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Information on our MiFID order handling & execution policy

Product general procedure – Foreign Exchange and Precious Metals

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Product general procedure – Foreign Exchange and Precious Metals

This is a supplement to the information on our MiFID order handling & execution policy.

1. Purpose

(a) This document provides information on the application of best execution by UBS investment bank entities in the UK or EEA (**UBS**)[1] when handling or executing Foreign Exchange and Precious Metals transactions for Professional Clients[2] (**FXPM services**). **FXPM services** include three FXPM business areas – namely, eFX Principal Business, eFX Algo Execution (which is part of the eFX Principal Business) and FXPM Voice Execution. **Foreign Exchange and Precious Metals (FXPM)** includes the exchange of both currencies and precious metals.

(b) This document should be read as a supplement to Information on our MiFID Order Handling & Execution Policy (**Policy Information**) available at: http://www.ubs.com/ibterms.

(c) Capitalised terms not defined in this document shall have the same meaning as in the Policy Information document.

2. Scope & Application of Best Execution in UBS FXPM

(a) UBS has undertaken a detailed analysis of the application of best execution obligations (**Best Execution**) to the FXPM services, in line with the relevant regulatory rules and guidance. Where relevant, orders to which Best Execution applies (**Orders**), will also be executed in line with any instructions and constraints placed on the Order by the Client. In other situations, particularly in the context of quote driven activity, a review of the flows has confirmed those FXPM services will not be subject to Best Execution requirements. The paragraphs below explain in more detail when and how Best Execution obligations apply in the context of FXPM services.

(b) Deliverable Spot contracts are not Financial Instruments within the scope of the relevant regulations for these purposes and therefore are not in scope of Best Execution[3].

(c) Clients are able to submit the following types of instructions and requests for FXPM services:

(i) **Resting Orders**: These Orders include stop loss, take profit and other limit orders which are valid for a defined period of time (which can include overnight) that can be executed at the price specified (or, in some cases, better) without subsequent confirmation from the order submitter. This is a Best Execution service for FXPM Voice Execution, eFX Principal Business and eFX Algo Execution.

(ii) **At Best Orders***:* An Order that includes an instruction to execute at the best available price without subsequent confirmation from the order submitter. This is a Best Execution service for FXPM Voice Execution.

(iii) **Immediate Orders**: These Orders include quoted, limit and market orders with an instruction to execute immediately, either entirely or partially, without subsequent confirmation from the order submitter. This is a Best Execution service for eFX Principal Business and eFX Algo Execution.

(iv) **Algo Orders**: An Order that includes a number of defined parameters based on the order type and execution algorithm selected by the Client The order will be executed in one or multiple executions at the best available price without subsequent confirmation from the order submitter. This is a Best Execution service for eFX Algo Execution.

(v) **Firm Fixed Price Orders:** An Order to buy or sell at a fixed price which is executable at the stated price only without subsequent confirmation from the order submitter. This is a Best Execution service for FXPM Voice Execution, though only in relation to non-price-related matters.

(vi) **Fixing or Benchmark orders**: An order to buy or sell at the externally published fixing or benchmark price (plus a spread or fee, if applicable) without subsequent confirmation from the order submitter. All Execution Factors are either fixed (e.g. disclosed fees) and/or subject to specific client instructions. This service is applicable to FXPM Voice Execution and eFX Principal Business. This service is not a Best Execution service.

(vii) **Indications of Interest** (**IOIs**): Where the Client indicates their interest to trade with UBS at or near a certain price. If UBS is subsequently prepared to trade at or near that price, UBS will contact the Client and quote the price at which UBS is willing to trade. For some FXPM services, IOIs are electronically captured in internal tools and UBS salespeople will be automatically alerted to making a call back to Clients. For other FXPM services, IOI tracking is manual. The decision to proceed or not with that trade at the UBS price offered will be with the Client. This service is applicable to FXPM Voice Execution only. This service is not a Best Execution service.

(viii) Clients may also request a quote (**RFQ**) for a price from UBS including in the case of FXPM position rolls and roll-to-forward transactions. This service is applicable to FXPM Voice Execution only. This is not a Best Execution service.

