

Hong Kong Order Handling and Execution Policy

UBS Investment Bank – Global Markets

Hong Kong Order Handling and Execution Policy

This communication relates only to provision of execution services by Global Markets in UBS Investment Bank to its clients, and does not relate to services provided by any other business divisions or other businesses within the Investment Bank, Wealth Management, Corporate, Institutional Client or Asset Management of UBS.

1 Definitions

- a) **Back-to-Back Transactions** refer to those transactions where UBS, after receiving:
- i) A purchase Order from a Client, purchases a Financial Instrument from a third party and sells the same Financial Instrument to the Client; or
 - ii) A sell Order from a Client, purchases a Financial Instrument from the Client and then sells the same Financial Instrument to a third party,
- and no market risk is taken by UBS.
- b) **Client** means any natural or legal person who provides UBS with an Order in a Financial Instrument.
- c) **Connected Parties** means any entity within the UBS Group or branch of such entity other than the entities mentioned in the UBS definition below, through which such UBS entities execute or transmit Orders.
- d) **Code of Conduct** means the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ("**SFC**"), as may be amended or updated from time to time.
- e) **Execution Criteria** means those factors listed in Section 6 of this Policy
- f) **Execution Factors** means those factors listed in Section 5 of this Policy.
- g) **Financial Instrument** means any listed and over-the-counter instruments set out in the relevant Product General Procedures.
- h) **Product General Procedures** means specific procedures published by specific business areas within UBS that set out whether this Policy is applicable and, where applicable, how it is implemented in the context of their business areas.
- i) **Order** means an instruction to buy or sell a Financial Instrument which is accepted by UBS for execution or transmission to a third party.
- j) **Third Party Brokers** means non-UBS entities through which UBS executes or transmits Orders.
- k) **UBS** means UBS Securities Asia Limited, UBS Securities Hong Kong Limited, UBS AG Hong Kong Branch and UBS Affiliates (as the case may be).
- l) **UBS Affiliates** means any company in which UBS AG from time to time directly or indirectly has a shareholding representing ten percent or more of the issued share capital for the time being of that company and which provides services to UBS investment bank clients to execute transactions in Financial Instruments through Hong Kong staff licensed by or registered with the Securities and Futures Commission ("**SFC**") and/or the Hong Kong Monetary Authority ("**HKMA**") and accredited to UBS Securities Asia Limited, UBS Securities Hong Kong Limited and UBS AG Hong Kong Branch.
- m) **UBS Group** means UBS Group AG, UBS AG and any subsidiary, branch, affiliate or associate of UBS Group AG or UBS AG.

2 Purpose

- a) The Code of Conduct requires that UBS executes client orders on the best available terms to deliver best execution.
- b) The purpose of this document is to provide Clients with summarized information about the Hong Kong order execution policy of Equities/FRC within UBS investment banking division.

3 Scope

- a) This Hong Kong Order Handling and Execution Policy (this "**Policy**") applies where Clients legitimately rely on UBS and/or its Hong Kong staff licensed by or registered with the SFC and/or the HKMA and accredited to UBS Securities Asia Limited, UBS Securities Hong Kong Limited and/or UBS AG Hong Kong Branch, to protect their interests in order execution, whether UBS enters into agency or Back-to-Back Transactions with Clients, or UBS enters into other types of principal transactions with Clients.
- b) For example, legitimate reliance by Clients as described in Section 3(a) above will likely arise when UBS executes an Order where a contractual or agency obligation is owed, including where we deal on own account, for example:
- (i) executes a "limit order" or a "stop loss order";
 - (ii) executes an Order by dealing in a Back-to-Back Transaction with a Client; or
 - (iii) "works" an Order on a Client's behalf.

