NFT195	SPLA	\$5.00000000
ETFS Short Silver	JE00B24DKK82	SSIL	\$5.00000000
ETFS Short Soybean Oil	JE00B24DKL99	SSYO	\$5.00000000
ETFS Short Soybeans	JE00B24DKP38	SSOB	\$5.00000000
ETFS Short Sugar	JE00B24DKQ45	SSUG	\$5.00000000
ETFS Short Tin	JE00B2NFT203	STIM	\$5.00000000
ETFS Short Wheat	JE00B24DKR51	SWEA	\$5.00000000
ETFS Short Zinc	JE00B24DKS68	SZIC	\$5.00000000
ETFS Short Agriculture DJ-AIGCI SM	JE00B24DL056	SAGR	\$5.00000000
ETFS Short All Commodities DJ-AIGCI SM	JE00B24DKT75	SALL	\$5.00000000
ETFS Short Energy DJ-AIGCI SM	JE00B24DKV97	SNRG	\$5.00000000
ETFS Short Ex-Energy DJ-AIGCI SM	JE00B24DKX12	SNEY	\$5.00000000
ETFS Short Grains DJ-AIGCI SM	JE00B24DL387	SGRA	\$5.00000000
ETFS Short Industrial Metals DJ-AIGCI SM	JE00B24DKZ36	SIME	\$5.00000000
ETFS Short Livestock DJ-AIGCI SM	JE00B24DL270	SLST	\$5.00000000
ETFS Short Petroleum DJ-AIGCI SM	JE00B24DKW05	SPET	\$5.00000000
ETFS Short Precious Metals DJ-AIGCI SM	JE00B24DKY29	SPMT	\$5.00000000
ETFS Short Softs DJ-AIGCI SM	JE00B24DL163	SSFT	\$5.00000000
ETFS Leveraged Aluminium	JE00B2NFTC05	LALU	\$5.00000000
ETFS Leveraged Cocoa	JE00B2NFV803	LCOC	\$5.00000000
ETFS Leveraged Coffee	JE00B2NFTD12	LCFE	\$5.00000000
ETFS Leveraged Copper	JE00B2NFTF36	LCOP	\$5.00000000
ETFS Leveraged Corn	JE00B2NFTG43	LCOR	\$5.00000000
ETFS Leveraged Cotton	JE00B2NFTH59	LCTO	\$5.00000000
ETFS Leveraged Crude Oil	JE00B2NFTJ73	LOIL	\$5.00000000
ETFS Leveraged Gasoline	JE00B2NFTK88	LGAS	\$5.00000000
ETFS Leveraged Gold	JE00B2NFTL95	LBUL	\$5.00000000
ETFS Leveraged Heating Oil	JE00B2NFTM03	LHEA	\$5.00000000
ETFS Leveraged Lead	JE00B2NFTZ32	LLEA	\$5.00000000
ETFS Leveraged Lean Hogs	JE00B2NFTN10	LLHO	\$5.00000000
ETFS Leveraged Live Cattle	JE00B2NFTP34	LLCT	\$5.00000000
ETFS Leveraged Natural Gas	JE00B2NFTQ41	LNGA	\$5.00000000
ETFS Leveraged Nickel	JE00B2NFTR57	LNIL	\$5.00000000
ETFS Leveraged Platinum	JE00B2NFV134	LPLA	\$5.00000000
ETFS Leveraged Silver	JE00B2NFTS64	LSIL	\$5.00000000
ETFS Leveraged Soybean Oil	JE00B2NFTT71	LSYO	\$5.00000000
ETFS Leveraged Soybeans	JE00B2NFTV93	LSOB	\$5.00000000

Name	Ursprüngliche ISIN (der) Schuldverschreibung)	LSE Code	Nennbetrag (USD)
ETFS Leveraged Sugar	JE00B2NFTW01	LSUG	\$5.00000000
ETFS Leveraged Tin	JE00B2NFV241	LTIM	\$5.00000000
ETFS Leveraged Wheat	JE00B2NFTX18	LWEA	\$5.00000000
ETFS Leveraged Zinc	JE00B2NFTY25	LZIC	\$5.00000000
ETFS Leveraged Agriculture DJ-AIGCI SM	JE00B2NFT427	LAGR	\$5.00000000
ETFS Leveraged All Commodities DJ-AIGCI SM	JE00B2NFV571	LALL	\$5.00000000
ETFS Leveraged Energy DJ-AIGCI SM	JE00B2NFT534	LNRG	\$5.00000000
ETFS Leveraged Ex-Energy DJ-AIGCI SM	JE00B2NFT641	LNEY	\$5.00000000
ETFS Leveraged Grains DJ-AIGCI SM	JE00B2NFT757	LGRA	\$5.00000000
ETFS Leveraged Industrial Metals DJ-AIGCI SM	JE00B2NFV688	LIME	\$5.00000000
ETFS Leveraged Livestock DJ-AIGCI SM	JE00B2NFT864	LLST	\$5.00000000
ETFS Leveraged Petroleum DJ-AIGCI SM	JE00B2NFT971	LPET	\$5.00000000
ETFS Leveraged Precious Metals DJ-AIGCI SM	JE00B2NFV795	LPMT	\$5.00000000
ETFS Leveraged Softs DJ-AIGCI SM	JE00B2NFTB97	LSFT	\$5.00000000

ANNEX 3

FORM OF FINAL TERMS

Pro Forma Final Terms for an issue by ETFS Commodity Securities Limited under the Programme for the Issue of Short and Leveraged Commodity Securities

FINAL TERMS

Dated [•] 201[•]

ETFS COMMODITY SECURITIES LIMITED

(Incorporated and registered in Jersey under the Companies (Jersey) Law 1991 (as amended) with registered number 90959)