(d) Where a spot trade is rolled into a forward or a forward is traded direct, the streamed forward points via STIR pricing are provided to

[1] Information on legal entities comprising UBS investment bank entities in the UK and EEA can be found on our website at www.ubs.com/ibterms. The EEA does not include Switzerland.

[2] UBS does not deal directly with Retail Clients and dealings with Eligible Counterparties are not subject to regulatory Best Execution and order handling requirements.

[3] FX spot transactions may be subject to Best Execution requirements indirectly where they form an embedded part of an instrument which is in scope for Best Execution (e.g. FX forward).

the Client. Therefore, the forward component, considered by MiFID as a financial instrument, is in scope of Best Execution.

3. Where does UBS provide Best Execution in FXPM services?

(a) In summary, for FXPM services, Clients should note that Best Execution is only applicable in the context of Orders: specifically, Resting Orders, At Best Orders, Immediate Orders, Algo Orders and Firm Fixed Price Orders.

(b) UBS's procedures with respect to addressing Best Execution requirements in respect of these Orders, for FXPM services (eFX Principal Business, FX Algo Execution and FXPM Voice Execution), are described in more detail in following sections.

4. Order Execution of FXPM Services

(a) UBS FXPM is the primary Execution Venue for executing Orders to which Best Execution requirements apply in FXPM products.

(b) The Execution Factors for any Order to which Best Execution requirements apply are, subject to any specific instruction or fixed element, price, cost, speed, likelihood of execution and settlement fees, size, and any other consideration relevant to the execution of an Order. Orders might potentially be subject to all Execution Factors, but the relative importance of each factor is determined by the Execution Criteria, which include the following contributing elements:

(i) The Client.

(ii) The Order.

(iii) Financial Instruments that are the subject of the Order; and

(iv) The Execution Venues to which the Order can be directed.

Where the Client is able to provide specific instructions with respect to the execution of an Order, it will be executed in accordance with those instructions. To the extent that UBS accepts and follows Client instructions, UBS will have satisfied any Best Execution requirements with respect to those aspects of the Order. Any remaining elements of the Order not covered by the Client's specific instructions will remain subject to Best Execution requirements and will be determined by UBS according to the Execution Factors and Execution Criteria, as set out above.

(c) For Firm Fixed Price Orders where Clients instruct on price, when receiving these orders, UBS will agree a time frame for which the order is active and UBS's ability to execute will be based on whether there is sufficient liquidity available at the Fixed Price at any point during this period. Absent of any specific instructions, with respect to certainty and timeliness, we will assume the order is good until the end of the day only, unless the order is to be filled next day in another region in which case it is good until the end of day in such region).

5. eFX Principal Business Transactions (not considering eFX Algo Transactions)

5.1. Placing an eFX Principal Business Order

(a) Clients predominantly execute eFX Principal Business transactions with UBS electronically and a Best Execution service is available for:

(i) all Clients, worldwide, executing FXPM electronically with UBS; and

(ii) Spot FXPM transactions[4], as well as for FXPM forwards, options, non-deliverable forwards (NDFs) and swaps.

(b) For eFX Principal Business, eFX Principal Business quotes are delivered via continuous price streams. Best Execution compliant price streams are available for trades executed electronically over the following Client channels:

(i) UBS Neo.

(ii) UBS TPricer – Neo.

(iii) FIX API.

(c) The primary Execution Factors for discharging the Best Execution obligation that the eFX Principal Business price streams aim to optimise are:

(i) Core price (the top of the book mid-price exclusive of any transaction costs).

(ii) Certainty of execution (i.e. fill ratio, ensuring that an acceptable proportion of requests result in a successful execution);

within the constraints of:

(iii) Client channel (optimising factors (i) and (ii). within the technical limitations of the channel through which the pricing stream is available to the Client).

(d) Two-way bid-offer prices are provided to the Client, where available, so that the Client has full visibility with respect to the cost of transacting before execution.

(e) "Last look" functionality is employed on Best Execution compliant price streams. For more information about how UBS deploys last look, please eFX Disclosure available at https://www.ubs.com/global/en/investment-bank/regulatory.html or speak to your usual FXPM UBS sales or relationship contact.

