

# Summary of Best Execution Arrangements

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## 1. Purpose

In accordance with the market integrity rules ("**Rules**") made by ASIC in accordance with Part 7.2A of the Corporations Act, UBS Securities Australia Ltd ("**UBSSA**") must take reasonable steps to obtain the best outcome (or "**Best Execution**") for its clients when handling and executing client orders.

This statement discloses how, in general terms, our best execution obligation affects the handling and execution of client orders.

This statement also contains information on how we meet our best execution obligation to you, our clients.

Please note that whilst UBSSA has established procedures to take all reasonable steps to obtain Best Execution for its clients, UBSSA does not guarantee that it will achieve Best Execution for every order executed.

## 2. Scope

UBSSA's best execution arrangements apply where we execute orders to buy or sell Equity Market Products and CGS Depository Interests (collectively referred to as "**Relevant Products**") ("**Orders**") on behalf of a client.

"Equity Market Products" has the same meaning as defined in the Rules.

"CGS Depository Interest" is a depository interest, as defined in the Commonwealth Inscribed Stock Act 1911, that can be transferred through a licensed clearing and settlement facility.

UBSSA is acting "on a client's behalf" where UBSSA executes an Order on behalf of a client on one or both sides of a transaction.

## 3. Execution venues

In this document, "Order Books" has the same meaning as given in the Rules, and includes:

- ASX TradeMatch;
- ASX Centre Point; and
- Chi-X Australia (including Chi-X Hidden).

In taking reasonable steps to obtain Best Execution, UBSSA may execute a client Order as follows:

- (a) route Orders directly to the Order Books of licensed markets;
- (b) under a pre-trade transparency exception in accordance with the Rules and the operating rules of a Relevant Exchange (e.g. Block Trade, Trades With Price Improvement etc); or

- (c) By placing the Order with another broker for execution.

## 4. Best execution arrangements

Best Execution has a different meaning for different clients.

**4.1 For retail clients** – In the absence of specific instructions from you, UBSSA will take reasonable steps to execute client Orders on the basis of Best Total Consideration.

"Best Total Consideration" means the price of the Relevant Product and where applicable any costs passed on to you that are related to execution, including transaction costs incurred by you which are directly related to execution (e.g. exchange, clearing and settlement fees).

Where there are not material differences in transaction costs between Order Books, Best Total Consideration will mean Best Price. Where the difference in transaction costs that are charged to you is material, it will be a relevant factor.

"Best Price" means the best purchase or sale price of a Relevant Product.

**4.2 For wholesale clients** - In the absence of specific instructions from you, UBSSA will seek to execute your orders on the basis of Best Price as defined above.

In certain circumstances, Best Price may not provide wholesale clients with Best Execution. In such cases UBSSA may consider the following factors to determine the manner in which your Order will be executed:

- explicit and implicit costs;
- likelihood of execution;
- speed of execution;
- size of your Order;
- nature of your Order;
- the Order Books available and their trading status;
- other factors that may be relevant to the efficient execution of your Order (e.g. liquidity and market impact etc).

Whilst Best Price will generally be of higher relative importance, when assessing each of the factors above, UBSSA will have regard to the following considerations:

- the characteristics of the wholesale client;
- the characteristics and nature of the Order, including whether any specific instructions are given;
- the characteristics of the Relevant Product that is the subject of the Order; and
- the characteristics of the Order Books.

(collectively, "**Execution Criteria**").

Where speed and a specific directed venue of execution is the most important consideration to you on a standing basis, the best outcome may be achieved via certain

specialized components of the UBSSA automated trading system and not utilising the UBSSA smart order router. If this is relevant to you, you should discuss the relevant requirements with your UBSSA representative.

Please note that where UBSSA does not directly pass execution venue costs onto clients, these execution venue costs may differ between venues and therefore UBSSA may benefit from being charged a lower exchange fee from one venue compared to another.

## 5. Different execution venue trading hours

UBSSA intends to trade on Order Books during the ASX continuous trading session and, in the event that Order Books are open outside of the ASX continuous trading session, UBSSA may trade on those venues only where;

- there is sufficient liquidity on the remaining execution venues to deliver best execution; or
- a client instruction directs UBSSA to do so (refer section 7).

Where the order was provided outside of ASX market trading hours and we determine that Best Execution should be achieved by an Order Book is the best execution venue for your order, the order will be entered on to the ASX central order book prior to or during the ASX pre-auction phase.

## 6. Methods of execution

UBSSA will use a UBS developed automated trading system and smart order router as its primary execution tools. These systems are designed to reasonably deliver best execution by checking for the Best Price across all Order Books.

UBSSA offers a suite of algorithmic trading strategies which offer varying levels of interaction which can be set according to the user's preference. For example, the algorithm can determine the price and quantity of the order and will determine the slices of the order to be sent to different Order Books according to the rules of the applicable trading strategy. Further information about UBSSA's algorithmic trading strategies is available on request.

In certain circumstances, UBSSA may direct Orders manually to a specific Order Book. Such circumstances include, without limitation:

- the UBSSA trader determining on the basis of the Execution Criteria existing at the time the Order is placed that the best outcome for the client is likely to be achieved by manual order placement;
- where specific client instruction requires (refer section 7); and
- unavailability of the primary execution tools.

