BNP Paribas CIB
Order Handling and Execution Policy
Asset Class Specific Appendices
Foreign Exchange (FX) Appendix

BNP PARIBAS CIB GLOBAL MARKETS AND SECURITIES SERVICES
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BNP PARIBAS

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1. Products in scope

This policy is an appendix to the overarching BNP Paribas CIB Order Handling and Execution Policy and should be read in conjunction with that document. Terms used in this Appendix but not otherwise defined shall have the meaning given to them in the BNP Paribas CIB Order Handling and Execution Policy.

This appendix provides further details with regards to the application of best execution in relation to the following financial products (the "FX Products"):

- FX Spot
- FX Options
- FX Forwards
- FX Swaps

With respect to the FX Products, we provide the following services:

- Requests for Quote ("RFQ");
- Unwinding or restructuring a derivative or secondary market product;
- Transactions consecutive to the provision of investment advice;
- Executing of orders pursuant to specific instructions and therefore without discretion;
- Executing discretionary orders;
- Algorithmic order execution; and
- Streaming executable (two way) prices.
- Passive Currency Overlay (PCO)

2. Application of Best Execution for products in scope of this Appendix

Retail clients

We will always owe a duty of best execution to retail clients unless they place an order with specific instructions that cover each and every aspect of that order.

Professional clients

In respect of the FX Products, whether or not a duty of best execution is owed for a particular trade will depend on whether BNP Paribas determines that the client has placed legitimate reliance on it to meet the relevant best execution requirements. This is, in practice, unlikely to apply where clients have asked us for a quote (RFQ), as well as when we execute orders pursuant to specific instructions (and therefore without discretion) or provide executable or streaming (two way) prices.

Requests for Quotes and Executable Streamed Prices

Where a client executes a trade directly from a live streamed BNP Paribas price or submits a request for quote, the obligation to provide best execution will depend upon whether or not the client is placing legitimate reliance upon BNP Paribas in the execution of the transaction. This will be determined by a number of factors, including the complexity and transparency of the product / market, the level of sophistication of the client and the ability of the client to seek alternative competitive quotes.

BNP Paribas will take these factors into consideration to assess whether or not a duty of best execution is owed, but considers that for such activity, Professional Clients will not generally be placing reliance upon BNP Paribas.

Passive Currency Overlay

Passive Currency Overlay (PCO) provides FX hedging solutions to Securities Services clients. In that context, PCO team acts as a calculation and an execution agent.

Specific Instructions

Where a client places an order with specific instructions that cover each and every aspect of an order, BNP Paribas, acting in accordance with these instructions, will not have any discretion over the execution of the transaction, including when or where to execute the order. As such BNP Paribas will not be deemed as acting on behalf of the client and best execution will not apply.

To the extent that a client places an order with specific instructions that only cover partial aspects of the order best execution will be owed on the aspects of the order in respect of those elements not covered by the instructions, for instance where the order does not specify the venue on which the trade should be executed on.

Reference Rate orders

In some circumstances BNP Paribas may agree to take an order to transact at a price based upon a published reference price, such as WMR 4pm fixing. The spread, if any, to be applied is negotiated with the client ex-ante and as such orders specify all attributes leaving BNP Paribas no discretion best execution is not judged to be owed. Such orders, also known as fixing orders, are executed on a principal basis (as the FX Business has market risk versus the fixing rate) and are subject to a pre-disclosed fee. Best execution is not owed on fixing orders as BNP Paribas does not have any discretion and the fee is agreed by the client prior to the order being accepted.

We will generally owe you a duty of best execution for the following services:

- Unwinding or restructuring a derivative or secondary market product.
- Transactions consecutive to the provision of investment advice.
- Algorithmic order execution*.
- Executing discretionary orders.