5.2. Executing an eFX Principal Business Order

(a) For eFX Principal Business, Clients should note that Best Execution is only applicable in the context of Resting Orders and Immediate Orders (including quoted, limit and market Orders).

[4] Although not required from a regulatory requirement, UBS nevertheless seeks to provide a Best Execution standard process for FX spot.

5.3. Transaction Costs for eFX Principal Business transactions

(a) The total execution price for the Client includes transaction costs charged by UBS for accessing its electronic liquidity. Transaction costs are calculated as the difference between the Client execution price and the UBS core price (top of the book mid). Transaction costs can include but are not limited to: costs associated with accessing liquidity, client coverage, counterparty risk, balance sheet usage and operational factors. For their in-scope transactions, clients can see the actual transaction costs post-trade on UBS Neo.

(b) A summary of all execution channels where transaction costs are available is given below:

Execution Channel	TCA Available via
Neo FXPM	Neo FXPM
FIX API	Neo FXPM
FXPM Voice Sales	FXPM Voice Sales

Further details can be obtained through contacting your usual FXPM sales or relationship contact.

5.4. Benchmarking & Monitoring eFX Principal Business transactions

(a) Best Execution compliant eFX Principal Business price streams are benchmarked against external and internal reference prices to ensure that Best Execution is achieved on a consistent basis. Wherever possible, external reference prices from market venues and brokers are used to obtain the best comparison of UBS's price against externally available prices. External observed prices may be adjusted for comparison purposes to take into account known costs of executing on external venues, (for example price slippage factors according to trade size). Where the external data available is limited in scope or quality, internal data may be used as a reference, (for example executed prices of comparable trades).

(i) Spot prices for electronic execution are benchmarked on a tick-by-tick basis.

(ii) Forwards, Swaps, and NDF prices are benchmarked on a tick-by-tick basis for all available standard tenors.

(iii) Options prices are benchmarked on a tick-by-tick basis for all available standard tenors.

(b) The benchmarking follows a tiered approach based on the availability of prices:

(i) Tier – 1: Dealable prices are available all the time (consistent prices) and the core price is benchmarked by calculating the percentage of time it is inside or equal to the market top of book bid/offer. e.g. most Spot prices.

(ii) Tier – 2: Dealable prices are not consistently available. When firm prices are available, the core price is benchmarked by calculating the percentage of time it is inside or equal to the market top of book bid/offer. e.g. most Options prices.

(iii) Tier – 3: Consistent indicative prices are available, and the core price is benchmarked by calculating the percentage of time it is inside or equal to the market top of book bid/offer plus a suitable threshold determined by UBS to account for the indicative nature of market prices. e.g. most Forwards prices.

(iv) Tier – 4: For several illiquid currencies, no consistent external pricing is available. In such a scenario no benchmarking is possible and therefore likelihood of execution with respect to market conditions takes precedence over price. UBS is regularly exploring alternative, real-time market data sources for illiquid products and currencies. e.g. illiquid NDF prices.

Unless otherwise stated, the UBS core price is the top of the book mid-price with no cost components added to it.

(c) The results of benchmarking are reviewed by UBS management on at least a monthly basis. In the event benchmarking activities identify that pricing needs to be adjusted in any area, appropriate corrective action is taken going forward.

5. eFX Algo Execution transactions

5.1. Placing an eFX Algo Execution Order

(a) All eFX Algo Execution Orders may, depending upon a Client's connectivity, be submitted by the Client directly to the eFX Algo Execution service via electronic means or submitted to a FXPM Sales contact to submit to the market via an "Authorised Channel".

5.2. Executing an eFX Algo Execution Order

(a) For eFX Algo Execution, Clients should note that Best Execution is only applicable in the context of Resting Orders, Immediate Orders (including quoted, limit and market Orders) and Algo Orders .

(b) The execution of eFX Algo Execution Orders is undertaken through the use of UBS's eFX Algo Execution smart order router **(SOR**). The logic employed by this SOR and how it addresses Best Execution can be found in section 5.3.

(c) Best Execution for eFX Algo Execution Orders will be achieved through the use of the SOR, execution algorithms, or a combination of these capabilities.

