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[www.ubs.com/ibterms](http://www.ubs.com/ibterms)

Global Agency Clearing Agreement,  
Global Principal Clearing Agreement,  
Prime Brokerage Agreement,  
2011 FOA Professional Client Agreement,  
2018 FIA Terms of Business and any other  
exchange traded derivatives client agreement  
( "**ETD Agreement** " )

## Exchange Specific Annexes to the ETD Agreement



Version: July 2019

For information about our Investment Bank entities, visit [www.ubs.com/ibterms](http://www.ubs.com/ibterms)

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# Part A Liffe

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## 1 TRANSACTIONS

1.1 The terms set out in this annex (which cover matters that we (“**UBS**”) are required to deal with pursuant General Notice Number 399) shall apply in respect of all Transactions entered into on The London International Financial Futures and Options Exchange (“**LIFFE**”). Terms defined in the Rules of LIFFE shall have the same meanings in this annex.

- (a) All contracts in the terms of an Exchange Contract made on LIFFE shall be subject to the Rules of LIFFE as from time to time in force. As a member of LIFFE, UBS contracts only as a principal in respect of contracts in the terms of an Exchange Contract. In respect of Transactions between UBS and the Client subject to the Rules of LIFFE, in the event of a conflict between the Rules of LIFFE and the terms of this Agreement, the Rules of LIFFE, as from time to time in force, shall prevail.
- (b) Subject to paragraph (c) below, in respect of every contract made between UBS and the Client subject to the Rules of LIFFE, UBS shall have made in such manner as sanctioned by the Exchange, an equivalent contract or shall have accepted the allocation of such a contract.
- (c) In UBS and the Client’s interests, LIFFE may from time to time sanction the making of a contract outside LIFFE CONNECT™ in order to satisfy the Client’s order, where there has been an error in the execution of the Client’s order on LIFFE CONNECT™. Where a better price (an improvement) can be obtained, UBS will seek to secure and offer that improvement to the Client. The Client acknowledges and agrees that where, in response to its order, UBS has bought or sold in accordance with the Client’s order to buy or, as the case may be, to sell but has traded the wrong delivery/expiry month or wrong exercise price of the relevant contract, then UBS may in accordance with the Rules of LIFFE offset any loss arising from that contract against any improvement achieved for the Client in the course of correctly satisfying the Client’s order, thus offering the Client only the net improvement, if any.
- (d) In respect of every contract made between UBS and the Client for allocation to another member as specified by the Client:
  - (i) in the event that such other member accepts the allocation, UBS shall (without prejudice to any claim which UBS may have for commission or other payment) upon such acceptance cease to be a party to the contract and shall have no obligation to the Client for its performance;
  - (ii) in the event that such other member declines to accept the allocation, UBS shall be entitled at its option either to confirm the contract with the Client or to liquidate it by such sale, purchase, disposal or other transaction or cancellation as UBS may in its discretion determine, whether on the market or by private contract or any other feasible method; and any balance resulting from such liquidation shall be promptly settled between UBS and the Client.

1.2 Since the LCH.Clearnet Limited (“**LCH**”) does not specify a particular contract when making a delivery or exercising an option, UBS may allocate them on the basis of an equitable method which will be used at UBS’s discretion. Examples of what UBS regards as equitable methods include:

- (e) For equity option contracts:

“Random Scatter” - the selection is made from a list of all positions and the allocation of one notice is independent of the allocation of another.
- (f) For financial option contracts and Gilts contracts:

A pro rata procedure, where positions are selected on the basis of their size relative to the whole.

1.3 In respect of UBS’s requirement for the Client to satisfy margin calls and UBS’s rights in the event of the Client’s failure to do so, see clauses 8 and 10 (and related provisions) of the Agreement.

1.4 The following provision shall apply without prejudice to any other provision of this Agreement:

LIFFE Administration and Management (“**LIFFE A&M**”) is obliged under the Financial Services and Markets Act 2000 to ensure that business conducted by means of its facilities is conducted in an orderly manner and

so as to afford proper protection to investors. UBS and LIFFE A&M wish to draw to the Client's attention that inter alia, business on the market may from time to time be suspended or restricted or the market may from time to time be closed for a temporary period or for such longer period as may be determined in accordance with LIFFE's Rules including, without limitation, as a result of a decision taken under Rule 4.16 or 4.17 on the occurrence of one or more events which require such action to be taken in the interests of, inter alia, maintaining a fair and orderly market. Any such action may result in UBS being unable, and through UBS, the Client and the Client's customers (if any) being unable to enter into contracts in accordance with LIFFE's Rules on the terms of Exchange Contracts either by means of contracts entered into on the market floor or through ATS. Furthermore UBS, and through UBS, the Client and the Client's customers (if any) may from time to time be prevented from or hindered in entering into contracts in the terms of Exchange Contracts, or errors in orders or in contracts in the terms of Exchange Contracts may arise, as a result of failure or malfunction of communications, or equipment, or market facilities or the ATS central processing systems, or one or more ATS workstations supplied to UBS by LIFFE A&M or otherwise used by UBS or software supplied to UBS by LIFFE A&M or any other person. UBS and LIFFE A&M wish to draw the following exclusion of liability to the Client's attention and to the attention of the Client's customers (if any). Unless otherwise expressly provided in LIFFE's Rules or in any other agreement to which LIFFE A&M is party, UBS and LIFFE A&M shall not be liable to the Client or any of the Client's customers for loss (including any indirect or consequential loss including, without limitation, loss of profit), damage, injury or delay, whether direct or indirect, arising from any of the circumstances or occurrences referred to above or from any act or omission of LIFFE A&M, its officers, employees, agents or representatives under LIFFE's Rules or pursuant to LIFFE A&M obligations under statute or from any breach of contract by or any negligence howsoever arising of LIFFE A&M, its officers, employees, agents or representatives.

