

**Clearing Conflicts of Interest**  
Client Sales and Onboarding Criteria  
Pricing Approach

## 1. Introduction

Under the CFTC's Final Rules on Clearing Conflicts of Interest<sup>1</sup>, UBS clearing sales and onboarding criteria must be publicly available and objective. These criteria are set out below.

The Derivatives Clearing Unit can, at its own discretion, deviate from these criteria on a customer-specific basis without influence from Derivatives Sales and Trading Unit personnel, as permitted by CFTC regulations.

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<sup>1</sup> Swap Dealer and Major Swap Participant Recordkeeping, Reporting and Duties Rules; Futures Commission Merchant and Introducing Broker Conflicts of Interest Rules; and Chief Compliance Officer Rules for Swap Dealer, Major Swap Participants, and Futures Commission Merchants, 77 Fed. Reg. 20128 (April 3, 2012).

## 2. Client Sales and Onboarding Criteria and Pricing Approach

A client will be considered potentially eligible for clearing services if they are on one of the Investment Bank's priority client lists, or if they meet certain revenue targets within the Investment Bank and Wealth Management divisions. This could be on the basis of historic or projected revenues with UBS.

Further factors to be considered in prioritisation include:

- Operational and onboarding complexity
- Anticipated use of capital and risk resources

Pricing for OTC Clearing services is determined using a standard pricing calculator which targets the firm's current hurdle rate for Return on Attributed Equity as the target rate of return for the service and Return on Leverage Ratio Denominator. A calculation is applied to the individual client's current or expected clearing activity to determine an appropriate fee structure.

Inputs to this calculation include:

- Amounts of initial margin and types of collateral posted
- Credit assessments, including netting and collateral terms
- Processing complexity – including, but not limited to: Volumes, STP levels, allocation process, number of sub-funds, error levels
- Products traded & clearing houses used

To the extent that there are revenues elsewhere in the firm which are in excess of the firm's hurdle rates of return on capital, the Derivatives Clearing Unit may take these into consideration when considering revenues which make up the minimum account fees. This may include offering bundled pricing across clearing and execution services.