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Information on our MiFID order handling & execution policy



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This communication relates to our global markets business. For more information, visit www.ubs.com/ibterms

Information on our MiFID order handling & execution policy

Each **bold** term below which is not otherwise defined is defined in the Definitions section at the end of this document. This document and the information contained herein is effective from 3 January 2018.

1 Purpose

Under UK and EU **MiFID II**, UBS is required to put in place an order execution and handling policy (**MiFID II order execution policy**) and to take all sufficient steps to obtain the best possible result (**best execution**) on behalf of its **Professional Clients** either when executing client Orders or receiving and transmitting Orders for execution.

- (a) UBS is also required to execute Orders from Clients in a prompt, fair and expeditious manner, relative to other Orders or the trading interests of UBS, and to comply with certain requirements in respect of the aggregation and allocation of Orders from Clients.
- (b) UBS is also required to provide appropriate information to Clients on its MiFID II order execution policy.
- (c) The purpose of this document is to provide Clients with information on UBS's investment banking division's MiFID II order execution policy and to obtain their consent to such policy.

2 Scope

UBS's MiFID II order execution policy applies only to the provision of services by UBS to Professional Clients and in relation to **Financial Instruments**.

- (a) UBS's MiFID II order execution policy also only applies where UBS:
 - (i) receives and transmits client Orders; and/or
 - (ii) executes Orders on a Client's behalf.
- (b) UBS will be executing Orders "on a Client's behalf" where the Client legitimately relies on UBS to protect his or her interests in relation to the pricing or other aspects of the transaction that may be affected by how UBS executes the Order.
- (c) For example, this will likely be the case 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 as riskless principal on behalf of a Client; or
 - (iii) "works" an Order on a Client's behalf.
- (d) For quote-driven activity conducted with Professional Clients the presumption is that there is no legitimate reliance in such circumstances. These are generally UBS' prices, 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 consider whether there are situations where Clients may nevertheless be legitimately placing reliance on UBS. As part of that assessment UBS will take account of relevant UK and European guidance including the following considerations, as defined by ESMA¹:
 - (i) which party has initiated the transaction;
 - (ii) whether there is a market convention to 'shop around';
 - (iii) the relative levels of transparency within a market; and
 - (iv) the information provided by UBS and any agreement reached

Where appropriate, after a consideration of all the relevant factors, it is concluded that Clients are in fact placing legitimate reliance on UBS, this policy will be applied to relevant quotes requested by Clients. For further details on the scope and application of best execution to our services, please contact your usual UBS representative or alternatively consult our **Product General Procedures**.

3 Order execution – obtaining the best possible result

Subject to any specific instructions that may be given by a Client (see Section 9 below), when executing Orders on a Client's behalf, UBS will take all sufficient steps to obtain the best possible result taking into account the **Execution Factors** listed in Section 4 below.

UBS will determine the relative importance of the Execution Factors by using our commercial judgment and experience in light of market information available and taking into account the **Execution Criteria** described in Section 5.

4 Execution Factors

- (a) The Execution Factors that will be taken into account are: price; costs; speed; likelihood of execution and settlement; size; nature or any other consideration relevant to the execution of the Order.
- (b) Price will always merit a high relative importance in obtaining the best possible result. However, in some circumstances, for some Clients, Orders, Financial Instruments or markets, we may appropriately determine that other Execution Factors are as or even more important than price in obtaining the best possible execution result for the Client.

5 Execution Criteria

- (a) The Execution Criteria that will be taken into account when weighting the Execution Factors are the characteristics of:
 - (i) the Client;
 - (ii) the Order;
 - (iii) the Financial Instruments that are the subject of that Order; and
 - (iv) the Execution Venues to which that Order can be directed.