- 1.5 Any dispute arising from or relating to this Agreement, insofar as it relates to a Transaction which is subject to the Rules of LIFFE, and any dispute arising from or relating to such Transaction shall, unless resolved between UBS and the Client, be referred to arbitration under the arbitration rules of LIFFE, or to such other organisation as LIFFE may direct before either UBS or the Client resort to the jurisdiction of the courts (other than to obtain an injunction or an order for security for a claim).
- 1.6 All Transactions subject to the Rules of LIFFE shall be subject to and construed in accordance with English law.
- 1.7 In respect of the jurisdiction applicable to Transactions which are subject to the Rules of LIFFE, see clause 16.4 of the Agreement.

## 2 "LINKED CONTRACTS"

2.1 The terms set out in this annex (which cover matters that we ("UBS") are required to deal with pursuant to General Notice Number 880) shall apply in respect of all Linked LIFFE Contracts of Linked Participating Exchange Contracts (both as defined below)

2.2 Interpretation

(a) **Definitions**

**LCH:** LCH.Clearnet Limited;

**LIFFE:** LIFFE Administration and Management;

**LIFFE Contract:** an Exchange Contract to which a Linked Participating Exchange Contract is linked;

**Linked LIFFE Contract:** an Exchange Contract made available for trading on the market pursuant to a Link, which is specified as such in a General Notice published from time to time by the Exchange and is linked to a Participating Exchange Contract;

**Linked Participating Exchange Contract:** a Participating Exchange Contract specified as such in a General Notice published from time to time by the Exchange and is linked to an Exchange Contract;

**Participating Exchange:** an exchange which has concluded one or more agreements in relation to a Link with LIFFE A&M and/or LCH pursuant to which:

- (i) contracts in the terms of one or more Linked LIFFE Contracts are to be transferred to, for clearing by, such exchange or its clearing house; or

- (ii) contracts in the terms of a Linked Participating Exchange Contract are to be transferred to, for clearing by, LCH.

The term “**Participating Exchange**” shall include any clearing house which from time to time provides clearing services to such exchange;

**Participating Exchange Contract:** in respect of a Participating Exchange, means a class of contract permitted to be made by Participating Exchange Members under participating Exchange rules.

- (b) Terms defined in the Rules of LIFFE shall have the same meanings in this annex.

## 2.3 General Provisions

- (a) **Exclusion of Liability:** UBS and LIFFE A&M wish to draw to your attention that LIFFE shall have no liability whatsoever to any member or client in contract, tort (including, without limitation, negligence), trust, as fiduciary or under any other cause or action (except in respect of gross negligence, wilful default or fraud on its part), in respect of any damage, loss, cost or expense of whatsoever nature suffered or incurred by any member or client, as the case may be, as a result of: any suspension, restriction or closure of the market administered by either a Participating Exchange or LIFFE A&M, whether for a temporary period or otherwise, or as a result of a decision taken on the occurrence of a market emergency; any failure by a Participating Exchange, LIFFE A&M or LCH to supply each other with data or information in accordance with arrangements from time to time established between all or any of them; the failure of communications facilities or technology supplied, operated or used by either a Participating Exchange, LIFFE A&M or LCH for the purposes of the Link; any event which is outside its or their control; any act or omission of either a Participating Exchange (where a Participating Exchange is acting otherwise than in connection with its clearing function) or LIFFE A&M in connection with any Participating Exchange Contract, Linked LIFFE Contract or Linked Participating Exchange Contract or any act or omission of a Participating Exchange, LIFFE A&M, or LCH (as the case may be) in connection with the operation of the Link or the arrangements for the transfer of contracts.

- (b) **Governing Law:** This agreement and all contracts in the terms of LIFFE Contracts made under this agreement shall be subject to and construed in accordance with English Law.

**Margin and Client Money/Assets:** Following the transfer of a contract in the terms of a Linked LIFFE Contract and the creation of a contract in the terms of a Participating Exchange Contract or prior to the transfer of a contract in the terms of a Linked Participating Exchange Contract and the creation of a contract in the terms of a LIFFE Contract (as the case may be), margin requirements will be determined in accordance with the rules of the Participating Exchange rather than LIFFE Rules. Any money or assets held in any country other than the UK may be subject to the applicable law of that country rather than UK client money and others assets rules, and the Client should satisfy itself that this is acceptable to the Client before instructing UBS to transact any such business.

