

Pricing Guidelines for Listed Products and OTC Derivatives Clearing Services offered by UBS

EMIR Articles 38(1) and 39(7) and Markets in Financial Instruments Directive II and Regulation (collectively MiFID II)

1. Introduction

The European Market Infrastructure Regulation (EMIR) of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties (CCPs) and trade repositories entered into force on 16 August 2012.

Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast) entered into force on 15 May 2014.

Regulation (EU) No 600/2014 of the European Parliament and of the Council on markets in financial instruments and amending Regulation (EU) no 648/2012 entered into force on 15 May 2014.

EMIR Articles 38(1) and 39(7) and MiFID II set out certain information that we are required to provide to our clients where we clear derivatives for them, either directly or indirectly through an EU central counterparty that has been reauthorised under EMIR (CCP). This document sets out the factors which impact the cost of clearing with, and therefore price/commission revenues which will be charged by, UBS.

As further described herein, UBS's commission revenues are determined on the basis of (i) an assessment of a client's profitability, (ii) the minimum annual revenue thresholds applied by UBS, (iii) general pricing considerations, (iv) a client's required level of segregation, (v) any additional services provided and (vi) a client's wider relationship with UBS. All of these factors combined with a client's current and future offering are taken into consideration when determining a client's commission structure on a cost per lot basis including the ability to benefit from any discounts or rebates.

UBS's commission revenues are determined excluding any exchange/clearing house/agent broker fees, details of which can be obtained either from the relevant organisation directly or from your UBS Sales Representative.

2. Client Profitability

As mentioned above, the commission revenues that UBS will charge a client for providing clearing services is dependent in part on UBS's assessment of that client's profitability. UBS typically measures client profitability using two main profitability indicators return on attributed equity of greater than 14.1% and return on LRD of 1.5% or greater.

3. Minimum Revenue Thresholds

In addition to meeting the profitability indicators, UBS also applies minimum revenue thresholds which a client must meet in order to establish a clearing relationship with UBS. These are currently set at USD 120,000 per annum for the clearing of Listed Derivatives and OTC Cleared Derivatives and are applied separately to each product type.

4. General Pricing Considerations

As part of the determination of the profitability indicators, the elections made by a client with respect to its clearing offering will be taken into account. The core criteria which impact the cost to UBS of clearing and therefore a client's overall commission structure are set out below. Each factor is considered separately and will have a varying impact on the cost per lot/cost per million notional.

Criteria	Decreases Fees	Increases Fees
Product Type	Listed Derivatives ¹	OTC Cleared Derivatives ²
Traded Exchanges & Products	Mature or STP markets	Bespoke or non STP markets
Execution Method	Direct market access	Voice execution
Execution Wallet	Execution done with UBS	Execution done away
Trading Volumes	High	Low
Contract Settlement	Cash	Physical
Portfolio Risk Attributes	Diversified portfolios Low duration fixed income portfolios (lower LRD footprint, lower RWAs)	Option heavy portfolios (Risk management model / Stress Loss consumption /) Directional and concentrated portfolio
Onboarding Complexity	Low complexity, single account standard offering	High complexity, multiple accounts or bespoke legal terms
Collateral Type	Non-cash collateral	Cash collateral
Client Credit Rating ³	Moody's, S&P, Fitch Aaa, AAA, AAA	Moody's, S&P, Fitch C , C, C

¹ This is generally the case but there may be exceptions

² This is generally the case but there may be exceptions

³ Client Credit Rating is measured by an internal framework which is not disclosed to clients but equates to Moody's, Standard & Poor's and Fitch credit agency scores.

Number of Accounts	Low	High
Average Pricing	Straight through processing	Manual
Allocation Process	Pre clearing allocation	Post clearing allocation
Client Reporting	Standard	Customised

5. Additional Costs associated with Segregation

Under EMIR and MiFID II, where we are providing services to you, acting in the capacity of a clearing member, that involve us clearing derivatives through a CCP we must offer our clients, at least, the choice between omnibus client segregation and individual client segregation and inform our clients of the costs and level of protection associated with each option.

Additionally, under EMIR and MiFID II, where we are providing services to our clients that involve us either providing indirect clearing services as set out in the Indirect Clearing RTS, or clearing derivatives indirectly as a client of a clearing member through a CCP, we must offer our clients a choice of a basic omnibus indirect client account (BOSA [also referred to as net omnibus account or NOSA]) and a gross omnibus indirect client account (GOSA) and inform our clients of the costs and level of protection associated with each option.

