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Our systematic internalisers

Approach to providing access to quotes under UK and EU
MiFID II



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For information about our global markets entities, visit www.ubs.com/ibterms

Our systematic internalisers

This document explains how our systematic internaliser in the EEA, UBS Europe SE (the **ESE SI**), and our systematic internaliser in the UK, UBS AG London Branch (the **UBS AGLB SI** and, together with the ESE SI, the **SIs**) operate and how we determine to whom we will give access to our SI quotes for UK or EU MiFID financial instruments (**Instruments**). It applies to both our equities SIs (which deal in shares, depositary receipts, ETFs, certificates and similar UK or EU MiFID financial instruments) and our non-equities SIs (which deal in bonds, structured finance products and derivatives).

1 Regulatory Framework and Publication of Quotes

- (a) UBS-IB SIs are required to make public firm quotes in respect of Instruments where there is a liquid market in such instruments and where they deal in a size which is below or equal the Standard Market Size (SMS) for equities or below or equal to Size Specific to the Instrument (SSTI) for non-equity products. The ESE SI will reference to the ESMA liquidity status and SMS/SSTI and the UBS AGLB SI will reference to the FCA liquidity status and SMS/SSTI.
- (b) UBS-IB SIs publish their quotes during normal trading hours. For equities this results in publication from 08:00 to 17:15 UK time. This applies so long as no exceptional market circumstances apply.
- (c) Where the obligation applies, UBS complies by making such quotes available to the public without charge via our selected Approved Publication Agents. For UBS AGLB SI this is UK Cboe APA Services for non-LSE listed equities instruments, LSE for LSE listed equities instruments and Trax UK in respect of non-equities instruments. For ESE SI this is EU Cboe NL APA Services for equities instruments and Trax NL in respect of non-equities instruments.
- (d) UBS-IB's SIs may update their quotes at any time but will only withdraw quotes in exceptional market conditions.

2 Access to Quotes

- (a) UBS-IB's SIs are required to provide client's access to the published quotes in accordance with their commercial policy and provide clear standards governing access to those quotes. To the extent a client is not given access to a particular quote in accordance with the section below, it will not be permitted to trade at that price.
- (b) Clients may trade with UBS in an Instrument only if they are fully and appropriately onboarded for this service by UBS, with all relevant documentation and other applicable requirements in place. Assuming that the client is appropriately onboarded to trade with UBS in the instrument, various factors may affect UBS's willingness to enter into further trades, or the price at which it is prepared to do so. UBS-IB's SIs will determine whether a given price indicated on a quote made transparent in the manner above is available to any subsequent client wishing to execute a similar trade with UBS-IB's SIs on the basis of some or all of the following non-discriminatory considerations, depending on the Instrument in question:
 - (i) **Market Factors** including:
 - (A) price movements in the relevant instrument or its underlying since the publication of the previous quote;
 - (B) price movements in related markets since the issuance of the previous quote;
 - (C) volatility or other market risk considerations.
 - (ii) **Risk and Inventory Driven Factors** including:
 - (A) UBS's inventory or risk position in a given instrument or related instruments;
 - (B) UBS's overall funding and capital costs.

These factors will not necessarily be used to distinguish between clients but may result in limits being imposed on the number of transactions UBS-IB's SIs are able to undertake to enter into with clients pursuant to any published quote.

- (d) **Commercial Considerations:** In terms of commercial and client-specific considerations which UBS-IB's SIs will apply to determine whether they are able to enter into further trades or the pricing of such trades with a specific client, the following are applied (with varying weights given to each factor depending on the Instrument in question):
 - (i) **Client Specific Credit Risk and Capital Considerations** including:
 - (A) Risk limits or restrictions applicable to that client in that the price at which the UBS-IB's SIs are able to trade will in part depend on the credit risk associated with a specific client or sector of clients due to the cost of managing that risk (such as CVA hedging costs);
 - (B) Capital costs applicable to that client, which may vary, for example due to collateralization arrangements in place with that client.
 - (ii) **Client Operational Preferences and Level of Service Support.** This will impact the costs incurred in servicing a particular client and take into account the level of execution service and interaction required for a particular client or sub-set of clients and the operational preferences/service levels required by the client in question which may impact costs to UBS-IB.
 - (iii) **The Scope and Value of a Client's Relationship with UBS-IB.** UBS-IB calculates economic profit for each client and may price clients differently to reflect specific factors affecting that client's economic profitability or to reflect the overall level of economic profit generated from business with that client across UBS-IB.
- (e) **Equities Specific Conditions and Arrangements:** Aside from the regulatory framework and access to quote considerations, please note the additional factors which are core to the operation of the UBS-IB's equities SIs:
 - (i) UBS-IB's SIs do not publish quotes:
 - (A) for instruments on days where the market on which the quote is based is closed; or
 - (B) for instruments which are on UBS's restricted list.
 - (ii) UBS-IB's SIs publish quotes per instrument at the ISIN level for liquid markets. Liquidity is based on an instruments average daily volume over the past 20 days (ADV20).
 - (iii) Quotes will be published in the currency of each liquid market of an instrument. Size of the quote is no less than 10% of such instrument's SMS.
 - (iv) No currency conversion takes place when executing orders on UBS-IB's SIs. Orders are executed against UBS-IB's SIs' quotes in the same currency as on the order.

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