## 2.4 Provisions Relating to Outward Transfers of Linked LIFFE Contracts

- (a) **Rules of LIFFE:** All contracts in the terms of a Linked LIFFE Contract made on LIFFE shall be subject to the Rules of LIFFE as from time to time in force.
- (b) **Transfer:** UBS shall endeavour to secure the transfer through the relevant Link of each contract in the terms of a Linked LIFFE Contract made between UBS and the Client which is intended to transfer. Where UBS is to be counterparty to a Participating Exchange Contract as well as a Linked LIFFE Contract, upon confirmation by the relevant Participating Exchange of receipt of trade/position details from LCH, rights and obligations under such contract, save for outstanding obligations with respect to fees and margin and those rights and obligations referred to in the Rules of LIFFE and the Regulations of LCH, shall be discharged (and there shall arise simultaneously a contract in the terms of a Participating Exchange Contract between UBS and the Client). The contract in the terms of a Participating Exchange Contract shall be subject to the Rules of the relevant Participating Exchange and shall not be subject to the provisions of this Agreement. (Where the Client is UBS’s customer only in respect of a Linked LIFFE Contract, but not in respect of a Participating Exchange Contract, upon the transfer of the contract in the terms of a Linked LIFFE Contract UBS shall, without prejudice to any claim UBS may have including, without limitation, for fees or margin, cease to be a party to the contract and shall have no obligation to the Client for its performance).

- (c) **Delayed Transfer:** In the event that, on any LIFFE trading day, LCH is unable for whatever reason to transmit details of all contracts in the terms of a Linked LIFFE Contract, or the relevant Participating Exchange is unable to receive or acknowledge receipt of such details, any such contract made between UBS and the Client on that day shall remain as an undischarged contract in the terms of a Linked LIFFE Contract (but without prejudice to any default provisions agreed between UBS and the Client which may be operated to discharge such contract), subject to the Rules of LIFFE and the General Regulations and Default Rules of LCH as from time to time in force, until such time as transfer can be achieved.
- (d) **Impossibility of Transfer:** If it is not possible for whatever reason for details of contracts in the terms of the Linked LIFFE Contract to be transmitted by LCH, or the relevant Participating Exchange to receive or acknowledge receipt of all such details, so that transfer of such contracts cannot occur on any particular day, and any circumstances preventing such transfer continues so that the Link is suspended or terminated, any such contract made between UBS and the Client during any such period shall remain as an undischarged contract in the terms of a Linked LIFFE Contract, subject to the Rules of LIFFE and the Regulations of LCH as from time to time in force, and shall be performed in accordance with its terms or may be closed out or otherwise discharged, in accordance with the Rules and any agreement reached between UBS and the Client.

## 2.5 Provisions Relating to Inward Transfers of Linked Participating Exchange Contracts

- (a) **Transfer:** In respect of each contract in the terms of a Linked Participating Exchange Contract made between UBS and the Client which is intended for transfer through the relevant Link, rights and obligations under such contract save for outstanding obligations with respect to fees or margin and any other rights or obligations referred to in the Rules of the Participating Exchange, shall be discharged upon confirmation by LCH or receipt of trade/position details from the Participating Exchange and there shall arise simultaneously a contract in the terms of a LIFFE Contract between UBS and the Client. The LIFFE Contract shall be subject to the Rules of LIFFE and the General Regulations and Default Rules of LCH.
- (b) **Delayed Transfer:** In the event that, on any Participating Exchange trading day, the relevant Participating Exchange is unable for whatever reason to transmit details of all contracts in the terms of a Linked Participating Exchange Contract, or LCH is unable to receive or acknowledge receipt of all such details, any such contract made between UBS and the Client on that Participating Exchange on that day shall remain an undischarged contract in the terms of a Linked Participating Exchange Contract (but without prejudice to any default provisions agreed between UBS and the Client which might be operated to discharge such contract), subject to the Rules of the Participating Exchange as from time to time in force, until such time as transfer can be achieved.
- (c) **Impossibility of Transfer:** If it is not possible for whatever reason for details of contracts in the terms of a Linked Participating Exchange Contract to be transmitted by the relevant Participating Exchange, or for the LCH to receive or acknowledge receipt of all such details, so that transfer of such contracts cannot occur on any particular day, and any circumstance preventing such transfer continues so that the Link is suspended or terminated, any such contract made between UBS and the Client on that Participating Exchange during that period shall remain as an undischarged contract in the terms of a Linked Participating Exchange Contract, subject to the Rules of the Participating Exchange as from time to time in force and shall be performed in accordance with its terms or may be closed out or otherwise discharged in accordance with the Rules and any agreement reached between UBS and the Client.

# Part B London Metal Exchange

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## A Guide to the Structure and Market Terminology

### 1 INTRODUCTION AND PURPOSE

- 1.1 This annex is designed to provide customers of the London Metal Exchange (LME) with an overview of the structure of the LME, market terminology, and order execution. It is not a comprehensive trading guide, nor a complete guide to market terminology. Customers should always ensure that their requirements are explained in detail to the member responsible for order execution.