Different account structures at different CCPs may result in varying costs and varying levels of risk associated with a default of the clearing member or another client, the ability for portability, capital requirements for banks, operational complexity and consequently the associated cost to clients. In this regard please note the [FOA ISDA disclosure document](#) which sets out a high level overview of the different levels of protection associated with the different levels of segregation and different CCP clearing offerings

The cost for clearing on an omnibus basis is determined by way of application of the factors set out above. Opting for individual client segregation or gross omnibus segregation as applicable for all or some of your clearing business with UBS may involve additional charges, which will be in addition to fees for omnibus clearing. These fees are determined based on individual client requirements including, but not limited to; the number of currencies required to be supported, whether positions are held net or gross, base or multi-currency margining and the number of accounts.

An example of a client wanting one ISA/GOSA at one CCP using multi-currency margining on up to five currencies, these consist of:

1. Monthly account maintenance charge which could be up to USD 6k per account per CCP⁴
2. Additional bps charge on initial margin posted which could vary dependent on CCP

6. Additional Services

The commissions charged by UBS may increase where a client is offered, (at UBS's discretion) and takes advantage of, the additional services described below:

Collateral Management Fees

In addition to the commission fees and considerations detailed above, clients are charged a monthly collateral management fee based on the utilisation of non-cash collateral to cover margin requirements, the eligibility of the collateral at the underlying exchange and collateral

⁴ The monthly account maintenance charge could in certain circumstances be higher, such as for a larger number of currencies.



concentration risks. Fees are agreed with the client before the go-live and defined in the client commission schedule.

Collateral Transformation

Where a client needs the ability to use collateral margin that is not eligible for onward delivery to an applicable CCP, UBS offers a collateral transformation service. The type of non-eligible collateral, its quality and liquidity will determine the charges applied.

Cash Transformation

Where a client needs the ability to use cash margin that is not in an eligible currency for onward delivery to an applicable CCP, UBS offers a cash transformation service. A credit and debit interest rate with an additional spread will be applied for positive and negative cash balances in each currency. The interest rates are based on prevailing benchmark rates in each currency and are detailed in the client commission schedule.

Margin Call Facility (MCF)

A small sub section of clients have a pre agreed margin call facility in place, where margin is only required for amounts in excess of the facility limit. Where offered, this is priced using UBS unsecured financing rates as a benchmark.

Backup Clearing Member

Pricing for back up clearing services is considered using the same framework as a primary clearing relationship.

7. Pricing Examples

The following pricing examples have been included in order to give a practical example of the manner in which the above profitability indicators and general pricing considerations are taken into account when determining the commission revenues charged by UBS on a cost per lot/dollar per million notional basis. These represent one possible solution, out of many available, for each product type and are provided for information only on an indicative basis and based on UBS providing clearing services to a Baa1 / BBB / BBB⁵ rated client.

In these examples, no additional services are being utilised.

Cost of clearing Listed Derivatives⁶:

Exchange:	ICE Europe
Product Type:	Bond Future
Average Initial Margin	USD 30m
Average net open position	9,000 lots futures
Anticipated annual volumes:	250,000
Execution cost	USD 0.50 per lot
Clearing cost	USD 0.50 per lot
Omnibus account charge	USD 0.00
Individually Segregated or Gross Omnibus account - account maintenance charge	USD 6,000 per month
Individually Segregated or Gross Omnibus account - funding charge	20 bps

⁵ Moody's / S&P / Fitch credit ratings

⁶ Listed Derivatives clearing cost per lot quoted in USD based on a 'Cost Plus' methodology and does not include exchange or clearing house fees



Cost of clearing OTC Cleared Derivatives:

Clearing House	London Clearing House
Product Type:	Interest Rate Swap
Average Initial Margin	USD 20m
Average net open position	450m average gross notional exposure in IRS with 10 years average maturity
Anticipated annual volumes:	50 tickets
Clearing cost	USD 25.00 per mio notional
	100 bps IM charge
Omnibus account charge	USD 0.00
Individually segregated account - account maintenance charge	USD6,000 per month
Individually segregated account - funding charge	20 bps

8. Wider UBS relationship

A client's wider relationship within the UBS Group may be taken into consideration as part of the pricing process.

9. Further Information

The disclosure on our pricing guidelines contained herein and the information contained within the [FOA ISDA disclosure document](#) have been produced so as to provide prospective and existing clients with a high level overview of the available clearing structures and our pricing and so as to assist client's in making their election as to their preferred account structure, but do not constitute legal or any other form of advice and should not be relied upon as such. The disclosures do not provide all of the information you may need to make your election and it is the client's responsibility to review and conduct their own due diligence on the legal documentation and terms of UBS's clearing offering and relevant rules and structures of the various CCPs. We would encourage clients to contact their UBS Sales representative to discuss UBS's clearing offering in further detail.



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