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- c) Where however UBS executes an Order for a transaction done on a principal to principal basis with the Client (other than Back-to-Back Transactions) it will first assess whether this Policy applies to said transaction in accordance with the legitimate reliance considerations set out in Section 3(e) ("Legitimate Reliance Criteria") below.
- d) For quote-driven activity conducted with Clients the presumption is that there is no legitimate reliance by Clients in such circumstances. UBS generally provides UBS' prices for Client requested quotes, representing the price at which we are willing to trade, rather than necessarily being representative of the best prices in the market. However, UBS will determine whether there are situations where Clients may nevertheless be entitled to legitimately place reliance on UBS by considering relevant factors (including to what extent the Legitimate Reliance Criteria has been satisfied).
- e) Legitimate Reliance Criteria: As part of UBS' consideration as to whether or not a Client is legitimately relying on it to protect their interests in order execution, UBS will take into account the following criteria:
- (i) Does client initiate the transaction?
 - (ii) Is it a market convention for clients to 'shop around'?
 - (iii) Is it a relatively transparent market?
 - (iv) Is disclosure made to client that no best execution is provided?

After consideration of all relevant factors, if it is concluded by UBS that Clients are, in fact, placing legitimate reliance on UBS, this Policy will be applied to the relevant Client requested Orders and/or quotes (as the case may be).

4 Order execution – executing on the best available terms

- a) Subject to any specific instructions that may be given by a Client (see Section 8 below), when executing Client Orders, UBS will take all sufficient steps to obtain the best available terms taking into account the Execution Factors detailed in Section 5 below ("**Execution Factors**").
- b) UBS will determine the relative importance of the Execution Factors by using our commercial judgment and experience in light of market information available.

5 Execution Factors

The Execution Factors that will be taken into account if and when relevant are:

- i. Price;
- ii. Cost;
- iii. Speed of execution;
- iv. Likelihood of execution;
- v. Speed of settlement;
- vi. Likelihood of settlement; and
- vii. Size and nature of the order and any other relevant considerations.

6 Execution Criteria

The Execution Criteria that will be taken into account when weighing up the relative importance of the Execution Factors are the characteristics of:

- i. The Client
- ii. The Order
- iii. The Financial Instrument the subject of the Order; and
- iv. Execution venue, including where applicable UBS PIN.

Where a Client has given specific instructions which only cover certain parts or aspects of an Order, UBS will still consider the other aspects of the Order as against the Execution Criteria.

7 Connected Parties and Third Party Brokers

- a) In certain markets and subject always to any specific instructions that may be given by our Client (see Section 8 below) UBS may, exclusively or otherwise, transmit an Order UBS receives to Connected Parties or Third Party Brokers for execution. In doing so, UBS will comply with the considerations set out in Sections 5 and 6 above.
- b) Execution through Connected Parties may provide particular benefits, which could include increased certainty of execution, increased transparency, more effective communication and efficient resolution of any issues for our Clients.
- c) UBS keeps the performance of Connected Parties and Third Party Brokers under review to help ensure appropriate standards of execution which are consistent with this Policy.

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8 Specific Client instructions

- a) Where a Client gives us a specific instruction as to the execution of an Order, we will execute the Order in accordance with those specific instructions to the extent UBS considers possible and appropriate. Where the Client's instruction relates to only part of the Order, we will continue to apply this Policy to those aspects of the Order not covered by the specific instructions.
- b) It is not necessary for Clients to give specific instructions. Clients may give full discretion to UBS in which case UBS will assess having considered the Execution Criteria which Execution Factors apply and execute in line with this Policy. This may include executing in accordance with execution strategies taking into account the relevant Execution Factors.

9 Product General Procedures

- a) This Policy is supplemented by a suite of Product General Procedures. These documents are specific to particular business areas and Financial Instruments relevant to such business areas and set out in greater detail the circumstances under which this Policy applies to those areas and describes the approach taken to comply with the requirements of this Policy.
- b) For example the Product General Procedures will typically specify the circumstances in which Clients are deemed to be placing legitimate reliance on UBS in the context of their business area. They will also address how the relevant business areas determine the relative importance of the Execution Factors and how they apply the Execution Criteria.

The Product General Procedures can be found at: www.ubs.com/ibregulatory

10 Review

- a) We will review this Policy regularly.
The up-to-date version of this Policy will be posted on: www.ubs.com/ibregulatory

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