### 2 THE LME

#### 2.1 Principal Nature:

- (a) There are two types of contracts traded on the LME - Exchange Contracts and Client Contracts. Exchange Contracts are contracts between clearing members of the LME. Client Contracts are contracts between customers and ring dealing members (RDMs), or associate broker clearing members (ABCMs), or associate broker members (ABMs)<sup>1</sup>. Only RDMs, ABCMs and ABMs may issue Client Contracts. Open Position Statements issued to clients must state clearly **'THIS IS AN LME REGISTERED CLIENT CONTRACT'**. Contract criteria relating to LME contracts, including metal/plastic specifications, acceptable currencies, prompt dates, option strike prices for metals etc. are detailed in the LME rulebook and appropriate notices.
- (b) Exchange Contracts are traded between members, **matched** in the LME matching and clearing system (LMEMS) and margined by LCH.Clearnet (LCH). Client Contracts are **registered** at the LCH but margining arrangements are left to members to agree with their customers (subject to LME rules).
- (c) All LME contracts are between parties acting as principals. This prevents any party entering into an LME Contract as agent for someone else but does not prevent an agent effecting a contract between two parties if the resulting LME contract is between disclosed parties, each acting as a principal. It is an essential requirement of an LME Client Contract that one party must be an RDM, ABCM or ABM. A list of members is available from the LME, and on the LME website: [www.lme.com](http://www.lme.com). A principal relationship does not mean that members do not take on quasi-fiduciary responsibilities when they effect trades for customers. In particular, if a member undertakes to deliver a particular service, for example deal a specific number of lots 'in the Ring' (see below), then it should take care to ensure that it complies with all the terms of such a transaction.
- (d) In respect of Exchange Contracts, an LME broker buying metal or plastic under an Exchange Contract from another LME broker cannot do so as agent for his customer. Where an LME broker buys metal or plastic under an Exchange Contract with a view to selling that metal or plastic to his customer, this is achieved by entering into a back-to-back Client Contract with the customer. Brokers and customers can agree the conditions that apply to their Client Contracts. For example, a customer may make it a condition of his Client Contract that the broker must enter into a back-to-back Exchange Contract for the metal or plastic being bought or sold. This does not make the customer a party to the Exchange Contract but does create additional duties and obligations owed by the broker under the Client Contract.
- (e) Customers should be clear about conditions that apply to their Client Contracts and about the obligations and duties that the broker owes as a result of those conditions.
- (f) Brokers should be clear about the duties and obligations they owe as a result of conditions attaching to their Client Contracts. They should also be clear about the duties they owe to their customers under the FCA's Conduct of Business Rules (COB).

#### 2.2 Dual Capacity

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<sup>1</sup> For the purposes of this document these categories of members will be referred to as LME members, members or by the appropriate abbreviation.

- (a) LME members may act both in the capacity of market maker and broker. They may act in a particular manner depending on a number of circumstances, including the size of the order, the liquidity of the market at the time the order was placed, and, not least, the customer's instructions. Customer orders may be filled directly from a member's 'book' or following the purchase/sale of metal or plastic in the LME market. Furthermore, customer orders may be offset, amalgamated, broken-up or netted for execution. These methodologies apply equally to orders whether any resulting Exchange Contract is effected in the ring, in the inter-office market, or on LME Select.
- (b) Customers with specific order requirements must make these known to the member at the time the order is placed. Customers wishing to know how their order was executed should request such information from the member.

2.3 **Trading on the LME:** Trading takes place on the LME by open outcry in the rings and kerbs, between members in the inter-office, and over the Exchange's electronic trading system LME Select.

(a) **Open Outcry**

- (i) Historically, during ring and kerb sessions, the majority of customer business reflects prices traded in the open outcry sessions. Customers can follow the market activity by monitoring quoted and traded prices disseminated via the LME market data system (MDS), or by listening to the simultaneous floor commentary provided by member(s). The MDS publishes prices traded during ring and kerb times on price vendor information services such as Reuters.
- (ii) Members can continue to 'make a market' when requested by a customer during the ring and kerb sessions, although this is entirely at the member's discretion. Alternatively, the customer can decide whether to place an order using the 'order styles' mentioned below.

(b) **Inter-office**

- (i) Inter-office trading is conducted between members by telephone or by electronic means. On contacting an LME member for a quote, customers will usually be provided with the member's current bid and offer. The customer may trade on this quote, call another member in an attempt to improve the quote, leave a resting order with a member, or wait and monitor prices on the LME market data system. If an order cannot be filled from the member's book, it may be executed via a back-to-back Exchange Contract agreed via a telephone deal with another member or executed via an electronic trading system.

(c) **LME Select**

- (i) LME Select allows members to trade LME futures contracts in metals and plastics, traded options and TAPOs<sup>2</sup>, and an Index future and option. Some brokers offer their customers an order-routing facility via an API<sup>3</sup> where they can view Select prices, execute trades, and place resting orders. All trading on LME Select is in US dollars.
- (ii) LME Select replaces neither inter-office trading nor trading in the ring. Depending on the time of day, it is possible for members to deal by telephone or electronically in the inter-office, by LME Select, or in the rings. Customers should specify which mechanism their broker should use to effect an order, where they have a preference.
- (iii) Firm prices of the best bid and offer available on LME Select, the total volumes available at these prices, and the price and volume of each trade transacted are distributed to and displayed in real time by information vendors. Only LME Select prices are displayed, not those of other third party electronic trading systems providing LME prices. Only RDMs and ABCMs are eligible to become LME Select Participants and to have direct access to the system. Customers may effect back-to-back Client Contracts with RDMs and ABCMs based upon prices available on LME Select, whether on the telephone or via electronic order-routing systems.

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<sup>2</sup> TAPO traded average price option

<sup>3</sup> API Application Protocol Interface

### 3 ORDER STYLES

#### 3.1 Ring

- (a) **Customer orders are not traded in the rings or kerbs**, so an order using the term 'in/on/during the ring/kerb' will be executed on the basis of the prices traded/quoted during the particular session. If a customer requires their order to be 'shown' or traded across the ring/kerb then they should make this requirement known to their executor, who may or may not accept this as a term of the order. The equivalent Exchange Contract for a customer order may not replicate its terms. As the customer is **not** a party to any Exchange Contracts i.e. those traded in open outcry between members in the ring/kerb sessions, in specifying ring/kerb, the customer is merely identifying a pricing mechanism. A member which undertakes to match a price traded in the ring/kerb is not necessarily undertaking that it will trade during that ring/kerb, only that it may do so. However, a customer may place an order with the specific request that the member trades an Exchange Contract replicating its order in the ring. In such circumstance the RDM can only trade this order by open outcry in the ring.
- (b) If a customer trades at the prevailing market quote proffered in the ring/kerb, their executor is not necessarily obliged to effect an Exchange Contract at the same price. This can lead to situations where the customer has traded at the prevailing market quote, without that same price trading in open outcry across the floor of the Exchange. However, if the instructions from the customer are to achieve a specific price i.e. close of ring 2, then this is the price that should be given, if that specific order is accepted.

