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Information on our MiFID order handling & execution policy

Product general procedure – rates and credit



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For information about our investment bank entities, visit www.ubs.com/ibterms

Product general procedure – rates and credit

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 MiFID best execution by UBS investment bank entities in the UK or EEA (**UBS**)¹ when handling or executing **Rates and Credit** transactions for Professional Clients².
- (b) For the purpose of this document Rates and Credit includes Rates Flow, Credit Flow, Rates and Credit Solutions and Interest Rate Options.
- (c) This document supplements our Information on our MiFID Order Handling & Execution Policy (**Policy Information**) available at: www.ubs.com/ibterms.
- (d) 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 UBS Rates and Credit services

- (a) UBS has undertaken a detailed analysis of the application of best execution obligations to the UBS Rates and Credit business, in line with the relevant regulatory requirements under UK MiFID and EU MiFID (**MiFID**). Although UBS will always seek to provide competitive prices, the results of the analysis are that the services offered by UBS in this area are not subject to regulatory best execution requirements.
- (b) Two criteria were instrumental in reaching these conclusions: only where the answers to both considerations (i) and (ii) are affirmative would the business be in scope for MiFID best execution:
 - (i) Is the relevant activity occurring within the UK or EEA? If yes;
 - (ii) Are Clients placing legitimate reliance on UBS?
- (c) Is the execution activity occurring within the UK or EEA?
 - (i) Best execution requirements are a component of MiFID and as such they apply to UK or EEA-conducted business only.
 - (ii) UBS Rates and Credit considers that Client transactions falling within any of the following scenarios may result in UBS conducting relevant activity in the UK or EEA and thus potentially falling within scope of MiFID best execution requirements.
 - (A) Orders placed directly with a salesperson or trader located in the UK or EEA; and
 - (B) Orders placed with a UBS salesperson or trader outside of the UK or EEA but which are executed by a trader in the UK or EEA branch of the same UBS entity that received the Order.
- (d) For execution activity in the UK or EEA: Is the client legitimately relying upon UBS to look after their interests with respect to the transaction?
 - (i) In the event that such activity is undertaken by UBS in the UK or EEA, the subsequent consideration in determining if MiFID best execution requirements apply is whether or not UBS is acting on behalf of the Client when executing their Order. In line with guidance provided by

the European Commission, this depends whether the Client may legitimately rely on UBS to protect their interests in relation to pricing and other elements of the transaction that may be affected by the choices made by the firm when executing the Order.

- (ii) The European Commission (**EC**) provided guidance on determining the presence of legitimate reliance in the Working Document ESC-07-2007. UBS's assessment took into account all relevant guidance (including consideration of the 4 factors suggested by the EC³) as a means to help determine whether legitimate reliance would be placed on UBS in the context of the services offered by UBS.
- (iii) The following points are central to the conclusion that Clients should not legitimately be placing reliance on UBS in the context of Rates and Credit transactions:
 - (A) The Rates and Credit business predominantly operate on a request-for-quote (**RFQ**) basis. Prices quoted to Clients are UBS's prices presented in situations where there should be no legitimate reliance placed on UBS⁵.
 - ⓪ 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 able 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 Rates and Credit business will only accept 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;
 - ⓪ Fixing or Benchmark Orders where UBS fills the Order at the externally published fixing or benchmark price and thus does not involve the exercise of any discretion by UBS;
 - (C) The Rates and Credit business does not take the following types of Orders that could place legitimate reliance on UBS, for example:
 - ⓪ Stop Loss, Take Profit, At Worst and other Limit Orders
 - ⓪ At best, Fill or Kill⁴ and other Market orders
- (iv) The scope of applicability of the best execution requirements is kept under regular review and will be re-vised as necessary.

Counterparties are not subject to regulatory best execution and order handling requirements.

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

³ The four factors the EU Commission suggested may help firms determine whether clients were legitimately relying on them are 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.

⁴ “Fill or Kill Orders” do not include Fixed Price Orders with a time limit in which to fill the order or cancel.

⁵ Indications of interest (“IOIs”), requests-for-quote (“RFQs”) and indicative orders requiring a “last look” by the client prior to execution are not deemed to be “orders”. Although RFQs or the acceptance by the client of the price quoted in response an RFQ, IOIs and indicative orders are not considered orders, they do typically involve the communication of sensitive client information. The ‘Need to know’ principle applies equally to IOIs, RFQs and orders.

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