

Information on our MiFID II Product Governance

UBS Investment Bank



UBS IB Product Governance

1 Purpose

This document provides information on the application of MiFID II and UK MiFID Product Governance by the UBS Investment Bank (UBS IB) division in the EEA and UK when manufacturing¹ in scope financial instruments under MiFID II (see Appendix).

2 Regulation Overview

Directive 2014/65/EU of European Parliament and Council of 15th May 2014 and the Commission Delegated Directive 2017/593 of 7/04/2016 on Markets in Financial Instruments ('MiFID II') and as on-shored into the UK pursuant to the Market in Financial Instruments (Amendment) (EU Exit) Regulations 2018 sets out new requirements relating to Product Governance. The new rules govern the framework for manufacturing, offering and recommending Financial Instruments, Structured Deposits and Services.

In the context of Product Governance, UBS IB can act as manufacturer, distributor or both. When acting as manufacturer and/or distributor, UBS IB has put in place the following arrangements.

3 Product Approval Governance Process

Within UBS IB, there is a comprehensive framework and approval process to assess products that are manufactured and/or significantly adapted and sold to Clients either directly or via third party distributors.

The Product Governance requirements are applied in a way that is proportionate and appropriate, taking into account the nature of the investment product, the investment service and the target market of the product. For example, more complicated products, such as structured products with complicated return profiles, the target market will be identified with more detail. For simpler, more common products it is likely that the target market will be identified with less detail.

The product approval process may incorporate quantitative and qualitative assessments and shall:

- (a) specify an identified target market of end clients for each product
- (b) ensure all relevant risks to the identified target market are assessed
- (c) ensure that the intended distribution strategy is consistent with the identified target market.
- (d) assess conflicts of interest
- (e) assess charging structure proposed for each product

4 Target Market Identification

The target market for each product that are manufactured by UBS IB will be assessed based on the following:

- Client type
- Knowledge and experience
- Ability to bear losses
- Risk tolerance
- Client objectives and needs

¹ Manufacturer: investment firm that creates, develops, issues and / or designs financial instruments, including when advising corporate issuers on the launch of new financial instruments

5 Information for Distributors

To enable distributors to understand and recommend or sell the product manufactured by UBS IB properly, it will make available to them:

- Appropriate information on the product
- Identified target market for the product
- The appropriate channels for distribution of the product

This information is available here or via your UBS Sales Contact.

6 Ongoing Review

UBS IB will regularly review products where it acts as a manufacturer. This regular review will include feedback from distributors as well as an assessment of how the product is performing and whether it continues to meet the needs, characteristics and objectives of the target market. Management information will also be collected from distributors to assess if the product is being distributed to the identified target market and the intended distribution strategy remains appropriate.

Further questions

If you have any comments or questions, please contact your usual sales contact.

Appendix

MiFID II Financial Instruments

All products manufactured or distributed which fall into one of MiFID II financial instruments as defined by Article 4(15) below are in scope.

- (1) Transferable securities
- (2) Money-market instruments
- (3) Units in collective investment undertakings;
- (4) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
- (5) Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;
- (6) Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
- (7) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Section and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
- (8) Derivative instruments for the transfer of credit risk;
- (9) Financial contracts for differences;
- (10) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF;
- (11) Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC (Emissions Trading Scheme).

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