

## CLIENT COMMUNICATION PRECIOUS METALS TRANSACTIONS – TRADING PRACTICES AND INFORMATION

United Overseas Bank Limited and its branches and subsidiaries (collectively, “**UOB**”) engages in the sale and/or purchase as well as execution of precious metals (“**PM**”) transactions.

This client communication is part of UOB’s efforts to provide transparency to our PM clients and other market participants (collectively the “**Counterparties**”, and each a “**Counterparty**”) on our business practices. UOB would like to highlight certain matters relating to its role in the PM markets. This document sets out UOB’s relevant business practices and procedures of dealing with our PM clients, through which UOB can provide the clients with pricing and execution of trade requests. As long as the clients continue to enter into PM transactions with UOB, it will be on the basis that they have read and understood the following.

This client communication shall be for information purposes only and shall not be and is not intended to conflict with or override any relevant law, regulatory rule or other applicable requirement in any jurisdiction in which UOB operates, the terms of which may vary depending on the precise nature of the PM clients’ relationships with UOB and the jurisdiction(s) in which UOB operates.

### 1. UOB’s Role/ Principal Trading

UOB acts as an arm’s length party in PM dealings with all of its Counterparties on a principal basis for its own account as a dealer or market maker. In that capacity, UOB does not act as agent, fiduciary, financial adviser or in any other similar capacity on behalf of any of its Counterparties. In adherence with its hedging strategy or in anticipation of demand, UOB may maintain positions as principal in various other instruments regardless of trades with, or orders received from, the Counterparties. That said, UOB’s principal trading and market making activities may conflict with or diverge from the interests of a Counterparty.

When UOB accepts a Counterparty’s orders at a price, the acceptance is only an indication of UOB’s willingness to attempt, and not a commitment, to enter into the trade at or close to the price requested by such Counterparty. Such indication does not create any contractual relationship between such Counterparty and UOB, and does not commit UOB to execute any or all of the orders in any particular way. In other words, from the time a Counterparty places its order till the point of acceptance by UOB, that Counterparty will be exposed to the risk that its order may not be executed by UOB. Also, market risk transfer to a Counterparty occurs at the time UOB executes an order of such Counterparty (including partial execution), whether or not such execution has been communicated to that Counterparty.

Unless specifically agreed between UOB and a Counterparty, within the realms of its obligation to execute the orders fairly, UOB will exercise its discretion when deciding on acceptance or rejection of orders, based on the best practice generally acceptable to other market participants. The factors that may prevent UOB from accepting an order by a Counterparty may include (without limitation)





UOB's internal policies, processes, operating procedures, a lacking in the limits availed to, or in the authority of, such Counterparty to trade with UOB on such order, such order being at a level not aligned with prevailing market practice, market developments/ movements. At a relevant timing, UOB may monitor the market and when the target price is reached, it will then execute a Counterparty's order at the Counterparty's price.

## 2. Pricing

UOB, in its principal capacity, may attempt to execute an order when it can expect to make an appropriate return on the transaction, after having considered prevailing market conditions, UOB's positions (e.g. its inventory strategy and overall risk management strategies, costs, risks and other business factors and objectives which UOB elects to consider). If and when a Counterparty's order becomes executable, it does not mean that UOB holds, acquired, or will be able to acquire, sufficient inventory to complete the transaction at the order price level (after taking into account any spread or similar adjustment reflecting UOB's return on the transaction), or that there exists a tradable market at that level.

Any firm or indicative price or spread quoted by UOB is an "all-in" price inclusive of any sales and trading mark-ups over the price at which UOB traded or may have been able to trade with other Counterparties, regardless of the circumstances under which a Counterparty may receive or overhear a price. Counterparties may receive different prices of transactions that are the same or similar because UOB's "all-in" prices and spreads are tailored to each Counterparty individually, and are based on a wide range of standard commercial factors, including but not limited to Counterparties' trading histories, Counterparties' risk, sizes of trades, market conditions and UOB's own costs and transactions.

As a market maker and a regulated entity, UOB acts as principal and may trade prior to or alongside Counterparties' transactions to execute transactions for UOB, to facilitate executions with other Counterparties, to manage risk, to source liquidity or for other reasons. Accordingly, these activities can have an impact on the prices UOB offers its Counterparties for transactions and on the availability of liquidity at levels required to execute Counterparties' orders. In addition, UOB may trigger or prevent triggering of stop-loss orders, take profit orders, barriers, knock-outs, knock-ins and/ or similar conditions. In conducting these activities, UOB endeavours to employ reasonably designed means to avoid undue market impact.

When solicited for, and prior to the execution of, a transaction, UOB may risk-mitigate or hedge any exposure that would be created by such transaction.

## 3. Handling of Orders

UOB will use its professional judgment to execute an order of a Counterparty, with the aim of achieving the best possible outcome. UOB will endeavour to work on a Counterparty's order within its operating framework. By leaving the order(s) with UOB, the Counterparty concerned expressly agrees to UOB's operating framework outlined in this client communication.

### *A. Market Orders*

A market order means an order to transact immediately at the best available price. In executing such order, UOB will take into consideration various factors such as prevailing liquidity, market depth, market forces. UOB will execute a Counterparty's order using its discretion and expertise to achieve the best price it is able to offer to such Counterparty.





### *B. "Limit" Orders*

A limit order means setting a target price that will ordinarily be at a more favourable price than the current market price. Such order may, however, not be executed promptly. In leaving a limit order with UOB, the Counterparty concerned must be aware that it is forgoing the certainty of immediate execution in exchange for the possibility of getting a better price in the future. If the set target price is reached, the limit order will be filled when UOB is prepared to enter into a transaction with that Counterparty at that set target price.

### *C. "Stop-loss" Orders*

A stop-loss order means setting a target price at which the order becomes live at a less favourable price than the current market price. Such order may, however, not be executed promptly. When the price (indicated as a trigger for the stop) has been reached, UOB will attempt to enter into a transaction with that Counterparty at, or as close as is practically possible to, the set target price. UOB does not guarantee that an order will be executed at the set target price, but, UOB will endeavour to execute its Counterparties' transactions at the nearest possible level subject to prevailing market conditions.

### *D. At Risk Orders*

An at risk order is where UOB is asked to provide a firm price in an instrument in a given size. Once such a price is provided by UOB, UOB will consider the order to be executable immediately, and in any event subject to change according to market conditions. In fast moving markets where the price may change rapidly, if the Counterparties do not deal immediately, UOB will require the Counterparties to request for a price quote to transact.

## **4. Conflicts of Interest**

UOB complies with high professional standards and ethical values, and takes all reasonable steps to avoid conflicts of interest, so as to promote fair treatment of its Counterparties.

## **5. Information Handling**

UOB has policies and controls designed to protect Counterparties' confidential information. However, UOB may use such information to execute and risk manage the PM transactions and Counterparties should understand that UOB, as a regulated entity, may need to disclose Counterparties' information as required by its global regulators. On this note, UOB may analyse, use and disclose information of executed transactions (e.g. missed trades, pricing requests, failed trades), together with other relevant market information, internally and to third parties on a need basis, so as to provide market colour. Counterparties should understand that information regarding their executed transactions may form a substantial part of the market colour UOB provides to its Counterparties.

At the reasonable request of a Counterparty, UOB will provide information on the actions taken when handling a particular transaction with that Counterparty.

Should you have any query relating to this client communication and/ or UOB's dealings with you, please do not hesitate to contact your representative in UOB. Please also note that this client communication may be updated from time to time in order to address changing regulatory, industry and/ or other developments in the market.