(d) The basis for all Best Execution pricing within the eFX Algo Execution service is an aggregated set of individual venue or participant pricing streams. Orders are executed depending on the nature of the Client Order handling method and the specific Client instructions.

5.3. SOR Description

(a) The eFX Algo Execution service operates a SOR. Clients can choose from different streams with different venues and liquidity characteristics.

(b) When a client places an order (i.e. algo parent order) into UBS's eFX Algo Execution service, the selected execution algorithm will

send one or more algo child orders to the SOR. Upon their receipt, the SOR will manage these inbound algo child orders with the aim of providing optimal order execution. To do so, the SOR analyzes market liquidity from sources available to it at the time of these orders, calculates the optimal market-facing instructions and submits these as one or more SOR child orders to Liquidity Sources in UBS's name. If a small residual amount remains to be executed at the end of an order, and no external Liquidity Source can accommodate the order size, the balance will be filled by liquidity from the UBS eFX Principal Business.

(c) **Liquidity Sources** include (but not limited to) primary markets (e.g. EBS Market, LSEG FX Matching), secondary ECNs (e.g. Cboe FX, Euronext FX, etc.), spot liquidity derived from FX Futures (e.g. CME), disclosed Bank and Non-Bank liquidity relationships, internal UBS liquidity, as well as UBS client-franchise and risk-reducing liquidity accessible via our proprietary internal matching engine and eFX Principal Business. Clients can choose to include or exclude specific Liquidity Sources on request, and this is reflected in your configuration profile.

(d) During the process of selecting the optimal set of SOR child orders across multiple Liquidity Sources, the SOR seeks to achieve the best price adjusted for fill probability, while also aiming to minimize subsequent market impact. When routing its orders, the SOR additionally evaluates price misses. If a child order is sent to a Liquidity Source based on available market data but no fill is received, the SOR's machine-learning model will automatically penalize those Liquidity Sources that exhibit lower fill probabilities or higher market impact on rejects.

(e) Where your eFX Algo Execution order executes against streaming liquidity from UBS's eFX Principal Business, this will be subject to the eFX Principal Business desk's last look practices. Please refer to the eFX Disclosure available at https://www.ubs.com/global/en/investment-bank/regulatory.html. Executions on Liquidity Sources will be subject to the last look principles of the respective venue(s).

5.4. Transaction Costs for eFX Algo Execution transactions

UBS offer two pricing models for the use of UBS's eFX Algo Execution service. Clients who opt to include at least one external venue in their Liquidity Sources will be charged on a fee-per-million notional traded, as agreed with their UBS FXPM sales representative. Clients who opt to execute solely against UBS eFX Principal Business streaming liquidity, can opt not to pay an explicit fee for the service. In this case, the price of each executed trade with the UBS FXPM Principal Business will include an additional spread to reflect the costs of building, maintaining and delivering the UBS eFX Algo Execution service.

5.5. Benchmarking & Monitoring eFX Algo Execution transactions

(a) Post Trade Monitoring:

(i) All orders to which Best Execution obligations apply are subject to post-trade monitoring. This monitoring comprises of order handling reports which feed into metric-based monitoring, discussed within Product and/or Best Execution working group forums. Negative trends or outliers are highlighted for further analysis.

(b) Liquidity Source Review:

(i) When selecting the range of execution venues, liquidity providers and exchanges accessible via the eFX Algo Execution service, UBS evaluates potential liquidity sources based on functional criteria. Examples of these criteria can include the liquidity available, the long-term viability of the liquidity source, market micro-structure and the clearing and settlement infrastructure adopted.

(ii) UBS performs a regular assessment of each of our Liquidity Sources to ensure that they continue to provide the best possible outcome for our clients on a consistent basis and to consider whether any changes are merited. The evaluation includes an assessment of Liquidity Sources that we are connected to as well as a sample of sources that we are not currently connected to. This assessment takes place on a periodic basis, and findings are discussed within Product and/or Best Execution working group forums.

6. FXPM Voice transactions

6.1. Placing a FXPM Voice Order

(a) FXPM Voice Orders may be placed by contacting a UBS FXPM salesperson, entering the Orders via an electronic channel up to the pre-defined thresholds (e.g., UBS FXPM Neo Orders). The execution of the FXPM Voice Order is performed by a member of UBS FXPM staff.