#### 3.2 Market

- (a) In normal circumstances a market order is one executed on a timely basis at the prevailing market price. As mentioned above, at certain times of the business day, trading is taking place simultaneously in the ring or kerb, on LME Select, and in the inter-office market. Traditionally, when open outcry trading is in session, the market is defined by activity within the ring/kerb. At other times, the market is split between inter-office trading and trading on LME Select. During inter-office sessions, indicative quotes are available on the MDS; firm prices are available on LME Select and the LME Select page on information vendors' systems. The indicative prices might not be available to all parties.

#### 3.3 Best

- (a) Order styles on the LME using the word 'best' confer some discretion upon the members when executing the order, requiring them to use their 'best endeavours' on the customer's behalf. The extent of the discretion is fixed by the terms of the order. This type of order is distinct from 'best execution' as defined by the FCA.
- (b) Best orders may be executed both in rings/kerbs, inter-office and on LME Select. Inter-office trades rely upon the members' skill in determining the level of the market at any particular time. Best orders received during ring/kerb times may not result in the customer receiving the 'best' price achieved during the session if the price improves after the member has booked the metal or plastic intended to fill the order. At any given time, the best price on LME Select will be displayed on the system and by the information vendors. Customers should be aware that depending on market conditions, the best price may move during the period from when the order was placed and when it was executed.

#### 3.4 Close

- (a) Most orders placed 'on the close' are for either the close of the second ring (official LME prices) or the final kerb (closing prices). Both these prices are demonstrable because of the publication of official and closing prices. Closing prices for other sessions are harder to determine, although the LME does publish unofficial prices which are established at the close of the fourth ring. In all circumstances, customers and members need to agree the style of execution i.e. bid/offer, mean or traded price. Members may not always be able to guarantee execution (price or volume) due to prevailing market conditions. A closing price on LME Select is the last price traded before the system closes.

#### 3.5 Open

- (a) Customers placing orders to trade on the opening of a market session must provide clear instructions to the LME member which indicate how this order should be activated i.e. basis the opening bid/offer or basis the first trade in the session. Customers will also need to inform their executor of their requirements if the executor is unable to fill the order basis the 'opening' price in its entirety, due to market constraints such as

insufficient liquidity. Customers may place orders with members for LME Select that can be placed into the system for activation when the market opens.

### 3.6 Resting Orders

- (a) When placing resting orders such as 'good 'til cancelled' ('GTC', or any derivations thereof) or stop loss orders, customers should ensure that they are in agreement with their executor's definition of the 'trigger' point of the order. Usually, this is interpreted as being the point when the order price is seen to be trading in the market, but it is possible to request the order be activated when the order level is either bid or offered as appropriate, via the prevailing market quote. Stop loss orders become market orders when a trade, or a bid or an offer triggers the stop, with members then executing the order at the current market price.
- (b) It is possible for a customer not to receive a 'fill' on a resting order despite the 'trigger' point being 'touched'. This could be due to a number of circumstances such as order priority, illiquidity, prevailing market conditions etc. Whatever the reason, the executor should be able to provide the customer with a full explanation of why it was unable to fill the order.
- (c) Customers should be aware that resting orders might be activated during periods of illiquidity in the market. As previously mentioned, this could result in the trade not being filled, or for 'stop' orders, a worse fill than anticipated ('slippage'). Customers should ensure the executor is fully aware of their requirements regarding the execution of an order, and adheres to any limitations, especially if the customer is not in contact with the market/member when the trigger point is reached.
- (d) It is possible for customers to ask members to place resting orders in LME Select. Where the broker has an order routing system into Select, customers will be able to place orders more directly. The system accepts GTC and Good for Day (DAY) orders. DAY orders are automatically deleted from the system at close of trading.

## 4 CONCLUSION

- 4.1 The above order styles do not represent all possible methods of order execution on the LME. Members and customers should ensure that orders are communicated in meaningful terms that deliver the required execution in accordance with LME rules.

# Part C Electronic Trading Terms

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## **1 ELECTRONIC TRADING**

- 1.1 Electronic trading and order routing systems differ from traditional open outcry pit trading and manual order routing methods. Transactions using an electronic system are subject to the rules and regulations of the exchange(s) offering the system and/or listing the contract. Before you engage in Transactions using an electronic system, the Client should carefully review the rules and regulations of the exchange(s) offering the system and/or listing contracts the Client intends to trade.

## **2 DIFFERENCES AMONG ELECTRONIC TRADING SYSTEMS**

- 2.1 Trading or routing orders through electronic systems varies widely among the different electronic systems. The Client should consult the rules and regulations of the exchange offering the electronic system and/or listing the contract traded or order routed to understand, among other things, in the case of trading systems, the system's order matching procedure, opening and closing procedures and prices, error trade policies, and trading limitations or requirements; and in the case of all systems, qualifications for access and grounds for termination and limitations on the types of order that may be entered into the system. Each of these matters may present different risk factors with respect to trading on or using a particular system. Each system may also present risks related to system access, varying response times, and security. In the case of internet-based systems, there may be additional types of risks related to system access, varying response times and security, as well as risks related to service providers and the receipt and monitoring of electronic mail.

