



## Directive - Order execution policy for Private Banking

Reference: GP00199

Scope of application: UBP Group

Effective from: 15 December 2016

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### 1. Introduction

Under the EU's MiFID (Markets in Financial Instruments) directive, investment companies are required to establish an order execution policy (Execution Policy) and take all reasonable steps to obtain the best possible result when they execute their clients' orders.

This document defines the execution policy of Union Bancaire Privée (UBP) which clients must accept according to the conditions set out in section 6. In the absence of a reply from the client, this document will be deemed to have been approved (see section 6).

The execution policy applies to the following branches and subsidiaries of Union Bancaire Privée, UBP S.A. (hereinafter "UBP"):

- ◆ **Union Bancaire Privée (Europe) S.A.**
- ◆ **Union Bancaire Privée, London Branch**

The Execution Policy applies to:

- ◆ financial instruments (shares, bonds, derivatives, money market instruments, financial contracts for differences, units in collective investment undertakings, etc.). MiFID covers most financial instruments, with certain exceptions, namely:
  - ▶ **spot foreign exchange transactions and spot commodities transactions**
  - ▶ **loans and deposits**
- ◆ all retail and professional clients (hereinafter "client" or "clients"). This policy does not apply to eligible counterparties.

All orders generated by the above-mentioned branches and subsidiaries of UBP are handled by the Execution Desk of Union Bancaire Privée, UBP SA, Geneva, except for orders relating to bonds, which are processed by the Execution Desk of UBP Securities (UK) Limited in London.

The execution policy explains our approach on:

- ◆ best execution, when UBP directly executes an order on the market
- ◆ best selection, when UBP receives and transmits an order to a third party for execution

### 2. UBP's best execution and selection strategy

#### 2.1 Best execution and selection strategy

To obtain the best execution and selection for its clients, UBP bases its approach on four pillars:

##### a) Appropriate technology to transmit and execute orders

With certain exceptions, UBP uses automated systems to transmit and execute client orders.



The system put in place enables UBP to:

- 1) access the main sources of liquidity, which may be “off-exchange”;
- 2) transmit orders to the execution venues offering the best market conditions;
- 3) ensure orders are executed in line with UBP's best execution policy. Specifically, the system allows the Bank to execute client orders by prioritising certain execution factors (such as price, cost or liquidity) over others.

**b) Meticulous examination of the order execution factors**

UBP relies on the proven experience of its Execution Desk to execute all client orders.

If an order needs to be executed manually due to its specific features (the order may have an impact on the market, impact of the volatility of the underlying financial instrument, etc.), the Execution Desk makes every effort to decide on the best strategy to adopt to process the order.

In some cases, especially where the processing of a client order requires specific know-how, UBP will call on professional counterparties with the required expertise.

When processing a retail client order, the Execution Desk informs the client, as quickly as possible, of any significant problems likely to affect the successful execution of the order.

**c) Rigorous selection and monitoring of counterparties and brokers**

UBP pays particular attention to the selection of counterparties and brokers which it may use to execute client orders.

The most important factors taken into account by UBP when selecting a counterparty or broker are:

- 1) the size, solvency and reputation of the broker (company rating);
- 2) a well-established reputation in a given market or financial sector;
- 3) clearing and settlement capabilities;
- 4) access to markets and distribution networks.

Moreover, UBP will also take into account the broker's compliance with MiFID.

Clients must be aware that, for certain specific execution venues outside the EEA, it is not always possible to use a MiFID-compliant counterparty or broker.

**d) Regular assessment of the execution policy**

UBP regularly assesses the overall quality of its executions. It monitors and examines the quality of execution of all types of order, including those handled by selected counterparties, using sampling methodology. The heads of UBP Group's Compliance departments meet regularly to assess the quality of execution and issue recommendations on the procedures for executing and transmitting orders.

UBP examines:

- ▶ its order execution measures regularly;



- ▶ its best execution policy at least once a year or in the event of a major change likely to affect its ability to obtain the best possible results for clients.

UBP periodically assesses the quality and appropriateness of the services provided by counterparties and brokers vis-à-vis the needs of UBP and its clients. When necessary, it renegotiates terms and conditions with counterparties.

## 2.2 Execution methods

### a) Listed financial instruments

On receipt of an order, UBP executes it directly on a regulated market or multilateral trading facility to which it belongs (hereinafter "MTF"), or via a third party with which it has an agreement for the processing and executing of orders.

With regard to financial instruments admitted to trading on a regulated market or MTF, where a client has given his/her express consent in advance (see consent form at Appendix I), UBP may also transmit the order to a third party, such as a market maker, systematic internaliser or any other execution venue permitting execution of the order on the over-the-counter (OTC) market.

As far as possible, in order to best protect clients' interests, the Execution Desk carries out a reconciliation of client orders through a recognised stock exchange or MTF. UBP does not carry out a reconciliation of client orders in any other circumstances.

### b) Unlisted instruments

For unlisted instruments, UBP makes every effort to execute the order, to the extent possible, in accordance with its execution policy criteria. Clients should be aware that the execution of orders relating to unlisted instruments may be affected by constraints relating to liquidity, costs, settlement and the time chosen to execute the order.

With regard to unlisted structured products, UBP operates on the primary market (subscription and redemption). If a client wishes to realise the investment before the expiry date, UBP will apply, as far as possible, the price offered by the principal market maker.

### c) Collective investment undertakings

With regard to collective investment undertakings, UBP generally operates on the primary market (subscription and redemption).

