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Public Distribution products 'last look' disclosures

Equity Derivatives

Public Distribution Products Disclosure

UBS's Global Markets (**we, us or UBS**) may provide market participants (**you, a client**) with indicative pricing for EMEA Public Distribution products. This disclosure describes UBS's "last look" practices that will be applicable to your electronic trading activity in Public Distribution products with UBS. The design and implementation of "last look" at UBS in respect of Public Distribution products may be subject to change over time at UBS's discretion.

What is "last look"?

UBS will have previously provided a client an indicative quote for a product. When a client requests to trade on that indicative quote, an order is received by UBS from intermediaries acting on the client's behalf, and UBS may accept or reject the order. The practice of UBS determining whether or not we will accept or reject the order is generally referred to as "last look".

Why does UBS apply "last look"?

UBS is required to perform a number of checks which include indicative quote age checks and validation of order parameters, before it can accept or reject your order. Further, electronic trading systems and client and/or UBS workflows can experience latency – which is the period of time between when the indicative quote was provided and the time that UBS systems receive and process the order. The "last look" functionality allows UBS to perform the relevant checks, validate order parameters and executions against current quotations to ensure the order is not stale because of latency.

How does UBS apply "last look" for electronically traded Public Distribution products?

After an order is received in the UBS systems, the "last look" checks begin. The time taken to complete these checks is known as "last look delay". The period of the "last look delay" may be further impacted due to latencies on systems and networks on either side. During the "last look delay" the following checks are undertaken:

- Quote age check to verify the quote age does not exceed a determined age.
- Order parameter validation to confirm the order has all the necessary components of a valid order (such as instrument, order size, time).
- Price and tolerance level check (see below)

Is UBS's implementation of "last look" price check for electronically traded Public Distribution products symmetric?

No, UBS's application of "last look" price check in respect of these products is asymmetric. UBS implements "last look" price checks based on a tolerance zone whether the price moves against UBS or against the counterparty. If the price moves within the tolerance zone, the order will be accepted. However, when the price moves outside of the tolerance zone, the order will be accepted when in favour for UBS and rejected when in favour of the client (e.g. against UBS).

How does UBS reach decisions about "last look" price check tolerance settings and will it share those settings with you?

For electronic trading in Public Distribution products, "last look" price check tolerance settings are configured at UBS's discretion and applied globally to all clients with no specific individual customization and, may be subject to change by UBS without notice. UBS is open to providing settings applying to "last look" by product.

Does UBS use information about unexecuted orders in undertaking its hedging or pricing during the 'last look'?

UBS does not use information from your unexecuted orders during "last look".

Further information

This disclosure is subject to change. If you have any questions about this disclosure or would like to discuss last look or other matters, please speak with your UBS sales representative.