## **3 RISKS ASSOCIATED WITH SYSTEM FAILURE**

- 3.1 Trading through an electronic trading or ordering routing system exposes the Client to risks associated with system or component failure. In the event of system or component failure, it is possible that, for a certain time period, it may not be possible to enter new orders, execute existing orders, or modify or cancel orders that were previously entered. System or component failure may also result in loss of orders or order priority.

## **4 SIMULTANEOUS OPEN OUTCRY PIT AND ELECTRONIC TRADING**

- 4.1 Some contracts offered on an electronic system may be traded electronically and through open outcry during the same trading hours. The Client should review the rules and regulations of the exchange offering the system and/or listing the contract to determine how orders that do not designate a particular process will be executed.

## **5 LIMITATION OF LIABILITY**

- 5.1 Exchanges offering an electronic trading or order routing system and/or listing the contract may have adopted rules to limit their liability, the liability of exchange members, and software and communication system vendors and the amount of damages you may collect from system failure and delays. These limitation of liability provisions vary among the exchanges. The Client should consult the rules and regulations of the relevant exchange(s) in order to understand these liability limitations.
- 5.2 Without prejudice to the generality of clause 14 of the Agreement and any specific Exchange notification, UBS shall not be liable to the Client for loss (including any indirect or consequential loss including, without limitation, loss of profit), damages, injury or delay, whether direct or indirect due to any action or inaction of an exchange or clearing house, its officers, employees, agents or representatives with regard to an electronic trading or order routing system or as a result of system or component failure.

# Part D ASX 24

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As our client (“**Client**”) you have executed documentation governing the trading of exchange traded derivatives through us. You may execute trades on the ASX 24 (“**ASX**”) by directly contacting UBS AG, Australia Branch (“**UBS AB**”) or using our direct market access infrastructure.

The additional terms and conditions that apply to trades executed on ASX through UBS AB, and deemed to have been acknowledged and accepted on a continuing basis, are as follows:

## 1 INTERPRETATION

1.1 In this annex, unless a contrary intention appears:

**ASX 24** means the Australian Securities Exchange Limited (ABN 83 000 943 377);

**Block Trades** means a Trade which is executed via a block trade facility, however described in the relevant Operating Rules;

**EFP Transaction** means an exchange for physical transaction as defined in the Operating Rules, or if not so defined, a transaction recognised as an exchange for physical transaction as understood under the customs and practices of the Exchange on which or in accordance with whose Operating Rules, customs or practices on which that EFP Transaction takes place;

**Exchange** means:

- (i) the ASX 24 or another approved futures exchange, recognised futures exchange or exempt futures market (which terms shall have the same meanings ascribed to them in the Old Corporations Act); or
- (i) a financial market which is licensed under Part 7.2 of the Corporations Act;

**Futures Law** means Chapter 7 of the Corporations Act, the ASIC Act and any regulations made under either Act;

**Market** includes any commodity or futures or financial or stock exchange or market or facility inside or outside Australia, and any market conducted between principals or brokers by telephone, telex or through any electronic means of communication;

**Operating Rules** means the operating rules, regulations and by-laws of any Market, Exchange or Clearing House on which any Trade takes place or is registered or cleared;

**Pre-Negotiated Business** means Trades in a class of contracts prescribed by the relevant Exchange which in number exceed any minimum volume threshold prescribed in the relevant Operating Rules in respect of that class of contracts; and

**Trade** means applying for, acquiring, varying or disposing of a Futures Contract or an Exchange Traded Derivative on behalf of the Client; “Traded” has a corresponding meaning.

## 2 BLOCK TRADES

2.1 Despite anything to the contrary in this annex, the Client authorises UBS AB to the extent permitted by the Operating Rules to execute Block Trades on behalf of the Client in accordance with the ASIC Market Integrity Rules, ASX 24 Operating Rules and this Agreement.

2.2 The Client acknowledges that:

- (a) the price quoted for the Block Trade order may or may not be the prevailing market price;
- (b) the price at which the Block Trade is executed will not be used in establishing settlement prices;
- (c) Block Trades shall have no impact on the trading platform market data; and
- (d) Block Trades will be separately reported to the market.

### **3 PRE-NEGOTIATED BUSINESS**

- 3.1 Despite anything to the contrary in this annex, the Client authorises UBS AB to the extent permitted by the Operating Rules to undertake Pre-Negotiated Business on behalf of the Client in accordance with the Operating Rules and this annex.

### **4 EFP TRANSACTIONS**

- 4.1 The Client authorises UBS AB to enter into EFP Transactions on its behalf, as permitted by the Operating Rules of the relevant Exchange or Market.

The Client acknowledges and undertakes that it shall provide UBS AB with full details of the EFP Transaction (including documentary evidence) which attach to EFP transactions which is to be effected by UBS AB on behalf of the Client. The Client acknowledges, that upon request, this information must be provided to UBS AB to ensure UBS AB's compliance with the ASIC Market Integrity Rules and the Operating Rules of the ASX 24. The Client acknowledges that failure to comply with provisions of Operating Rules in respect of EFP Transactions may result in disciplinary action by ASIC or the ASX 24 against UBS AB.

