



UNION BANCAIRE PRIVÉE

# Union Bancaire Privée UBP SA, London Branch

## London, Asset Management Order Execution Policy

### Fixed Income

#### 1. Introduction

As required by the Directive n°2014/65/UE of the European Parliament and of the Council of 15th May 2014 on markets in financial instruments (“MiFID II”), firms that execute orders or make decisions to deal are required to establish execution arrangements and an execution policy for complying with overarching best execution requirements.

This document therefore sets out Union Bancaire Privée UBP SA, London Branch’s (“UBPL”) Asset Management Order Execution Policy (“Execution Policy”) for complying with the obligation to take all reasonable steps to obtain the best possible result when executing orders on behalf of its clients.

#### 2. Scope

The Execution Policy applies to financial instruments according to the Directive MiFID II . The Asset Management Department place orders in Fixed Income (“Fixed Income”), therefore Fixed Income Securities are the only relevant asset class for the purpose of this Execution Policy.

In respect to the applicable regulation, UBPL’s clients have been categorized by UBP as Professional Clients (referred to collectively as “Clients”); as such this order execution policy only applies to such professional clients.

As a discretionary portfolio manager, UBPL makes decisions to deal and subsequently transmits these decisions as orders on behalf of its Clients to third party brokers for execution.

In accordance with the best execution requirements, UBPL will consistently takes all sufficient steps to provide the best possible outcome for its clients when placing orders with other entities for execution.

#### 3. Legitimate reliance

The Execution Policy applies where UBPL carries out Client transactions in such securities, when UBP London transmits them to third party brokers for execution. UBPL has considered the European Commission’s four-fold cumulative test. Pursuant to MiFID II, UBPL owes a duty of best execution to its Clients.

While executing orders with specific instructions given by a Client, these instructions shall override best-execution requirements set out in this policy. As of January 2018 no private institutional mandates are being managed by the Fixed Income fund management team based in London.

**Any specific instructions from the Client may prevent UBPL from taking the steps that it has designed and implemented in this policy to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions.**



#### 4. Best execution criteria

In assessing the relative importance of the best execution factors, UBPL has considered the following criteria as part of the overall execution strategy for fixed income trading:

- ◆ the characteristics of the client;
- ◆ the characteristics of the order;
- ◆ the characteristics of the financial instrument that will be the subject of the order; and
- ◆ the characteristics of the potential execution venues to which the order(s) could be directed.

The trading strategy and the significance of the execution factors will depend on the particular instrument being traded, the size of the order and prevailing market conditions.

#### 5. Best execution factors

UBPL will adhere to the best execution requirements when determining an execution strategy and decision to deal on behalf of its Clients, and will take steps to achieve the best result in accordance with this Execution Policy. When determining the strategy for execution of a Client transaction, UBPL will take into consideration certain factors as appropriate. Factors UBPL may consider, but will not be limited to, include:

- ◆ price,
- ◆ cost, including fees and commissions
- ◆ speed,
- ◆ Market Impact – to ensure that the cost of market impact is kept to a minimum.
- ◆ likelihood of execution and settlement,
- ◆ size and nature of the order,
- ◆ broker's expertise in relation to specific financial instrument or, any other consideration relevant to the execution of the order.

For Fixed Income trading, the explicit costs of execution derives from securities being traded at the bid/ask and commission is implied in the price executed at i.e. extracted from the spread. A consideration of the "likelihood of execution and settlement" also can be greater in Emerging Market Bonds.

This general principle might be tempered, for example, where the size of the order is large compared to the liquidity of the instrument in question, or where speed of execution becomes important for investment due to the nature and size of the order or client cash flow requirements and therefore the execution venue factor might take priority over the total consideration. All orders shall be submitted to at least 5 brokers for competing prices; however in certain markets only 1 price could be available due to the limited availability of security. As per above price is only one factor of consideration when deciding who to allocate the order to.

A broker's geographical location and relevant experience in relation to specific instruments traded are also factors UBPL considers, particularly in respect of illiquid securities and/or specific markets. Accordingly, criteria such as speed of the transaction, size of the order, nature of the order, market impact and any other implicit transaction costs may be given priority over the immediate price and cost consideration only insofar as they are instrumental in delivering the best possible result for the client.

#### 6. Selection and monitoring of third party brokers

UBPL does not use connected parties or affiliates for the execution of its Clients' transactions. In all cases, Client transactions can only be executed with duly authorised third party brokers.