Except for investments in ETFs, UBP reserves the right to carry out a reconciliation of client orders in collective investment undertakings.

## 2.3 Specific instructions

It is important to emphasise that, if a client gives specific instructions for the execution of an order (e.g. if he/she asks for a limit order or a specific execution venue), the order is carried out in accordance with said instructions. For aspects of the execution not covered by specific instructions from the client, UBP will apply its own order execution policy.

Clients acknowledge that any specific instructions given to UBP for the execution of an order may prevent UBP from taking all the steps defined in its order execution policy to obtain the best possible results for clients.

The choice of transaction parameters (such as price, counterparty, venue, time and size) by clients who have "direct market access" is considered to be a specific instruction given to the Bank.



### 3. Best execution factors, execution criteria and execution venue

#### 3.1 Best execution factors

UBP takes the following factors into account to determine the venue and method of transmitting a client execution order:

- ◆ price of the financial product
- ◆ size of the order
- ◆ upside price potential
- ◆ execution fees
- ◆ speed of execution
- ◆ probability of execution and settlement
- ◆ any other considerations relating to the execution of the order

In normal circumstances, **the total price will be a key factor in obtaining the best possible result for a client. Other factors may assume greater importance depending on the type of order, client or market conditions.**

#### 3.2 Execution criteria

To assess the importance of the best execution factors when a client order is executed, UBP considers the following criteria:

- ◆ client characteristics
- ◆ order characteristics (limit order, market price order, “stop-loss” order)
- ◆ characteristics of the financial instrument covered by the order
- ◆ characteristics of the execution venues

#### 3.3 Execution venues

The list of execution venues used for each category of financial instrument is available on UBP's website.

Although it cannot be considered as exhaustive, this list includes the main execution venues that UBP considers to be reliable.

UBP reserves the right to use other execution venues if it considers that another venue which is not included in the list may provide the best possible results for clients in line with UBP's execution policy.

UBP agrees to take all reasonable steps to ensure that its fee structure and method of debiting fees would not give rise to unjustified discrimination between execution venues.

UBP will review the list of execution venues regularly. In addition, UBP reserves the right to remove certain execution venues from the list and add new ones such that said list always contains the venues that enable UBP to consistently obtain the best possible results.

**UBP will not personally inform its clients of changes made to the list of execution venues. It therefore strongly recommends that its clients regularly check the list.**

We consider the factors listed below in selecting the most appropriate execution venues. “

- ◆ generally available prices



- ◆ solvency of the counterparty/ central counterparty
- ◆ market liquidity
- ◆ market transparency
- ◆ speed of execution
- ◆ execution costs/clearing and settlement fees

### **3.4 General factors affecting the execution policy**

This execution policy determines the general standards implemented to obtain the best possible results for our clients. However, various external factors may affect our ability to obtain the best results for our clients:

- ◆ infrastructure of liquidity sources (electronic trading or over-the-counter (OTC) trading);
- ◆ price volatility: the price of an instrument can fluctuate markedly on a particular market in a short space of time; in such cases, the speed or time of order execution may be given priority;
- ◆ price-setting mechanism: depending on the type of market, the price of the financial instrument is determined by buy and sell orders or by one or several market makers;
- ◆ liquidity: on illiquid markets, i.e. with low trading volumes, the execution of orders can be more difficult, if not impossible;
- ◆ the market infrastructure determines the effectiveness of order execution and of the clearing or settlement/delivery system;
- ◆ market information: the availability of accurate information and appropriate technologies (or lack thereof) may affect the choice of best venue to execute orders.

Since UBP does not have any influence over these factors, we cannot be held liable for external causes affecting all the markets that would prevent it from obtaining, wholly or in part, the best possible results for our clients. UBP will therefore seek to obtain the best possible result in all circumstances, depending on the above-mentioned factors.

## **4. Updating the best execution policy**

UBP will inform its clients of changes made to its policy and/or best execution approach exclusively via the publication of an updated version of the document on its website.

## **5. Conflicts of interest**

UBP handles all conflicts of interest that might arise during the execution of a client order in accordance with its conflicts of interest policy.

## **6. Approval**

UBP's order execution policy must be approved by its clients. The Bank asks its clients to note that the sending of an order to UBP after receipt of information on its execution policy shall be deemed to constitute the client's approval.

Moreover, in the case of financial instruments admitted to trading on a regulated market or MTF, UBP must have obtained the client's express consent in advance to be able to execute the order outside a regulated market or MTF.

UBP will not, under any circumstances, execute an order relating to a listed instrument outside a regulated market or MTF without having received the client's prior consent.



Clients may give their consent for the execution of an order outside a regulated market or MTF by signing the form attached to the execution policy at "Appendix 1".

If UBP does not receive the client's consent via the above-mentioned form, the choice of execution venues may be limited.



## Appendix I

### Consent form

#### ***Consent not to make public a limit order***

For limit orders in respect of shares admitted to trading on a regulated market which are not immediately executed under prevailing market conditions, the MiFID directive requires the client's consent for the orders not to be made public immediately.

#### ***Consent to execute orders outside a regulated market or a multilateral trading facility (MTF).***

For financial instruments admitted to trading on a regulated market or MTF, the MiFID directive requires the client's consent for the orders in these same financial instruments to be executed outside a regulated market or MTF.

#### ***Confirmation***

I, ..... hereby authorise Union Bancaire Privée, UBP S.A. to:

- ▶ refrain from immediately making public limit orders in respect of shares admitted to trading on a regulated market;
- ▶ execute orders outside a regulated market or MTF.

Name .....

Date .....

Signature .....