# Part E Hong Kong Stock Exchange

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## 1 INTRODUCTION

- 1.1 In 2003 the Hong Kong Special Administrative Region of the PRC imposed rules in relation to position limits and reportable positions for stock options contracts and futures contracts traded on the Stock Exchange of Hong Kong and Hong Kong Futures Exchange respectively ("**Hong Kong Stock Exchange**"). The requirements are set out in the Hong Kong Securities and Futures (Contracts Limits and Reportable Positions) Rules (the "**Position Limits and LOPR Rules**"), as amended from time to time, made by the Securities and Futures Commission ("**SFC**") under the Securities and Futures Ordinance.
- 1.2 The Position Limits and LOPR Rules impose holding/controlling limits and reporting obligations with regard to stock options contracts and futures contracts traded on the Hong Kong Stock Exchange. Guidance on the Position Limits and LOPR Rules and what they require is set out in the SFC's Guidance Note on Position Limits and Large Open Position Reporting Requirements ("**Guidance Note**"). Copies of the most current Guidance Note can be downloaded from SFC's website at [www.sfc.hk](http://www.sfc.hk).
- 1.3 Some of the requirements of the Position Limits and LOPR Rules and the Guidance Note are summarized below. Note: It is your responsibility to comply with the Position Limits and LOPR Rules. Non-compliance with it is a criminal offence and subject to fines and/or imprisonment. We strongly advise you to review the Position Limits and LOPR Rules and the Guidance Note in their entirety, and to consult with your legal counsel in order to ensure you have a full understanding of your obligations in connection with trading in Hong Kong.

## 2 POSITION LIMITS

- 2.1 The Position Limits and LOPR Rules say that you may not hold or control futures contracts or stock options contracts in excess of the prescribed limit. Upon prior authorization obtained pursuant to the rules, a person may be authorized to hold or control futures contracts or stock option contracts in excess of the prescribed limit. Please refer to the Position Limits and LOPR Rules and the Guidance Notes for more details and respective requirements.
- 2.2 The prescribed limit for each futures or stock options contract traded on the Hong Kong Stock Exchange is set out in the Schedules to the Position Limits and LOPR Rules.
- 2.3 In addition to any powers and sanctions imposed by the Position Limits and LOPR Rules, Hong Kong Stock Exchange may require an exchange participant to immediately reduce a position below the prescribed limits pursuant to its own rules. You will need to comply with such request accordingly. Please refer to part B below for further details.

## 3 REPORTABLE POSITIONS

- 3.1 If you hold or control an open position in futures contracts or stock options contracts in excess of the specific level, the Position Limits and LOPR Rules require you to report that position in writing to the Hong Kong Stock Exchange within one business day following
  - (a) the day of first holding or controlling that position; and
  - (b) each succeeding day on which you continue to hold or control that position.
- 3.2 The specified reporting level for each futures or stock options contract traded on the Hong Kong Stock Exchange is set out in the Schedules to the Position Limits and LOPR Rules.
- 3.3 The report to the Hong Kong Stock Exchange must state:
  - (a) the number of contracts held or controlled in respect of the position in each relevant contract month; and
  - (b) if the position is held or controlled for another person, the identity of that person and its holdings.
- 3.4 Notwithstanding the above, UBS's standard basis of reporting is to report all positions in accounts held with UBS, regardless whether each position exceeds the applicable reporting level.

## 4 KEY ASPECTS OF THE POSITION LIMITS AND LOPR RULES

- 4.1 You should note:

- (a) In general, the prescribed limits and reportable positions for futures contracts apply to any individual contract month or series. However, with respect to certain futures contracts, the calculation basis is on a net basis for all contract months combined, and additionally futures-equivalent positions in options contracts are added to the positions in futures contracts for purpose of calculating the relevant number of holdings.
- (b) The prescribed limits in respect of options contracts apply to all options per option class in one market direction (e.g. all long call and short put options), and all expiry months are to be aggregated. The reportable positions in respect of options contracts however are calculated based on the number of contracts per option class held or controlled in each expiry month.
- (c) The prescribed limits and reportable position requirements apply to all positions held or controlled by a person, including positions in any account(s) that such person controls, whether directly or indirectly.
- (d) If a person holds or controls positions in accounts at more than one intermediary, the Position Limits and LOPR Rules require the person to aggregate the positions for the purposes of applying the prescribed limits and reportable position requirements.
- (e) A person holding or controlling a reportable position in accounts at more than one intermediary has the sole responsibility to notify the Hong Kong Stock Exchange of the reportable position. The person may request its intermediary or an agent to submit the notice of the reportable position. If a firm agrees to submit the notice on his behalf, the person should provide to the firm its total positions held at other intermediaries so that the firm can submit the notice of the reportable position. Alternatively, the person can ask all of his intermediaries or agents to report the positions in each of the accounts separately to the Exchange, even if the positions in the individual accounts do not reach the reportable level. UBS's standard basis of reporting is to report positions in accounts held with UBS only. UBS will report positions held at other intermediaries only if: (i) expressly instructed to do so in writing; and (ii) UBS agrees to report positions held at other intermediaries based on the circumstances. In any case, irrespective who submits the notice to Hong Kong Stock Exchange, ultimate responsibility to comply with the Position Limits and LOPR Rules is always with each person holding or controlling a reportable position.
- (f) Where you are holding a reportable position for another person (e.g. a client of yours), the Position Limits and LOPR Rules say that you must disclose the identity of the other person and the number of reportable contracts held by such person. For example, if you are a transaction originator,<sup>4</sup> the SFC's view is that the transaction originator is required to notify Hong Kong Stock Exchange for the purposes of the Position Limits and LOPR Rules and it should also provide the identities of each of his principals whose positions have exceeded the reportable levels.

