The FX Electronic Execution ("**EE**") division of UBS investment bank ("**we**" or "**UBS**")[1] may make available to a wholesale market participant client ("**you**") certain services that allow you to execute foreign exchange or precious metal (collectively, "**FXPM**") spot orders via UBS's proprietary FXPM execution algorithms.

The purpose of this disclosure is to generally describe the proprietary FXPM algorithmic execution trading offering with the goal of enhancing your understanding of the offering. If you are actively considering the offering we will provide additional disclosure to you about the functioning of particular individual algorithms.

What is an FXPM algorithm? Generally speaking, an FXPM algorithm is a series of electronic instructions that apply to an order for executing one or more foreign exchange or precious metal transactions. The computer code in an algorithm will typically allow you, as a user, to specify parameters to stage an execution within the bounds of the particular stated strategy of the algorithm. For example, a TWAP (time weighted average price) algorithm would typically allow you to stage the execution of a larger notional order into relatively small "child" orders over a period of time on one or more liquidity sources or venues (collectively, "**Liquidity Sources**"), as further described below.

Why would I consider using an FXPM algorithm? FXPM execution algorithms offer an alternative way to execute foreign exchange or precious metal transactions with the possibility of enhancing execution results on certain fact patterns. Consider, for example, executing a larger notional foreign exchange transaction by a single, immediate execution with a single liquidity provider or venue. If you were to perform that execution in a different way (for example, by child orders over a period of time across multiple Liquidity Sources) you might be able to achieve a better all-in price.

UBS proprietary FXPM execution algorithms. UBS has developed several proprietary FXPM execution algorithms. Each algorithm offers a different execution strategy. A list of FXPM execution algorithms currently offered by UBS is available from your regular UBS FXPM sales person or from UBS EE staff. If you are interested in further considering particular proprietary FXPM execution algorithms, we can provide you with a user's guide describing the relevant algorithmic execution strategy so you can evaluate whether the offering might meet your needs.

Does UBS act as agent or principal when I use UBS FXPM execution algorithms? UBS EE acts on a "riskless principal" basis between you and the relevant liquidity provider for every trade execution. The term "riskless principal" means in executions resulting from the service, you will face UBS on the relevant trade on a principal-to-principal basis and UBS will have an offsetting, separate principal-to-principal trade facing the particular liquidity provider. The liquidity provider might be a third party or a UBS principal trading desk.

How do UBS FXPM execution algorithms access FXPM liquidity? UBS FXPM execution algorithms access FXPM liquidity via a smart order router (the "**SOR**"). The SOR integrates multi-venue access with a price aggregation service to enable automatic, intelligent order routing across multiple Liquidity Sources and it is accessed directly by the algorithms. The SOR monitors in real time prices between all available Liquidity Sources. One of the Liquidity Sources is the UBS electronic FXPM principal sales and trading business (the "**UBS eFX Principal Business**") (the UBS eFX Principal Business together with other UBS principal sales and trading desks is referred to herein, collectively, as "**UBS Principal Business**"). Other Liquidity Sources include other UBS client and UBS Principal Business orders accessible via our proprietary internal matching engine ("**Internal Matching**")[2] and certain

external venues with which UBS maintains an execution relationship (e.g. EBS, Reuters and CBOE). You can choose to include or exclude specific Liquidity Sources on request and this is reflected in your configuration profile.

How are execution routing preferences determined? At a general level, the EE division's FXPM algorithm service offering will seek to route orders for execution based on the best price then available to you. That routing may be affected by liquidity pools you choose to include or exclude, as reflected in your configuration profile. Subject to your configuration profile, the SOR will first try to fill via Internal Matching at, or better than, the best price then available at the other Liquidity Sources polled (whether a third party venue or the UBS eFX Principal Business), as determined by the SOR based on its review of available liquidity. If Internal Matching is not able to provide a full execution at or better than the best price available elsewhere, the SOR will route to the appropriate Liquidity Source based on best price then available to you. As noted above, you can choose to include or exclude specific Liquidity Sources by contacting your UBS service representative and by asking them to reflect your choices in your configuration profile. Further details concerning routing preferences and functionality of the SOR are available upon request – please contact your UBS sales representative.

Does the UBS Principal Business have visibility of FXPM algorithmic orders placed with the EE division of UBS? UBS Investment Bank maintains an information barrier[3] between the UBS EE business and the UBS Principal Business, which engages in traditional market making activities. The information barrier has been established to safeguard client order information and to mitigate conflicts of interest. Access to information protected by the information barrier is made available solely to the relevant business unit personnel and the respective operational, risk, regulatory and similar support personnel who have a legitimate business need to know the information. The information barrier consists of internal written policies and procedures as well as mandated physical and electronic separation. As a result of the information barrier, your individual order activity with the UBS EE division is not visible to the UBS Principal Business. However, anonymized individual trade executions on UBS principal liquidity and external market liquidity may be visible to the respective trading and associated quant personnel managing the trading and operational risk of the UBS Principal Business.

How is UBS compensated for your use of FXPM execution algorithms? We offer two pricing models for FXPM algorithmic execution. Clients who opt to include at least one external venue will be charged on a fee per million notional traded agreed with their UBS sales person. In this case this is the only compensation received by the EE division and there is no compensation received for these orders from third party venues (however the firm may have separate arrangements with such venues pursuant to which UBS may receive compensation, for example, if we act as hub member or intermediary to an external venue). Clients who opt to execute solely against the UBS eFX Principal Business can opt to not pay an explicit fee for the service; in these cases the EE division will receive compensation from the UBS eFX Principal Business on a fee per million notional traded for these orders to recognise the costs of building, maintaining and delivering the FXPM algorithm service. In this case, the price of each executed trade with the UBS eFX Principal Business includes any amounts payable to the EE division for such trade.

Further information. This disclosure is subject to change.
If you have any questions about this disclosure or would like to further discuss FXPM execution algorithms and specific instrument availability or other matters, please speak with your UBS sales representative.

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[1] This communication does not relate to any Wealth Management, Corporate, Institutional Client or Asset Management relationship you may have with UBS.
[2] The Internal Matching engine within the SOR may match spot FXPM orders with other UBS client and UBS Principal Business orders if they offer a price level that is the same as, or better than, the best price available on other Liquidity Sources.
[3] This document is intended as a summary, and is not intended to describe our information barrier procedures in full detail. Please contact your UBS sales representative for further information.