**When a client selects a BNP Paribas Algorithm to execute an order, this implicitly involves an element of discretion.*

3. Execution factors taken into consideration

3.1 General Case

When responding to an RFQ, unwinding or restructuring a derivative or secondary market product or executing transactions consecutive to the provision of investment advice BNP Paribas will, in the absence of any specific instructions, prioritise the Execution Factors in the following order:

i. Size of the request
A quotation will be provided such that the full size requested by the client can be filled. If, due to market conditions, this is not possible BNP Paribas will communicate this to the client with a view to changing the execution criteria to facilitate partial fills.

ii. Speed and Price
BNP Paribas seeks to provide a highly competitive service to clients and will respond with a price it considers competitive, fair and timely, with both speed and price having equal importance.

iii. Likelihood of execution
BNP Paribas will endeavour to provide a quotation which is valid for a sufficient time window to allow the client to accept if they so desire, notwithstanding a large market move rendering the quote invalid.

iv. Likelihood of settlement
Before responding with a price BNP Paribas will check credit line, CCP limit and or settlement limit availability and will only respond with a firm price where sufficient limits are available to settle any resulting transaction.

v. Ability of execution venue to manage the quotation request
The firm is authorised to trade a limited number of financial instruments within predetermined risk limits, any request for quotation on an instrument outside this scope or beyond the risk limit may be declined.

Due to the custody driven activity and in the absence of any specific instructions, Securities Services will prioritise the execution factors in the following order:

i. Likelihood of execution
   BNP Paribas will endeavour to provide a quotation which is valid for a sufficient time window to allow the client to accept if they so desire, notwithstanding a significant market move rendering the quote invalid.
ii. Likelihood of settlement
   Before responding with a price, BNP Paribas will check credit line and settlement limit availability, when applicable, and will only respond with a firm price where sufficient limits are available to settle any resulting transaction.
iii. Size of the quotation request
   A quotation will be provided such that the full size requested by the client can be filled. If this is not possible due to market conditions, BNP Paribas will communicate to the client with a view to changing the execution criteria to facilitate partial fills.
iv. Speed and Price
   BNP Paribas seeks to provide a highly competitive service to clients and will respond with a price it considers competitive, fair and timely, with both speed and price having equal importance.
v. Cost
   When BNP Paribas is the execution venue, there will be no additional costs to the client price given by BNP Paribas for this access.

3.2 Algorithmic Orders

BNP Paribas provides clients with the choice of a number of algorithms to execute an order. Each of the algorithms have different objectives, and many allow the clients to supply additional parameters to constrain the algorithm in certain ways – for instance permitting the client to control the length of the execution window. For detailed information on the execution factors the client should refer to the specific documentation for the algorithm in question.

3.3 Discretionary orders

Clients have the ability to leave orders whereby some of the details of the order execution are left to the discretion of BNP Paribas.

Best execution may be owed and these orders may be executed on internal or external execution venues.

Price contingent discretionary orders (e.g. Stop loss, At Best)

When executing discretionary orders triggered by a specific market level, such as stop loss and limit, BNP Paribas will, in the absence of any specific client instruction to the contrary, prioritise the execution factors in the following order:

i. Price

BNP Paribas will make every effort to minimise slippage when executing a market contingent discretionary order. In the case of a limit order the order will only be executed at the stated price.

ii. Size of the request

BNP Paribas will ensure that orders are executed in a manner which is appropriate given the order size in order to avoid an adverse impact due to market impact. (E.g. we would avoid placing a large order on a public central limit order book)

iii. Likelihood of execution

BNP Paribas will monitor the markets constantly and execute the once the clients stated criteria has been met.

iv. Speed

Market contingent discretionary orders are held by BNP Paribas until execution is possible, hence execution speed is not a relevant factor. Once the condition has been met however BNP Paribas will endeavour to execute the order in a timely manner.

v. Likelihood of settlement

Before accepting an order, BNP Paribas will check credit line, CCP limit and or settlement limit availability and will only accept the order where sufficient limits are available to settle any resulting transaction.

4. BNP Paribas' choice of execution venues

4.1 General case

BNP Paribas will generally act as the execution venue for all FX Products.

BNP Paribas believes that using BNP Paribas as execution venue for FX Products is in the best interests of its clients for the following reasons:

1. Limited product scope of external alternatives
   BNP Paribas is able to offer liquidity on a comparatively wide range of derivative contracts, whereas external venues are typically limited to FX spot;
2. Likelihood of execution and settlement
   External venues to which BNP Paribas could direct client orders are typically Central Limit Order Books which can be fast moving and subject to variable liquidity. BNP Paribas is able to offer consistency in liquidity provision as well as the ability to hold prices firm for sufficient time to improve the likelihood of execution;
3. Price
   BNP Paribas aims to provide a competitive service and is often able to offer clients an improvement on the price available on external venues.
4. Speed
   BNP Paribas is able to offer consistency in execution speed
5. Market impact
   BNP Paribas maintains significant inventories to facilitate client transactions. By using these inventories and transforming liquidity in related instruments we are able to minimise the implicit cost to clients by minimising market impact.

