



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

Product General Procedure – UBS Bond Port



Version: October 2023

This communication relates to our global markets business. For more information, visit <https://www.ubs.com/global/en/investment-bank/regulatory-directory/global-markets-bestexecution-hksg.html>

Product general procedure - UBS Bond Port

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

1 Purpose

- (a) This document provides information on the application of Hong Kong and Singapore best execution by UBS investment bank entities in HK/SG (**UBS**) when handling or executing transactions for Clients¹ in the context of UBS Bond Port in which UBS Bond Port enables clients to access bond liquidity from a range of sources.
- (b) This document should be read as a supplement to 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>.
- (c) Capitalized terms not defined in this document shall have the same meaning as in the Policy Information document.

2 UBS Bond Port services and scope of Best Execution

- (a) UBS has undertaken a detailed analysis of the application of HK/SG Best Execution obligations (**Best Execution**) to these services, in line with the relevant regulatory rules and guidance under the Securities and Futures Commission (SFC) and Monetary Authority of Singapore (MAS). Where relevant, orders to which Best Execution applies (**Orders**), will also be executed in line with any instructions and constraints placed on the Order by the Client. In other situations, particularly in the context of quote driven activity, a review of these flows has confirmed that, these will be UBS' prices and those services will not be subject to Best Execution requirements. The following paragraphs explain in more detail when and how Best Execution obligations apply in the context of UBS Bond Port.
- (b) UBS Bond Port enables Clients to access bond liquidity through the submission of the following three types of instruction:
 - (i) Firm Limit Order: An Order that includes a limit price and can be executed at that price or better without subsequent confirmation from the order submitter.
 - (ii) Firm Fixed Price Order: An Order that contains a fixed price and can be executed at that price without subsequent confirmation from the order submitter.
 - (iii) Indication of Interest (**IOI**): An indication of interest to enter into a transaction and which requires confirmation of the proposed transaction from the submitter of the IOI prior to execution.²
- (c) Clients may also request a quoted price (**RFQ**) in a specified security from UBS via Execution Venues or external platforms or third-party Electronic Communication Networks (**ECNs**) (external platforms and ECNs each an **External Platform**)
- (d) **Firm Limit Order Service**
 - (i) These Orders will be submitted by the Client with a stated limit price which is valid for a defined period of time, (which can include overnight).
 - (ii) These Orders may, depending upon a Client's connectivity, be submitted by Clients directly to the market via electronic means or submitted to UBS Bond

Port personnel to submit to the market via an "Authorized Channel" (electronically or by telephone).

- (iii) The Order is executable at the limit price or at a better price and is not contingent, nor subject to, subsequent confirmation by the Client. This is a Best Execution service.
 - (iv) The execution of Firm Limit Orders is undertaken through the use of UBS's Bond Port Smart Order Router (SOR). The logic employed by this SOR and how it functions is set out in Section 4 below.
 - (e) **Firm Fixed Price Order Service**
 - (i) This service allows a Client to submit an Order to UBS via electronic means with a stated price as specified by the Client. The Order is executable at the stated price only and is not contingent, nor subject to, subsequent confirmation by the Client.
 - (ii) This is a Best Execution service, though only in relation to non-price-related execution factors.
 - (f) **Indications of Interest**
 - (i) IOIs may be submitted by the Client, depending upon a Client's connectivity, directly to the market via electronic means or to UBS Bond Port personnel to submit to the market via an "Authorized Channel" (electronically or by telephone).
 - (ii) IOIs must be submitted with a stated price which is valid for a defined period of time, (which can include overnight), both as specified by the Client. However, the IOI will not be executed at the price specified by the Client without subsequent confirmation by the submitter. The confirmation will be sought via the same media as the IOI was submitted.
 - (iii) This service is not a Best Execution service.²
 - (g) **Request for Quote Service**
 - (i) RFQ Service: where you approach us with an RFQ, UBS Bond Port may respond by providing a price to enter into a transaction for the particular security. UBS provides such prices on risk and will hedge its risk position with the liquidity available to it
 - (ii) Enquiries may be submitted electronically to UBS via an Execution Venue or External Platform (including Electronic Communication Networks). Where a Request for Quote is submitted electronically via an Execution Venue or External Platform, the Request for Quote will be directed to the UBS Bond Port business. The UBS RFQ response will be communicated back to the Client via the same media as it was requested.
 - (iii) This service is not a Best Execution service
- ## 3 Application of Best Execution requirements to UBS Bond Port
- In summary, Clients should note that Best Execution is only applicable in the context of Orders: specifically Firm Limit Orders and Firm Fixed Price Orders.²

¹ UBS deals with accredited and/or institutional investors in Singapore and Institutional or Corporate Professional Investors in Hong Kong.

² Please note that IOIs may be referred to as subject fixed price orders (or similar terminology). Neither IOIs nor the acceptance by the client of the price quoted in response to an IOI are considered to be an "Order".