UBP Geneva has a detailed internal process for validating and maintaining its authorised third party broker list. The UBP Bank and Broker Committee is responsible at Group level for validating and maintaining the authorised broker list. UBP Geneva will obtain assurance by means of execution arrangements from the authorised third



party brokers that they have procedures in place equal to the ones adopted and implemented by UBP Geneva. UBP Geneva also ensures the ongoing monitoring and oversight of these third party brokers.

UBP Geneva considers the following as the most important factors when selecting a third party broker:

1. Size, creditworthiness and reputation of the broker (company rating);
2. A well established reputation in relation to a particular market or industry sector;
3. Clearance and settlement capabilities (such as the ability to settle DVP);
4. Access to markets and distribution networks; and
5. Availability and effectiveness of algorithmic trading strategies (Note: this is only relevant when considering an electronic trading relationship)
6. This list shall be completed with qualitative factors such as clearing schemes, circuit breakers, scheduled actions, or any other relevant consideration, and the relative importance of each factor.

As part of its due diligence process, UBP Geneva will request a copy of the third party broker's execution policy and Terms of Business in order to seek assurance that the broker will comply with the best execution obligations required by the applicable regulation.

The Client has to be aware that for some specific execution venues located outside the EEA borders, it may not be possible to rely on a MiFID II compliant broker as those execution venues are not in the scope of this regulation. This has no impact on UBP's best execution obligations to the Client.

UBP Geneva periodically evaluates the quality and calibre of the services offered by the third party brokers through a Broker Review in accordance with the needs of UBPL and its Clients. Negotiation of commission rates is not necessary for this asset class due to there being no explicit costs of trading.

UBPL monitors the quality of all executions on an ex-ante and ex-post basis: (i) ex-ante, UBPL monitors its best execution policy in order to ensure that the design and review process of policies is appropriate and takes into account new services or products, and (ii) ex-post, UBPL checks whether the best execution policy has been correctly applied and if the Client instructions and preferences are effectively passed along the entire execution chain.

In addition, UBPL carries out ongoing monitoring and regularly evaluates the overall quality of the executions provided by brokers. UBPL Risk Management, Compliance, the Portfolio Managers and senior management meet quarterly in London to evaluate the quality of execution and make recommendations regarding best execution practices.

## 7. UBP's investment strategies and choice of third party brokers

UBPL relies on the extensive day to day experience of its Portfolio Managers to determine the execution strategy of its Clients' transactions.

UBPL has a pre-trade analytics process to assist in evaluating the most efficient and cost-effective type of execution for each client transaction. UBPL assesses **trading liquidity, issue size, prices, country of issue and spread before beginning trading the order, with OTC trades not displaying reliable daily trade information compared to equities which are traded on an open exchange.**

The Portfolio Managers do not place orders directly on trading venues due to UBP not being a member of a trading venue, but will select a third party broker with whom transactions are executed.

UBPL strives to achieve best execution of each transaction by carefully selecting a third party broker from its approved list.

UBPL will ordinarily treat price and cost as the highest priority execution factors to differentiate between the choices of third party brokers. However, where UBPL considers that there is a reduced likelihood of successful



execution or settlement through a particular third party broker, it may avoid trading through that entity. Furthermore, in circumstances where there is a rapid price movement and any delay is considered likely to disadvantage the client, UBP will treat speed as the priority factor (above considerations of price and cost).

Consequently, UBP's use of third party brokers is intended to enhance the overall quality of execution when taking these factors into consideration.

Outlined below are some examples of key trading scenarios and the process for determining the relative importance that UBPL may place on the various execution factors when it makes a decision to deal.

### **7.1 Program Trading (no programme trading is done for subscription/redemptions)**

Programme trades: For subscriptions and redemptions that are significant relative to the fund size programs can be used to trade at the closing price, which are sent to third party brokers for execution. However for fixed income securities where liquidity has to be sourced, this is not a trading option.

### **7.2 Single Stock Trading**

The Portfolio Manager will choose a broker that has access to key sources of liquidity.

The strategy is to obtain as many prices as possible, usually 5+ but this will not always be possible depending on the liquidity of the bond. Trading strategies are not as active as with Equities, with sometimes only one price being available and in these cases execution of the order will be priority.

Where the security traded is not highly liquid in relation to the order size, likelihood of execution and speed of execution become more important factors. In selecting the appropriate broker the priority factor for consideration will be their expertise in relation to accessing liquidity in the stock in question.

### **7.3 Trading costs**

Trading costs and fees will be determined by the liquidity of the security influencing the size of the spread, with no relevance to broker charging structures as seen in other asset classes. As is specified elsewhere in this Execution Policy, the transaction costs are generally a high rated factor. However, in some circumstances such as illiquid markets, the level of the spread would be factored into the trading decisions pre-trade by the trader.

