

SIX Exchange Regulation
SIX Swiss Exchange AG
Selnaustrasse 30
Postfach 1758 Zürich
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21 October 2011

RE: Directive regarding Management Commentary

Dear Messrs. Lüchinger and Leu

UBS AG appreciates the opportunity to comment on this Directive regarding Management Commentary (DMC). UBS is a multinational financial services firm with a diversified set of users of its financial statements and, as such, we understand the importance of a well-developed and comprehensive directive related to management commentary.

We believe that such a directive will close a regulatory gap, provide benefit to the users of financial statements and improve the consistency of management commentary within and across industries. As a result, we support the efforts of the SIX Swiss Exchange (SIX) to develop a set of requirements for companies to provide users of financial statements with integrated information about the financial position, financial performance and cash flows of an entity in the context of the company's objectives and strategies in a meaningful format and from the point of view of the company's management.

These requirements should be in line with current international rules and guidelines on management commentary and should create a level playing field for entities which are operating globally as well as for entities operating solely within Switzerland.

Although we generally agree with the necessity of a directive on management commentary, we would like to point out some issues that we have identified and which are addressed below.

General comments

We have noted inconsistencies in the translation between the German and the English versions of the DMC leading to potential ambiguity on whether the requirements are binding or not, e.g.

German version, Art. 5 *Gegenstand der Informationen*:

"Die nachfolgende Struktur **ist einzuhalten**, die Verwendung der Titel (oder gleichwertiger Bezeichnungen) wird vorausgesetzt:..."

English version, Art. 5 *Content of the Disclosure*:

"The following structure and section headings (or equivalent headings) **are expected to be used**:..."

In our read of the DMC the German version requires to follow the structure where as the English version seems not to state an explicit requirement. We recommend reviewing and harmonizing the translations of the DMC in different languages.

Implementation

The second sentence of Article 1 indicates that "the directive incorporates the requirements of the IFRS Practice Statement *Management Commentary*". We suggest clarifying whether solely the requirements in the DMC are to be applied or whether preparers must apply all the requirements and interpretations in the IFRS Practice Statement. If the requirements and interpretations of the IFRS Practice Statement must be applied, we recommend, explicitly stating this and providing a link back to the IFRS Practice Statement.

Content of the disclosure

Although we generally agree with the content of the disclosures (1 Nature of the business, 2 Objectives and strategies, 3 Resources, risks and relationships, 4 Results and outlook) as required by Article 5, we have strong reservations about stipulating mandatory section headings and order of presentation.

We do not believe there is an incremental benefit to users of specifying mandatory section headings and order of presentation. This is particularly true for entities which already provide management commentary information under international regulatory requirements (e.g. SEC). We recommend that the DMC focuses on content and the quality thereof.

In addition, we would like to note that in current practice, management commentaries are often structured according to the specific circumstances of the different businesses and industries. Permitting preparers to arrange the best order of sections and section headings enables them to develop a cohesive disclosure model linking the management commentary, accounting, capital and risk disclosure information in a useful and clear manner. This approach also allows preparers in specific industries to present their commentary in the most meaningful way for the reader. Therefore, we strongly recommend that the order and section headings should not be made mandatory. We believe that in the DMC solely the topics to be addressed should be identified rather than the manner of presentation.

Finally, we would like point to the fact that the comment period is rather short and directly overlaps with the third quarter end tasks. Given the importance of the DMC, we would appreciate a more extensive comment period similar to comment periods granted by accounting standard setters.

If you would like to discuss any comments that we have made, please do not hesitate to contact Ralph Odermatt +41-44-236 84 10 or Dieter Meyer +41-44-236 82 57.

Regards,

UBS AG



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