



UBS AG London Branch
5 Broadgate
London EC2M 2QS
United Kingdom

UBS Europe SE
OpernTurm
Bockenheimer Landstraße 2-4
60306 Frankfurt am Main
Germany

www.ubs.com/ibterms

Information on our MiFID order handling & execution policy

Product general procedure - Global Banking



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For information about UBS, visit www.ubs.com/ibterms

Product general procedure - Global Banking

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 UK MiFID and EU MiFID (**MiFID**) best execution by UBS investment bank entities in the UK or the EEA¹ (**UBS**) when handling or executing **Global Banking (GB)** transactions for Professional Clients² (**Clients**).
- (b) For the purpose of this document Global Banking includes (collectively **GB MiFID Services**):
 - (i) Primary Debt Capital Markets
 - (ii) Debt Capital Markets Derivatives
 - (iii) Cash Equity Capital Markets
 - (iv) Strategic Equity Solutions Group
 - (v) Special Situations Group,
- (c) Franchise Loans, Leveraged Loans, Syndicated Loans, Margin Loans and Advisory are not within the scope of regulatory best execution as they are not MiFID Financial Instruments.
- (d) This document supplements our information on our MiFID order handling & execution policy (**Policy Information**) available at: <http://www.ubs.com/ibterms>.
- (e) Capitalised terms not defined in this document shall have the same meaning as in the Policy Information document.

2 Scope & Application of Best Execution to GB MiFID Services

- (a) In the context of providing GB MiFID Services and entering into transactions with Clients we have reviewed all flows against the relevant criteria as set out in the Policy Information document. The purpose of that review has been to identify those situations where Clients may be legitimately placing reliance on UBS to look after their interests and thus where regulatory best execution requirements apply. Furthermore, where they do apply, to determine how best execution is to be satisfied in those circumstances.
- (b) The European Commission provided guidance³ on determining the presence of legitimate reliance. UBS' review took into account this guidance (including consideration of the four suggested factors⁴) as a means to help determine whether legitimate reliance should be placed on UBS in the context of the GB MiFID Services.

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

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 Working Document ESC-07-2007

⁴ In quote-driven markets, the presumption is that professional clients should not be legitimately relying on firms to look after their interests. However, this presumption needs to be tested and the following four factors were suggested by the EU Commission that may help firms determine whether in fact clients were legitimately relying on them in such circumstances: 1) whether the firm or client instigates the transaction; 2) market practice – specifically whether there is market convention for clients to shop around; 3) the relative levels of transparency within a market; and 4) information provided to clients by UBS about its services and any terms of agreement.

- (c) The results of our review have been that, in the context of the majority of GB MiFID Services, characterised as they are by dealings with sophisticated Clients who are knowledgeable of the markets, who are able to shop around with intense competition from other institutions and where we do not take Orders types that are likely to give rise to legitimate reliance, that Best Execution requirements do not apply. However, we have identified that best execution will apply in certain situations as explained further in paragraph 2.4 below.
- (d) The scope of application of the Best Execution requirements is kept under regular review and will be revised as necessary.
- (e) Clients should note the following in the connection with the application of MiFID best execution to various components of GB MiFID Services.
- (f) **Primary Debt Capital Markets (including IG and Sub-IG)**
 - (i) The UBS Primary Debt Capital Markets (**Primary DCM/LCM**) business offers a range of advisory and execution services to Clients which include:
 - (A) Advice and financing in investment grade, high yield, and emerging markets, across all currencies including U.S. dollar, Euro, Sterling, Swiss Franc, Australian dollar and RMB;
 - (B) Private placements;
 - (C) Financial institutions and corporate hybrid capital structuring solutions;
 - (D) Debt raising and advice on optimization of regulatory or rating agency capital both in standalone, M&A or restructuring situations; and
 - (E) Liability management including advising on and executing public and private debt transactions including tenders, exchange offers and consent solicitations.
 - (ii) UBS will always seek to provide Clients with highly competitive services and prices, but Primary DCM/LCM services are not subject to our MiFID best execution policy.
- (g) **Debt Capital Markets Derivatives**
 - (i) The UBS Debt Capital Markets Derivatives (**DCM Derivatives**) business offers customised risk-management solutions including cross-currency and interest rate risk management and bespoke derivatives solutions. The following are key characteristics of the DCM Derivatives offering:
 - (A) The DCM Derivatives business operates on a request-for-quote (**RFQ**) basis.
 - (i) Clients should be aware that prices quoted are UBS' risk prices only and as such UBS does not offer a MiFID best execution service.
 - (ii) RFQs with an indicative price from the Client may also be taken and in this situation the Client will be called back at the point UBS is willing to trade at the indicated price. The decision to proceed on the basis of that price or not will be the Client's.
 - (B) The DCM Derivatives business will only accept Orders in situations where such Order types do

not give rise to any legitimate reliance, for example:

- (i) Fixed Price Orders: Clients must be aware that when such orders are placed UBS will not provide any price improvement beyond the price specified by the Client;
- (ii) Clients should be aware that the DCM Derivatives business does not accept Limit Orders (i.e. an Order to buy or sell at or better than a price specified by the Client). A Limit Order also includes a Resting Order in that the price may be outside the bid- offer spread at the time of submission of the Order.