(the “Issuer”)

Programme for the Issue of ETFS Short and Leveraged Commodity Securities

Issue of

[number] [class] [Individual/Index] Securities

[and

[number][class][Individual/Index] Securities]

([together] the “ETFS Short and Leveraged Commodity Securities”)

These Final Terms (as referred to in the prospectus (the “**Prospectus**”) dated 14 December 2012 in relation to the above Programme) relates to the issue of the ETFS Short and Leveraged Commodity Securities referred to above. The ETFS Short and Leveraged Commodity Securities have the terms provided for in the trust instrument dated 8 February 2008 as amended and supplemented by trust instruments supplemental thereto between the Issuer and The Law Debenture Trust Corporation p.l.c. as trustee constituting the ETFS Short and Leveraged Commodity Securities. Terms used in these Final Terms and not defined herein bear the same meaning as in the Prospectus.

These Final Terms have been prepared for the purpose of Article 5(4) of Directive 2003/71/EC and must be read in conjunction with the Prospectus and any supplement, which are published in accordance with Article 14 of Directive 2003/71/EC on the website of the Issuer: <http://www.etfsecurities.com>. In order to get the full information both the Prospectus (and any supplement) and these Final Terms must be read in conjunction. A summary of the individual issue is annexed to these Final Terms.

The particulars in relation to this issue of ETFS Short or Leveraged Commodity Securities are as follows:

Issue Date: [•]

Class: [•]

ISIN: [•]

Creation Price: [•]

Aggregate Number of ETFS Short or Leveraged Commodity Securities to which these Final Terms apply: [•]

Annex – Form of Issue Specific Summary

(Issuer to annex form of issue specific summary to the Final Terms)

ANNEX 4

FORM OF FINAL TERMS – PUBLIC OFFERS

Pro Forma Final Terms for an offer of ETFS Commodity Securities to the public under the Programme for the Issue of Short and Leveraged Commodity Securities

FINAL TERMS

Dated [•] 201[•]

ETFS COMMODITY SECURITIES LIMITED

(Incorporated and registered in Jersey under the Companies (Jersey) Law 1991 (as amended) with registered number 90959)

(the “Issuer”)

Programme for the Issue of ETFS Short and Leveraged Commodity Securities

Issue of

[number] [class] [Individual/Index] Securities

([together] the “ETFS Short and Leveraged Commodity Securities”)

These Final Terms (as referred to in the base prospectus (the “Prospectus”) dated 14 December 2012 in relation to the above Programme) relates to the issue of the ETFS Short and Leveraged Commodity Securities referred to above. The ETFS Short and Leveraged Commodity Securities have the terms provided for in the trust instrument dated 8 February 2008 as amended and supplemented by trust instruments supplemental thereto between the Issuer and The Law Debenture Trust Corporation p.l.c. as trustee constituting the ETFS Short and Leveraged Commodity Securities. Terms used in these Final Terms bear the same meaning as in the Prospectus. The particulars in relation to this issue of ETFS Short and Leveraged Commodity Securities are as follows:

These Final Terms have been prepared for the purpose of Article 5(4) of Directive 2003/71/EC and must be read in conjunction with the Prospectus and any supplement, which are published in accordance with Article 14 of Directive 2003/71/EC on the website of the Issuer <http://www.etfsecurities.com>. In order to get the full information both the Prospectus (and any supplement) and these Final Terms must be read in conjunction. A summary of the individual issue is annexed to these Final Terms.

The Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of ETFS Short and Leveraged Commodity Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a “**Relevant Member State**”) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the ETFS Short and Leveraged Commodity Securities. Accordingly any person making or intending to make an offer of the ETFS Short and Leveraged Commodity Securities may only do so in:

- (i) in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in the following paragraph, provided such person is a Permitted Offeror (as defined in the following paragraph) and that such offer is made during the Offer Period specified for such purpose therein.

An offer of the ETFS Short and Leveraged Commodity Securities may be made by the Issuer or by [•] (each a “**Permitted Offeror**”) other than pursuant to Article 3(2) of the Prospectus Directive in [•] (“**Public Offer Jurisdictions**”) during the period from [•] until [•] (the “**Offer Period**”).

The Issuer has not authorised, nor does it authorise, the making of any offer of ETFS Short and Leveraged Commodity Securities in any other circumstances.

Issue Date:	[•]
Class:	[•]
ISIN:	[•]
Creation Price:	[•]
Aggregate Number of ETFS Short or Leveraged Commodity Securities to which these Final Terms apply:	[•]
Total amount of the offer; if the amount is not fixed, description of the arrangement and time for announcing to the public the amount of the offer:	[•]

Terms and Conditions of the Offer¹

Offer Price:	[•]
Conditions to which the offer is subject:	[•]
The time period, including any possible amendments during which the offer will be open and a description of the applicaiton process	[•]
Details of the minimum and/or maximum amount of application:	[•]
Details of the method and time limits for paying up and delivering the ETFS Short and Leveraged Commodity Securities:	[•]
Manner in and date on which results of the offer are to be made public:	[•]
Whether tranche(s) have been reserved for certain countries:	[•]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[•]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[•]
Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place:	[•]
Name and address of any paying agents and depository agents in each country:	[•]
Entities agreeing to underwrite the issue on a firm commitment basis, and entities agreeing to place the issue without a firm commitment or under "best efforts" arrangements. Where not all of the issue is underwritten, a statement of the portion not covered:	[•]
When the underwriting agreement has been or will be reached:	[•]
Name and address of a calculation agent	[•]

Date

Time

Annex – Form of Issue Specific Summary

(Issuer to annex form of issue specific summary to the Final Terms)