For Securities Services, The execution venue can be either BNP Paribas or Trading Venues i.e. Multilateral Trading Facility where clients access our liquidity.

4.2 Algorithmic orders

Algorithmic orders are only accepted for the spot FX, Swap and NDF products for which, in addition to the BNP Paribas internal execution venue, a number of external venues are also available for execution. When selecting venues for executing algorithmic orders the firm will consider the following factors;

1. Price
   BNP Paribas selects execution venues which provide competitive pricing
2. Likelihood of execution and settlement
   BNP Paribas selects execution venues where it is confident of execution and settlement.
3. Market impact
   BNP Paribas endeavours to minimise market impact and will select the execution venue with this in mind.

Whilst clients will generally face BNP Paribas as the execution venue, BNP Paribas will utilise a number of execution venues in executing hedge transactions related to OTC transactions executed for clients and in more limited circumstances where BNP Paribas executes an order for clients directly on another execution venue (typically a regulated market). A list of the major execution venues that BNP Paribas relies upon when executing such trades is provided in the execution venues appendix of the BNP Paribas Order Handling and Execution Policy.

5. Price formation and monitoring

When Best Execution has been determined to be owed, and when BNP Paribas executes orders or takes a decision to deal in OTC products (including bespoke products), we will check the fairness of the price proposed to the client by gathering market data used in the estimation of the price of such product and, when possible, by comparing with similar or comparable products. The price will consist of a mid-market price to which a number of costs and margins are added to produce the final price proposed to the client.

When clients elect to use a BNP Paribas algorithm to execute, a detailed post trade report will be made available to the client.

In addition, where we owe clients a duty of best execution, we will use the following processes to analyse the prices obtained for our clients and the quality of execution obtained.

5.1 Ex-ante price formation

BNP Paribas makes extensive use of the external market prices of similar or related products to estimate the "Fair Value" of a financial instrument. These external tradable prices are then, together with model parameters, used by BNP Paribas proprietary models to price a range of products. Throughout the trading day BNP Paribas recalibrates these model parameters tracking available markets and ensuring its prices remain accurate and up to date.

Once the fair value has been determined, BNP Paribas adds an execution spread; this is an explicit internal cost representing BNP Paribas' own remuneration for the liquidity provided. BNP Paribas assesses market conditions and adjusts the execution spread in line with internal guidelines.

Finally, a number of other costs, including credit and funding charges and any applicable mark-up, are added to produce the price proposed to the client.

Under the MIFID II and as per Article 24(4) of Directive 2014/65/EU and Article 50 of the Commission Delegated Regulation, the difference between the client price and the fair value of the financial instrument are subject to disclosure to the client.

5.2 Types of benchmark used to monitor ex-post

5.2.1 General Case

Prices provided by BNP Paribas are benchmarked against external and internal reference prices to monitor the quality of execution. Wherever possible, external prices from market venues and brokers are used to compare BNP Paribas's price against externally available prices. Where the external data available is limited in scope or quality, internal data may be used as a reference and additional controls are implemented to monitor the integrity of this data.

Where Best Execution is judged to be owed, BNP Paribas will monitor the execution spreads applied and investigate the situations where, if any, the internal guidelines have not been met.

5.2.2 Algorithmic Orders

Algorithmic orders are benchmarked against external and internal benchmarks to monitor the quality of execution. Where available, external prices from market venues and brokers are used to compare BNP Paribas' algorithmic order execution price against externally available reference market prices. When the external data available is limited in scope or quality, internal data may be used as a reference, and additional controls are implemented to monitor the integrity of this data.

All execution and benchmark data are provided to the client in the form of a detailed Post Trade Report which contains:

- Details of the "All in Rate"
- Execution summary
- Performance Benchmarks, including methodology and source of the data
- Execution venue selection
- Execution details of every child order