



UBS AG Hong Kong
Branch & Singapore
Branch

(UBS AG is
incorporated in
Switzerland with
limited liability)

Two International
Finance Centre
52/F
8 Finance Street
Hong Kong

9 Penang Road 238459
Singapore

www.ubs.com/ibterms

Information on our Hong Kong & Singapore order handling & execution policy

Product general procedure – rates, credit & solutions



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

Product general procedure – rates, credit and solutions

This is a supplement to the information on our Hong Kong & Singapore order handling & execution policy.

1 Purpose

- (a) This document provides information on the application of Hong Kong & Singapore best execution by UBS investment bank entities in HK / SG when handling or executing **Rates, Credit & Solutions** transactions for clients.
- (b) For the purpose of this document Rates, Credit & Solutions includes Rates Flow, Credit Flow, Rates and Credit Solutions and Interest Rate Options.
- (c) This document supplements our Information on our HK / SG Order Handling & Execution Policy (**Policy Information**) available at: <https://www.ubs.com/global/en/investment-bank/regulatory-directory/global-markets-bestexecution-hksg.html>
- (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 Credit & Solutions services

- (a) UBS has undertaken a detailed analysis of the application of best execution obligations to the UBS Rates Credit & Solutions business, in line with the relevant regulatory requirements under the Securities and Futures Commission (SFC) & Monetary Authority of Singapore (MAS). 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 HK/SG best execution:
 - (i) Is the relevant activity occurring within HK/SG? If yes;
 - (ii) Are clients placing legitimate reliance on UBS?
- (c) Is the execution activity occurring within HK/ SG?
 - (i) Best execution requirements are a component of HK/ SG regulatory requirements and as such they apply to HK/SG conducted business only.
 - (ii) UBS Rates, Credit & Solutions considers that Client transactions falling within any of the following scenarios may result in UBS conducting relevant activity in HK/SG and thus potentially falling within scope of HK/SG best execution requirements.
 - (A) Orders placed directly with a salesperson or trader located in HK/SG; and
 - (B) Orders placed with a UBS salesperson or trader outside of HK/SG but which are executed by a trader in HK / SG branch of the same UBS entity that received the Order.
- (d) For execution activity in HK / SG: 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 HK / SG, the subsequent consideration in determining if HK/ SG 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 SFC and MAS, 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 SFC & MAS provided guidance on determining the presence of legitimate reliance. UBS's assessment took into account all relevant guidance (including consideration of 4 factors ¹) 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, Credit & Solutions transactions:
 - (A) The Rates, Credit & Solutions 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 UBS.
 - (I) 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, Credit & Solutions 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, where the Client should have no expectation to receive price improvement beyond the original price specified by the Client in the Order;
 - (II) 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, Credit & Solutions business does not take the following types of Orders that could place legitimate reliance on UBS, for example:
 - (I) Stop Loss, Take Profit, At Worst and other Limit Orders
 - (II) At best, Fill or Kill² and other Market orders
- (iv) The scope of applicability of the best execution requirements is kept under regular review and will be revised as necessary.

¹ The four factors the SFC & MAS 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.

² "Fill or Kill Orders" do not include Fixed Price Orders with a time limit in which to fill the order or cancel.

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