



BNP Paribas Market Financing Services: Client Disclosure Letter

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BNP Paribas – Market and financing Services (MFS): Trading Practices on FX on demand and Principal Lending activities

This document sets out the way in which the Market & Financing Services Division (“MFS”) of BNP Paribas undertakes trading activities when acting as counterparty in currency spot ,currency OTC derivatives and Securities Financing Transactions (the “SFTs”).

This document complements any other disclosure and subject to any other specific agreement that MFS may provide to or agree with its Clients

This document may be updated from time to time to address legal, regulatory, market or industry developments or changes to internal policies, procedures or practices.

Any questions with respect to this document should be directed to your usual Relationship Manager.

1. Trading Capacity for FX on demand and Principal Lending activities

MFS acts in a principal capacity when transacting with Clients, and as such:

- MFS acts as a counterparty entering into arm’s length transactions;
- In this context, MFS does not act as fiduciary, financial advisor or in any similar capacity on behalf of a Client;
- MFS will take on one or more risks in connection with the transaction, including market and credit risk.

Since MFS engages in many activities across different regions, actual or perceived conflicts of interest may arise. Where conflicts of interest have been identified, BNP Paribas MFS, within Securities Services business line will mitigate and manage them in line with applicable laws, rules and/or regulations as well as internal policies and procedures.



2. Orders management practices and pricing methodology

a. FX on demand activity

MFS acts in a principal capacity when acting as price maker.

On a general basis, when squaring itself out, MFS FX deals exclusively liquid currencies with BNP Paribas and restricted currencies with its sub-custodians or local approved counterparties. Therefore, BNP Paribas is less exposed to exchanging information with market participants.

MFS is a “price maker” and gives access to its quotes in a non-discriminatory way.

In addition, every client can ask for the quotes of their own trades but MFS may refuse to enter into or discontinue business relationships with clients based on several considerations such as the client credit status, the counterparty risk and the final settlement of the transaction.

For restricted currencies (Group B), MFS will intermediate the FX on the back of underlying securities instructions and execute directly in the local market with the sub-custodian’s desk, and when available and possible, in open architecture with other counterparties so as to apply the best possible price for its clients. MFS is entering into transaction only as a sales player by adding a mark-up to this sub-custodian’s pricing.

When applicable, all orders are accepted and worked in the order in which they are received by an execution channel (i.e., voice or electronic), the only exception being some specific instances where orders can be aggregated which includes, FX fixing orders. This means that two orders in the same direction and at the same level will be worked on a first come first served basis. This also means that an order received for voice execution may be executed after a similar order that was received via an electronic channel, even if the electronic order is received after the voice order due to the speed of straight through processing.

Whenever possible, the time stamping of orders is applied when the order is accepted. However, consistent with market practice, orders that are amended or cancelled and resubmitted by the client will be re-prioritized at the time of the amendment or resubmission.

The FX upon request is ruled by requests for quotes. Clients accept or refuse the quotes at the time of executing.

b. Principal Lending activities

Our Securities Lending services are designed to allow clients to optimize revenue opportunities. This Principal Lending program covers three activities: Opportunity Lending, Exclusive Lending and Fail Coverage. MFS does not handle any order but RFQ (Request For Quotation) and IOI (Indication Of Interest) as the Principal Lending desk confirms any part of the client’s trade.

Because pricing is specific to each transaction, Principal Lending faces a permanent pricing discovery link to risk weight & liquidity costs and depends on the type of lending service provided. The opportunity lending/Repo is a mark-to-market product handled through RFQ, the fail coverage is a pure execution service where we apply a standard pricing grid per country whereas for the exclusive mandate MFS provides a guarantee to the client.



3. Information Handling for FX on demand and Principal Lending activities

Any statements made by or through a BNP Paribas staff member, its electronic systems or otherwise in the processing or execution of transactions should not be construed or relied upon as recommendations or advice. We expect our Clients to evaluate the appropriateness of any transaction based on the facts and circumstances relevant to them and their assessment of the transaction's merits.

MFS Securities Services business line has arrangements in place designed to protect and safeguard Client information in accordance with applicable local laws, rules and regulations. Client information will be handled with due care and diligence in accordance with such arrangements.

In addition, as a regulated entity, BNP Paribas may also be required to disclose Client information to our regulators and/or other public authorities.