- (a) Best Execution requirements in respect of these Orders will be addressed through the use of the SOR. In practice, the SOR will also be employed in the context of IOIs, though best execution will not be applicable to these instruction types.
- (b) The basis for Best Execution pricing is an aggregated set of individual venue or participant pricing streams. Orders are executed depending on the nature of the Client Order handling method and the specific Client instructions, which may involve execution by the SOR or UBS Bond Port personnel.
- (c) The Execution Factors for any Order to which Best Execution requirements apply are price, cost, speed, likelihood of execution and settlement fees, size, and any other consideration relevant to the execution of an Order. Orders might potentially be subject to all Execution Factors, but the relative importance of each factor is determined by the Execution Criteria, which include the following contributing elements:
- (i) Order typology;
 - (ii) The size of the Order;
 - (iii) The Execution Venues or External Platforms to which the Order can be directed; and
 - (iv) Specific instructions given by the Client.
- (d) The primary Execution Factor for the purposes of discharging the Best Execution obligation that the UBS Bond Port business aims to take into account will usually be price, other than when the price is fixed by the Client as in the case of Firm Fixed Price Orders. Where accessing markets electronically, UBS's routing decisions for relevant Orders are made by the SOR (detail regarding how the SOR operates is outlined in section 4.). The decision as to which Execution Venues or External Platform and price points to target will be taken based upon both the explicit instructions accompanying the relevant Order and/or the SOR's programmed "judgment". The primary objective of the SOR is to achieve the best possible outcome for our Clients. UBS's interactions with Execution Venues and External Platform are guided by objectively observed and calculated parameters.
- (e) Where the Client is able to provide specific instructions with respect to the execution of an Order, it will be executed in accordance with those instructions. To the extent that UBS accepts and follows Client instructions, UBS will have satisfied any Best Execution requirements with respect to those aspects of the Order. Any remaining elements of the Order not covered by the Client's specific instructions will remain subject to Best Execution requirements and will be determined by UBS according to the Execution Factors and Execution Criteria, as set out above.
- #### 4 UBS Bond Port Smart Order Router Descriptions
- (a) **Aggressive Mode**
- (i) If the Order or IOI is specified both as All-or-None (i.e. the full quantity must be executed resulting in one trade otherwise do not execute) and immediately executable ("aggressive"), and the SOR has access to a single Execution Venue or External Platform which can fill the Order or IOI at the limit price or better in the full size, the full Order or IOI is routed to that Execution Venue or External Platform for execution.
 - (ii) For all other Orders or IOIs, they will be split into child orders and routed to the eligible Execution Venues and/or External Platforms so that the best weighted average price is prioritised (where price is at UBS' discretion).
- (iii) In both of the above cases, if multiple Execution Venues or External Platforms are eligible for the Order or IOIs and there is no difference in the expected average price (where relevant), the Order or IOI will be routed based on a pre-defined priority (as determined by UBS). Please see the UBS Bond Port Disclosures document for further information.
- (b) **Passive Mode**
- (i) If the Client has submitted an Order or IOI that is not immediately executable ("passive"), the full or residual amount will be routed to MTS BondsPro ATS or other available venues.³
 - (ii) The Order or IOI will rest on MTS BondsPro ATS or other available venues until it can be matched with available liquidity on MTS BondsPro ATS or such other available venues. A change in the market data (i.e., the price available on one or more Execution Venues or External Platforms which results in an Order or IOI being executable) will result in the SOR going back to aggressive mode and repeating the process for that Order or IOI (or any residual element).
 - (iii) Passive mode is not relevant for Firm Fixed Price Orders which are strictly limited to "fill or kill/immediate or cancel" instructions.
- (c) **Minimums Tradeable Size**
- In respect of all instructions, the SOR will operate to prevent partially filling in sizes that would leave the instruction below the minimum tradeable amount of that security. As a result, partial sizes will not be executable in some circumstances.
- #### 5 Monitoring
- (a) **Post Trade Monitoring:** All orders to which Best Execution obligations apply are subject to post-trade monitoring. This monitoring comprises of order handling reports where any executions deemed not to have achieved Best Execution are highlighted and investigated.
- (b) **Liquidity Source Review**
- (i) When selecting the range of Execution Venues and External Platforms accessible via UBS Bond Port, UBS evaluates potential liquidity sources based on functional criteria. Examples of these criteria can include the liquidity available, the long-term viability of the liquidity source, market micro-structure and the clearing and settlement infrastructure adopted.
 - (ii) UBS performs a regular assessment of each of our liquidity sources to ensure that they continue to provide the best possible outcome for our Clients on a consistent basis and to consider whether any changes are merited. The evaluation includes an assessment of Execution Venues and External Platforms that we are connected to as well as a sample of sources that we are not currently connected to. This assessment takes place quarterly.
- #### 6 Client Fees and Commissions
- (a) The price attained by the Client for an executed Order or IOI is that price provided by the liquidity source in addition to a mark-up/mark-down and certain other fees added by UBS. Please see the UBS Bond Port Disclosures document for further information

³ MTS BondsPro is a US SEC-regulated Alternative Trading System (ATS)

- (b) Upon request from the Client, UBS is able to provide the schedule of the mark-up/mark- down or a breakdown of the mark-up/mark-down on a per trade basis.
- (c) When UBS Bond Port responds to an RFQ, the price provided will be a UBS risk price that factors in UBS's hedging costs

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