6 Execution Venues

- (a) A list of the Execution Venues used by UBS in respect of each class of Financial Instruments can be found at: www.ubs.com/ibterms².
- (b) This list of Execution Venues (not exhaustive) comprises those Execution Venues on which UBS places significant reliance when executing Clients' Orders. UBS reserves the right to use other Execution Venues where UBS deems appropriate in accordance with our MiFID II order execution policy and may add or remove any Execution Venues from this list.
- (c) UBS regularly assesses the Execution Venues available in respect of any products that it trades to identify those that will enable UBS, on a consistent basis, to obtain the best possible result when executing Clients' Orders taking into account Execution Factors and Criteria. The list of Execution Venues will

¹ <https://www.esma.europa.eu/questions-and-answers>

² For clients of UBS Execution Hub, a list of Execution Venues specific to Execution Hub is available on request.

then be updated, where necessary, following such assessment.

- (d) Please refer to the list of Execution Venues at www.ubs.com/ibterms from time to time for the current list of Execution Venues. You will not be notified separately of any changes to these venues.

7 Connected Parties and Third Party Brokers

In certain markets and subject always to any specific instructions that may be given by our Clients (see Section 9 below), UBS may transmit an Order UBS receives to **Connected Parties** or **Third Party Brokers**, for execution. In doing so, we are required to act in the Client's best interests and will comply with the considerations set out in Sections 4 and 5 above and Section 11 below.

- (a) In such cases, execution through Connected Parties can provide particular benefits, which can include increased certainty of execution, increased transparency, more effective communication and efficient resolution of issues for our Clients.
- (b) UBS keeps the performance of Connected Parties and Third Party Brokers under review including the formal evaluation of their performance to help ensure appropriate standards of execution which are consistent with our MiFID II order execution policy.

8 Methods of Execution

- (a) Subject to any specific instructions that may be given by our Client (see Section 9 below), we may execute an Order by one of the following methods or combination of methods:
 - (i) Where UBS has obtained the Client's prior express consent to execute outside a Regulated Market, MTF or OTF by UBS itself acting as the Execution Venue;
 - (ii) Directly on a Regulated Market, MTF, OTF or with a Third Party Broker or Connected Party with whom we have entered into an arrangement for handling relevant Orders;
 - (iii) In any given case we may use more than one Execution Venue if it is appropriate in light of the specifics of the Order and/or Client instructions;

9 Specific Client instructions

- (a) All Orders will be executed in line with Clients' instructions to the extent possible. Where a Client gives us a specific instruction as to the execution of an Order (for example, direct market access orders submitted via an electronic system), we will execute the Order in accordance with those specific instructions. Where the Client's instruction relates to only part of the Order, we will continue to apply our MiFID II order execution policy to those aspects of the Order not covered by the specific instructions.
- (b) Standing instructions on Client preferences such as venue exclusion or other liquidity preferences will be reviewed at least annually. Where we invite clients to do this we will provide information which is clear, fair and not misleading.
- (c) It is not necessary to give specific instructions. Clients may give full discretion to UBS in which case UBS will assess which execution factors apply and execute in line with our policy obligations. This may include executing in accordance with execution strategies taking into account the relevant execution factors.

10 Client spreads, mark-ups, fees and commissions

- (a) When executing an Order on behalf of a Client, having followed the processes described above, UBS may charge the Client an additional spread, mark-up, fee or commission for providing the Client with the execution. This spread, mark-up, fee or commission will be set by UBS to reflect, amongst other things, the costs and risks to UBS of providing the execution to the Client.
- (b) Any spread, mark-up, fee or commission applied to a Best Execution Order will however:
 - (i) be disclosed to the Client ahead of the placement of the Order, either on a transaction by transaction basis or by prior general disclosure of fee levels for categories of Orders for the Client.
 - (ii) not be set in such a way that it unfairly discriminates against certain Execution Venues or otherwise compromises the underlying process of obtaining best execution.
- (c) UBS will not receive any incentives (remuneration, discount or non-monetary benefit) for routing client orders to a particular Execution Venue if they will result in UBS failing to meet its best outcome obligations or result in contravening requirements on conflicts of interest or inducements.