Please refer to the Guidance Note for full and complete guidance on all aspects of the Position Limits and LOPR Rules.

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<sup>4</sup> A "transaction originator" is someone who has discretionary control over the trading activity of a beneficial owner's positions but may not necessarily be the beneficial owner.

Section 7(3) of the Rules provide that "a person shall be regarded as having discretion in relation to futures contracts or stock options contracts he holds or controls for another person if:

- (a) he may originate orders or acquire or dispose of any of the futures contracts or stock options contracts under a general authorization from the other person, whether the authorization is pursuant to a written agreement, power of attorney or otherwise; and
- (b) such authorization enables the first person to make specific acquisitions or disposals without requiring further consent or instruction from the other person."

For example:

- (i) A Fund Manager who directs the investment decisions of Fund A, Fund B and Fund C that he manages is the "transaction originator" in respect of Fund A, Fund B and Fund C.
- (ii) Agent A is appointed by Futures Co Ltd as its agent to make investment decisions on behalf of Futures Co Ltd. Agent A has discretion over Futures Co Ltd's investments on the Hong Kong Stock Exchange. Agent A is the "transaction originator" in respect of Futures Co Ltd, which is the beneficial owner.
- (iii) Fund Manager A and Fund Manager B direct investment decisions of Fund A. Fund Manager A and Fund Manager B are both "transaction originators" in respect of Fund A.

## 5 REPORTS TO HONG KONG STOCK EXCHANGE

- 5.1 When reporting open positions in accordance with the Position Limits and LOPR Rules, *we will, unless you inform us to the contrary, assume you are the beneficial owner in respect of stock options contracts and/or futures contracts held or to be held by you on the Hong Kong Stock Exchange.*
- 5.2 Please contact us if you have any queries.

### B: LIMITS AND REPORTING REQUIREMENTS IMPOSED BY HONG KONG STOCK EXCHANGE

- 5.3 In addition to the Position Limits and LOPR Rules, Hong Kong Stock Exchange may impose (and has imposed) its own reporting requirements and trading and position limits in respect of particular contracts, markets, clients and exchange participants and may change the requirements or limits at any time and in its own discretion. You will need to comply with any such requirements or limits accordingly. Please refer to the respective rules of the Hong Kong Stock Exchange for further details.

### C: HONG KONG CLIENT IDENTITY RULE POLICY

- 5.4 The Hong Kong Client Identity Rule Policy ("**Rule**"), introduced by the SFC, applies to all licensed or registered persons who deal in securities and/or futures contracts that are listed or traded on the Hong Kong Stock Exchange or derivatives, including over the counter derivatives, written over such securities or futures contracts regardless of where such trades are effected ("**Transactions**"). UBS Securities Hong Kong Limited, a subsidiary of UBS AG, is such person and (inter alia) executes Transactions, directly or indirectly, on behalf of UBS Limited or UBS AG, London Branch.
- 5.5 The SFC and/or Hong Kong Stock Exchange ("**Regulators**") may request UBS Securities Hong Kong to provide to them within two (2) business days (or a shorter period in exceptional market conditions) client identity information such as the identity, address, passport or other identity document number, occupation and contact details of the ultimate beneficiary, and the person or entity originating or ultimately responsible for originating the instruction for, or the person that stands to gain the commercial or economic benefit or bear the commercial or economic risks of, a Transaction ("**HK CID Information**").
- 5.6 In this regard, you warrant or confirm that:
- (a) you will supply immediately to us or to UBS Securities Hong Kong (or to the Regulators directly) the HK CID Information as requested by us or UBS Securities Hong Kong (or a Regulator);
  - (b) you agree that where you are acting as agent for and on behalf of a client or another person, you have in place arrangements which will ensure that your client or the other person will provide the HK CID Information to you, to us, to UBS Securities Hong Kong or to the Regulators directly, upon request;
  - (c) you will continue to provide, or ensure that your client or the other person provides, the HK CID Information as requested by the Regulators to us or to UBS Securities Hong Kong (or to the Regulators directly) notwithstanding termination of our services to you in relation to any Transactions undertaken by us prior to such termination;
  - (d) any right to confidentiality or any benefit of secrecy with respect to HK CID Information under any applicable secrecy laws<sup>5</sup> of the ultimate beneficiary of, or the person originating or ultimately responsible for originating the instruction for, or the person that stands to gain the commercial or economic benefit or bear the commercial or economic risks of the Transaction has been validly and irrevocably waived by them; and
  - (e) if any HK CID Information is available to us or to UBS Securities Hong Kong, we or UBS Securities Hong Kong are expressly authorised to release to the Regulators, upon request, the HK CID Information.

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<sup>5</sup> Secrecy laws are found in different jurisdictions such as Austria, Bahamas, Cayman Islands, Denmark, Liechtenstein, Luxembourg, Poland, Singapore, St. Vincent, The Grenadines and Switzerland.

- 5.7 UBS Securities Hong Kong must refuse the business of those who are not prepared to provide HK CID Information to it or to the Regulators within 2 (two) business days of a request to do so. On that basis, we must also refuse the business of those who are not prepared to do so.