(b) If the Client wishes the Order to be executed according to any specific instructions (for example to execute in small tranches over a period of time), the Client should ensure that such instructions are communicated clearly to the UBS FXPM member of staff receiving the Order, and the UBS FXPM member of staff confirms that the instructions are received and understood.

(c) In order to demonstrate Best Execution on FXPM Voice Orders, the UBS salesperson has to electronically capture these Orders in internal tools. In exceptional market scenarios, the UBS FXPM salesperson may communicate order fills to the Client before capturing these in internal tools.

6.2. Executing a FXPM Voice Order

(a) UBS FXPM staff will seek to execute the Client's Order in accordance with any instructions that the Client may specify when placing the Order. Any Best Execution requirements will be exercised within the confines of any Client specific instruction. If for any reason the Client's instructions cannot be met, for example due to changing market conditions, UBS will contact the Client to inform them of such changes and request further instruction.

(b) For example, if a Client leaves an Order to buy with a limit price or better, but the market gaps higher before the Order can be executed, UBS will only amend the limit price for the Order on an updated instruction from the Client.

(i) When executing the Client's Order, UBS will aim to achieve the best outcome for the Client. Normally, this will mean seeking to achieve the best price as the principal Execution Factor. Subject to any specific instructions the Client may have given UBS as to how the Order should be executed, UBS will use its professional judgement, taking account of all relevant Execution Criteria, as to how to fill the Order, e.g.: whether to execute the Order (limit and stop loss orders)

(ii) whether to access third party liquidity versus UBS's own liquidity

(iii) whether to execute in tranches over a period of time.

(c) In all cases, UBS FXPM Principal Business will be the sole execution venue for the execution of FXPM Voice transactions.

(d) Example: if the Client has instructed UBS to use its discretion when managing a stop loss Order and to execute the Order only if the market moves through the level, UBS may decide not to trigger the Order if it only sees one isolated trade elsewhere in the market at that level. Instead, UBS will execute the Order only when in its judgement the market has clearly moved through the level, and in which case, the final price will reflect any resulting price slippage.

(e) Example: A Client places an "at best" Order to buy a large quantity relative to market liquidity. UBS would typically seek to hedge its risk by buying small tranches where it can find the best liquidity. The objective of this approach is to reduce the market impact of the execution process, thereby enabling UBS to secure a better price for the Client than if the hedge had been executed externally in one large trade.

6.3. Transaction Costs for FXPM Voice transactions

(a) Transaction costs defined in section 5.4 are also applicable to FXPM Voice transactions. The total execution price for the Client includes transaction costs charged by UBS for executing the FXPM Voice Order.

(b) Clients may request Transaction Cost post-trade to monitor their actual transaction costs. This can be obtained through contacting your usual FXPM sales or relationship contact.

(c) Where available, Clients can also see the post-trade transaction costs for their transactions subject to Best Execution requirements, in UBS Neo. Transaction Costs are shown for Client transactions executed via Neo, FIX API or FXPM Voice Sales.

6.4. Benchmarking & Monitoring for FXPM Voice transactions

(a) All FXPM Voice Orders received over voice and electronic channels which are subject to Best Execution are benchmarked against external or internal reference prices to ensure that Best Execution is achieved on a consistent basis.

(b) For benchmarking, the transfer price of the order is compared to a time-weighted average of market prices during the execution period. Wherever possible, external reference prices from market venues and brokers are used to obtain the best comparison of UBS's price against externally available prices.

(c) The results of benchmarking are reviewed by management on at least a monthly basis. In the event benchmarking activities identify that pricing needs to be adjusted in any area, appropriate corrective actions are taken going forward.

7. Instructions for FXPM Options execution are restricted in all locations

(a) Until further notice, UBS does not accept Resting Orders, At Best Orders or Immediate Orders for FXPM Options for any FXPM service.

(b) UBS continues to transact FXPM options with all Clients on the basis of:

(i) RFQs.

(ii) IOIs; and

(iii) Firm Fixed Price Orders.

Disclaimer

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