- (ii) UBS will always seek to provide Clients with highly competitive services and prices, but DCM Derivatives services are not subject to our MiFID best execution policy.

(h) **Cash Equity Capital Markets**

- (i) The UBS Cash Equity Capital Markets (**Cash ECM**) business offers a range of advisory and execution services which include:
 - (A) Initial Public Offering;
 - (B) Fully Marketed Follow-on Offerings;
 - (C) Block Trades;
 - (D) Rights Issue;
 - (E) Private Placements; and
 - (F) Public Convertibles.
- (ii) UBS will always seek to provide Clients with competitive services and prices, but Cash ECM services are not subject to our MiFID best execution policy.

(i) **Strategic Equity Solutions Group**

- (i) The UBS Strategic Equity Solutions Group (**SESG**) business offers a range of products to Clients which include:
 - (A) Collar with financing or margin loans;
 - (B) Pre-IPO shareholder financing;
 - (C) Non-recourse financing against shares, baskets of shares, hybrid baskets or funds;
 - (D) Hedging techniques such as buying puts, put spreads and proxy hedging;
 - (E) Yield enhancement through sale of calls and puts;
 - (F) Total Return Equity Swaps;
 - (G) Derivative and Cash Solutions for accumulation / sale of shares;
 - (H) Forward purchase and sale; and
 - (i) Investment opportunities.
- (ii) In the context of SESG services, we have determined that Best Execution does not apply to the provision of the majority of these services. However, we have concluded that Best Execution requirements will apply in the following situations:
 - (A) In respect of a worked delta execution for a transaction where a Client requests UBS to either target VWAP benchmark or gives UBS a limit order.
- (iii) Where we accept such Orders from Clients, we will, subject to any explicit instructions from the Client, execute that Order on the Client's behalf in accordance with our MiFID Order Execution Policy,

giving appropriate consideration of the Execution Factors and Execution Criteria. The execution of these Orders can be handled in the following ways:

- (A) Orders are passed to and handled by Global Equity Derivative ("GED") traders: for information on how GED traders approach delivery of Best Execution to Clients in this context, please refer to the GED Product General Procedures, also available at <http://www.ubs.com/ibterms>
- (B) Routing the Order to Cash Trading Book (if execution involves usage of multiple avenues in bespoke manner) or Central Risk Book (if UBS is executing versus benchmarks). For information on how Cash Equities delivers Best Execution to Clients, please refer to the Cash Equities Product General Procedures, also available at <http://www.ubs.com/ibterms> or
- (C) External brokers, depending on the Execution Factors of the Order.
- (iv) Clients should be aware that when asking UBS either to quote a risk price or to execute to a guaranteed benchmark, this will be a UBS price and will not be subject to our MiFID best execution policy.

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(j) **Special Situations Group**

- (i) The UBS Special Situations Group (**SSG**) business offers a range of bespoke structured lending solutions which include:
 - (A) Cashflow and asset based lending;
 - (B) Bridge financing in advance of IPOs, asset sales or any liquidity event;
 - (C) Private debt capital for closely held businesses;
 - (D) Monetization of discrete assets such as contracts, royalties and intellectual property; and
 - (E) Provision of liquidity on the back of sourcing credit default swap (CDS) protection on a client order.
- (ii) In the context of the SSG business the majority of activities involve "lending" which, as a non MiFID Financial Instrument, fall outside the scope of MiFID Best Execution requirements. Some activities do, however, involve MiFID financial instruments: specifically when providing liquidity to Clients in a securities format on the back of sourcing CDS protection to hedge the drawdown by the Client for the securities funding (known as the "CDS Funded Programme"). In the context of the CDS Funded Programme, the following characteristics of the

services offered are key to the application of Best Execution requirements:

- (A) The SSG business will only accept drawdown requests in the form of Orders in situations where such Order types do not give rise to any legitimate reliance, for example:
 - ⓪ Fixed Price Orders, where the Client should have no expectation to receive price improvement beyond the original price specified by the Client in the Order i.e. provide a level for execution of the CDS without expectation for price improvement.
 - (B) The SSG business does not take the following types of Orders that could place legitimate reliance on UBS:
 - ⓪ Limit Orders: an Order to buy or sell at or better than a price specified by the Client. A Limit Order may include a Resting Order in that the price may be outside the bid- offer spread at the time of submission of the Order
 - ⓪ "Fill at Best" or "Fill or Kill".
- (iii) In light of the considerations above, although UBS will always strive to provide competitive prices, SSG services are not subject to our MiFID best execution policy.

Disclaimer

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