UBS will also not enter into any **Payment for Order Flow** arrangements in the United Kingdom or the EEA .

11 Order Handling

- (a) UBS provides for the prompt, fair and expeditious execution of Orders³, relative to factors such as time and size and to other Orders or the trading interests of UBS. This is designed to allow for the execution of otherwise comparable Orders in accordance with the time of their reception by UBS.
- (b) When handling Orders, our objective is to:
 - (i) ensure that executed Orders are promptly and accurately recorded and allocated; and
 - (ii) carry out otherwise comparable Orders sequentially and promptly unless the characteristics of the Order or prevailing market conditions make this impracticable, or the interests of the Client require otherwise.
- (c) Orders will not be treated as comparable if they are received by different media and it is not practicable for them to be treated sequentially.

UBS will not execute Orders or **UBS Transactions** in aggregation with a Client's Order unless:

- (i) it is unlikely that the aggregation of Orders and the UBS Transactions will work overall to the disadvantage of any Client whose Order is to be aggregated; or
 - (ii) it has been disclosed to each Client whose Order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular Order which we do in our terms of business; and
 - (iii) it is in compliance with our MiFID II order execution policy.
- (d) If an Order is aggregated with one or more other Orders and the aggregated Order is partially executed, UBS will allocate the related trades in accordance with our MiFID II order execution policy and any supplemental guidelines from time to time.

³ "Indications of interest ("IOIs"), requests-for-quote ("RFQs") and indicative orders requiring a "last look" by the client prior to execution are not deemed to be "orders". Although RFQs or the acceptance by the client of the price quoted in response to an RFQ, IOIs and indicative orders are not considered orders, they do typically involve the communication of sensitive

client information. The 'Need to know' principle applies equally to IOIs, RFQs and orders.

(e) Where UBS Transactions have been aggregated with one or more Orders, UBS will not allocate the related trades in a way which is detrimental to a Client. The reallocation of UBS Transactions would generally be considered as detrimental to a Client if, as an effect of that reallocation, unfair precedence was given to UBS or to any particular person.

(f) Where an Order is aggregated with a UBS Transaction and the aggregated Order is partially executed, UBS shall allocate the related trades to the Client in priority to UBS. However, if UBS is able to demonstrate on sufficient grounds that without the combination it would not have been able to carry out the Order on such advantageous terms, then UBS may allocate the UBS Transaction proportionally, in accordance with our MiFID II order execution policy.

12 Monitoring and evidencing

(a) UBS will, on an on-going basis, monitor the effectiveness of our order execution arrangements and compliance with our MiFID II order execution policy. We will also monitor the quality of executions and will demonstrate to clients, at their request, that we have executed their Orders in accordance with this policy.

13 Product Specific Appendices

(a) The MiFID II Order Execution Policy is supplemented by a suite of Product General Procedures. These documents are specific to particular business areas and set out in greater detail the circumstances in which this policy applies to those areas and describes the approach to complying 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 area determines the relative importance of the Execution Factors and how it applies the Execution Criteria.

(c) The Product General Procedures can be found at www.ubs.com/ibterms⁴.

14 Review

(a) We will review our order execution arrangements regularly. We will also review our MiFID II order execution policy (including published Product General Procedures) at least annually and whenever a material change occurs that affects our ability to continue to obtain the best possible result for our Clients.

(b) We will notify you of any material changes to our execution arrangements or our MiFID II order execution policy (including Product General Procedures) by posting updated versions of this document and Product General Procedures on www.ubs.com/ibterms⁵.

(c) We will also update the list of Execution Venues on www.ubs.com/ibterms when necessary. You will not be notified separately of any changes to these venues. You should therefore refer to the current list of Execution Venues from time to time.

15 Prior Consents

(a) We are required to obtain your prior consent to our MiFID II order execution policy. You will be deemed to provide such consent when you place an Order with us on or after 3 January 2018.