## Price movement after order transmitted

UBSSA will not re-transmit an Order it has already placed on one Order Book if a better price subsequently becomes available on another Order Book.

## Order routing logic where insignificant volume is available

UBSSA may elect to send all of an Order's volume to only one Order Book that offers the Best Price in situations where another Order Book also offers the Best Price, but only for an insignificant volume.

## Market outages and technical issues

In the event an Order Book is closed, UBSSA will continue to trade only where:

- there is sufficient liquidity on the remaining execution venue(s) to deliver best execution; or
- a client instruction directs UBSSA to do so (refer section 7).

In the event of a technical issue with the UBSSA smart order router, systems or market connections UBSSA will, using reasonable discretion, trade on the remaining venues available. Furthermore, if UBSSA determines that Best Execution will be best achieved by placing the Order with another broker for execution, UBSSA will either:

- determine the execution venue in accordance with the best execution arrangements of UBSSA (having regard to the factors listed in section 4) and provide the specific instruction to the broker; or
- satisfy itself that the other broker has arrangements in place to enable us to comply with our Best Execution obligations.

## Limit orders

In circumstances where you provide limit Orders, they will be handled and executed as follows:

- **Passive Limit Orders:** where the limit Order does not cross the spread (namely, buy Orders priced at or lower than the best offer price and sell Orders priced at or higher than the best bid price) the Order will be sent to rest on the Order Book ASX TradeMatch; and
- **Aggressive Limit Orders:** where the limit Order does cross the spread (namely, buy Orders priced at or higher than the best offer, and, sell Orders priced at or lower than the best bid price) the smart order router will send the Order to the Order Book that it considers will provide you with Best Execution (having regard to the factors listed in section 4).

Where only a portion of the Aggressive Limit Order executes, the remaining portion will be sent to rest on the Order Book ASX TradeMatch.

## Orders executed within the exceptions to pre-trade transparency

Where you provide us an Order that may be executed as per the pre-trade transparency exceptions in the Rules, the

Order will be handled and executed according to the best execution arrangements (having regard to the factors listed in section 4).

## 7. Specific instruction from a client

Unless a client expressly states otherwise, UBSSA considers that its clients will always require Best Execution. Where a client provides a specific instruction in relation to an Order(s), that is clear and unambiguous, UBSSA may accept and follow those execution instructions notwithstanding that the client may not achieve Best Execution. Even where UBSSA does accept a specific instruction from a client, it will take reasonable steps to satisfy that instruction and continue to seek Best Execution in relation to other factors which are not in conflict with the client's specific instructions.

For Retail Clients, UBSSA will only consider accepting specific instructions for an Order to be executed via a pre-trade transparency exception (e.g. Block Trade) and only on an order-by-order basis (i.e. UBSSA will not accept a standing specific instruction from a Retail Client).

For Wholesale Clients, UBSSA will consider accepting specific instructions on either an order-by-order basis or to the extent that systems allow as a standing instruction.

### Standing Specific Instructions

Where a wholesale client has provided UBSSA a standing specific instruction, UBSSA will periodically contact the client in order to confirm the specific instruction remains current. Following on from UBSSA contacting the client, where a reasonable time has passed and the wholesale client has not replied, UBSSA will consider the standing instruction to have lapsed and future Orders from the client will be handled and executed according to the best execution arrangements of UBSSA (having regard to the factors listed in section 4).

### Opt-Out of Best Execution

Along with providing specific instructions, Wholesale Clients may also provide instructions to opt-out of Best Execution for a period of 12 months.

Please note that UBSSA will not take steps to induce a client to provide instructions that are inconsistent with Best Execution (e.g. Opting-Out).

## 8. Demonstration of compliance

Upon receipt of a reasonable request by a client, UBSSA will demonstrate to the client that its Order was executed in accordance with the best execution arrangements of UBSSA. Reasonable requests should be made within three business days after the Order being executed.

The information that may be provided to a client to demonstrate best execution of a transaction will depend on the circumstances. Such evidence may include; the time at which an Order was received, UBSSA's information of the

terms of an Order, a description of the process by which the Order was processed in the UBSSA order management system, prevailing market data that was available to UBSSA at the time the Order was processed, identification of the venue selected by UBSSA and the reason for selecting the venue.

UBSSA will respond within a reasonable time after receiving the request.

UBSSA must take reasonable steps to obtain the best outcome for its clients when handling and executing orders, but this does not guarantee the best outcome. Possible reasons for not achieving the best outcome include latency in the execution environment or infrastructure or market data.

For clients whose Orders are placed with UBSSA via an intermediary – your request must be directed to that intermediary.

## 9. Notification of changes

UBSSA's summary of **best execution arrangements may change from time to time**. Any material changes to this statement will be notified to you.

The latest summary of our best execution arrangements is available on the below website:

<https://www.ubs.com/global/en/investment-bank/regulatory-directory/ubs-australia-disclosures.html>

This statement comes into effect on 20 August 2020.

Please contact your UBSSA representative or Intermediary (as applicable) if you require any further information or clarification.