### **7.4 Volatile markets**

When the price of the contemplated bond is moving rapidly speed of execution will be the priority factor. Volatility is determined by factors such as the bond rating, but given the fund will be primarily investing in Emerging Market debt, this will be an important consideration.

Speedy execution is achieved through the use of a broker capable of achieving rapid and effective execution in the circumstances with the bond in question.

### **7.5 Aggregation and Allocation of orders**

No aggregation of client orders will take place with Fixed Income. As the team is currently only trading on behalf of one fund, no aggregation or queuing of orders will be necessary. Should this change the policy will be updated to reflect this.



### **7.6 Cross transactions between portfolios**

All trades for Fixed Income securities will be traded through the market.

### **7.7 Unbundling**

UBP will cease to operate Commission Sharing Agreements (CSA) or fund research via dealing commissions from 1 January 2018, with the dealing commission rate reflecting the execution only fee.

## **8. Client order handling**

Not applicable, not client orders will be processed all trading is on a discretionary basis by the UBPL traders.

## **9. List of third party brokers**

UBP Geneva lists the third party brokers used to execute transactions in Appendix 1 on its [website](#). This list reflects all the third party brokers on which UBPL places significant reliance to obtain on a consistent basis the best possible result for the execution of client orders.

UBP Geneva will review the list of third party brokers on a regular basis. In addition, UBPL has the right to delete or add third party brokers to the list that appears on the website in order to always reflect those which allow it to obtain the best possible result on a consistent basis.

Information on the top five execution venues and quality of execution obtained can be found at the following address: <https://www.ubp.com/en/legal-aspects/mifid>.

## **10. Potential conflicts of interest**

In respect to the MIFID II provisions, UBPL does not receive any remuneration, discount or non-monetary benefit for routing client orders to a particular trading venue or execution venue which would infringe the requirements on conflicts of interest or inducements.

UBPL is required to maintain a conflicts of interest policy identifying the circumstances that constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more Clients, and specifying the procedure that UBPL follows and measures that UBPL adopts in order to manage such conflicts.

This requirement applies to potential conflicts of interest that may arise between UBPL and its Clients as a result of its execution arrangements which could prevent it from satisfying its best execution obligations.

All financial services firms will face areas of potential conflicts of interest, the nature of these depending upon the nature of a firm's business model. UBPL handles all possible conflicts of interest that can arise in the execution of a client order/transaction according to its "Framework for Handling Conflicts of Interest Policy". Clients requiring further information should contact the UBPL Compliance Department.

## **11. Monitoring and review**

The quality of trade execution is monitored by the Portfolio Managers through regular reviews of executed trades. The Compliance Department carries out independent best execution monitoring and testing on a regular basis. The Compliance Officer will ensure that the reviews and monitoring oversight takes place. This will include a review of the available venues to confirm that they continue to be appropriate for consideration in achieving best overall results on execution of orders. The dates and details of any changes to the Execution Policy, Execution Venues or Third Party Brokers will be documented by the Compliance Officer.



UBPL will monitor the effectiveness of its order execution arrangements and this Execution Policy and regularly assess whether or not the third party brokers it uses continue to provide the best possible results for all UBPL Clients.

UBPL will review, at least annually or when a material change occurs, both its order execution arrangements and this Execution Policy. Material changes to this Execution Policy will be notified through the UBPL corporate website and will be available to existing as well as potential clients. Immaterial changes will not be subject of a notification.

## **12. Consent**

UBPL is required by the regulations to obtain the consent of its clients to the Execution Policy. Unless the Client advises UBPL to the contrary, UBPL will deem that consent has been provided when the Client next places an order for execution with UBPL. Where the Client only wishes to be provided with discretionary portfolio management services, he will be deemed to have accepted the Execution Policy when he appoints UBPL to provide these services.

Additionally, before UBPL is permitted by the regulations to pass orders to its third party brokers to be executed outside a regulated market or a multi-lateral trading facility ("MTF"), UBPL must receive from the Client prior express consent in order to allow the order to be executed outside a regulated market or MTF. Clients will sign a MTF consent form during the on boarding process.

Under no circumstance will UBPL pass orders to its third party brokers to execute an order on a listed instrument outside a regulated market or MTF without having received the Client's prior express consent.

## **APPENDIX – List of Venues**

[UBP approved list of third party brokers includes the following:](#)

[Pursuant to Article 66 (3) of the 2017/565 Delegated Regulation, this list shall specify which third party brokers are used for each class of financial instruments, for retail client orders, professional client orders and SFTs]