(b) For Financial Instruments admitted to trading on a Regulated Market, MTF or OTF, we are also required to obtain your prior

express consent before we may execute an Order in such instruments outside of a Regulated Market, MTF or OTF. For further information on the risks please see our MiFID II Order Handling FAQs.

16 Definitions

Client: see definition of Professional Client below.

Connected Parties means any UBS Group entity or branch of such entity, through which such UBS entities execute or transmit Orders.

EEA means the membership of the European Economic Area from time to time, currently comprising Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Sweden, Iceland, Liechtenstein and Norway.

Execution Criteria means those factors listed in Section 5 of this document.

Execution Factors means those factors listed in Section 4 of this document.

Execution Venue means a Regulated Market, an MTF or OTF, a Systematic Internaliser (as defined in MiFID II), or (to the extent permissible by prevailing regulatory requirements) a market maker or other liquidity provider or an entity that performs a similar function in a third country to the function performed by any of the foregoing.

Financial Instruments means those instruments set out in Annex I, Section C of Directive 2014/65/EC of the European Parliament and the Council of 15 May 2014 on Markets in Financial Instruments and include:

- (i) transferable securities;
- (ii) money-market instruments;
- (iii) units in collective investment undertakings;
- (iv) various options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices, financial measures or commodities;
- (v) derivative instruments for the transfer of credit risk; and
- (vi) financial contracts for differences. (see Annex 1 Section C of Directive 2014/65/EC of the European Parliament and the Council of 15 May 2014 on Markets in Financial Instruments)

MiFID II means the Directive 2014/65/EC of the European Parliament and the Council of 15 May 2014 on Markets in Financial Instruments, Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014, and all implementing directives, local regulations and application and applicable UK legislation.

Multilateral Trading Facility or **MTF** has the meaning within Article 4(22) of Directive 2014/65/EC of the European Parliament and the Council of 15 May 2014 on Markets in Financial Instruments and applicable UK legislation.

Order means an instruction to buy or sell a Financial Instrument which is accepted by UBS for execution or transmission to a third party.

Organised Trading Facility or **OTF** has the meaning set out in Article 4 (23), of Directive 2014/65/EC of the European

⁴ For clients of UBS Execution Hub, Best Execution Procedures can be found at www.ubs.com/executionhub.

⁵ For clients of UBS Execution Hub, updated Best Execution Procedures can be found at www.ubs.com/executionhub.

Parliament and the Council of 15 May 2014 on Markets in Financial Instruments and applicable UK legislation.

Payment for Order Flow means the practice, when executing Client Orders, of receiving commission from both the Client originating the Order (including Orders where commission is due from the Client but waived) and from a market-maker with which the trade is executed.

Product General Procedures means specific procedures published by specific business areas within UBS that set out how this policy is applicable and, where applicable, implemented in the context of their business areas.

Professional Client means any natural or legal person that meets the criteria laid down in either Section I or Section II of Annex II of MiFID II and applicable UK legislation.

Regulated Market means a multilateral system operated and/or managed by a market operator which brings together or facilitates the bringing together of multiple third-party buying and selling interests in Financial Instruments – in the system and in accordance with its non-discretionary rules – in a

way that results in a contract, in respect of the Financial Instruments admitted to trading under its rules and/or systems, and which is authorized and functions regularly and in accordance with the provisions of Title III of Directive 2014/65/EC of the European Parliament and the Council of 15 May 2014 on Markets in Financial Instruments and applicable UK legislation

Third Party Brokers means non-UBS entities through which UBS executes or transmits Orders.

UBS means UBS AG London Branch and/or UBS Europe SE and any of its branches operating in the EEA from which investment services are provided to you by the investment banking division of UBS (for the avoidance of doubt, this does not therefore encompass services provided by Wealth Management, Retail and Corporate or Global Asset Management divisions).

UBS Transactions means trade against proprietary capital resulting in the conclusion of transactions in one or more Financial Instruments by UBS.

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