BNP Paribas IRB Local Capital Markets Foreign Exchange Trading Practices

Version: June 2021

This document sets out the way in which the FX Business of BNPP IRB subsidiaries undertakes Spot Foreign Exchange ("FX") trading activity. This document supplements any other disclosure or agreement that the FX Business may provide to, or agree with, its Clients and is subject to change.

• TRADING CAPACITY

The FX Business acts in a principal capacity when transacting with Clients, and as such:

- The FX Business acts on its own behalf as a counterparty entering into arm's length transactions;
- The FX Business does not act as agent, fiduciary, financial advisor or in any similar capacity on behalf of a Client;
- The FX Business will take on one or more risks in connection with the transaction, including market and credit risk.

The FX Business also trades to manage its own inventory, which may occur concurrently with trades with clients. This inventory management can have an impact on the prices we offer to clients and the availability of liquidity.

• MARKET MAKING

The FX Business acts in a principal capacity when acting as a market maker. Market making involves a person or firm routinely standing ready to enter into transactions for their own account at prices determined by them. When an FX transaction takes place between the Client (or other Market Participant) and the FX business, this results in the instantaneous transfer of market risk between the parties.

Market making activities may include:

- Making markets to Clients and other Market Participants by voice or through application programming interfaces (APIs), single and multi-dealer platforms and exchanges;
- Managing inventory;
- Risk management

• MARK UP

The FX Business will provide an 'all-in' price or spread to Clients when acting in a principal capacity. This price or spread may be inclusive of any mark-up, costs or fees associated with the transaction.
Factors affecting the sales margin or "mark-up" include costs, resources, the size and nature of the transaction, and the counterparty.
Any exceptions will be expressly agreed in writing with the Client.

• ORDER MANAGEMENT

In addition to market making, the FX Business may also accept and manage Client orders. An Order is where a Client places a firm instruction to buy or sell a financial instrument with specific details around size, price, quantity, level or direction (including at market) as well as any known timing constraints such that no further action is required to establish the Client's obligation to execute that trade with BNPP subsidiary.

○ STANDARD ORDERS (NON FIXING ORDERS E.G. STOP LOSS, TAKE PROFIT, AT BEST)

Clients leaving orders with BNPP subsidiary may have their orders handled either electronically or manually.

Standard orders that are currently not subject to automated risk management are executed on a principal basis.

- **Discretionary Orders:** Clients have the ability to leave orders whereby some of the details of the order execution are left to the discretion of a trader. These orders will be handled by a voice trader or by Electronic Trading Platform acting in a principal capacity;
- **Algorithmic Execution:** Not used in IRB Local Capital Markets.

○ FIXING ORDERS[1]

All 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.

Fixing orders can be either executed on an automated or manual basis:

- **Automated:** Fixing orders that are subject to automated risk management are managed by an ACE desk. This is not used in IRB Local Capital markets;
- **Manual:** In situations where automation is not possible or has not been completed, these trades will be executed manually.

[1] For the time being FIXING ORDERS are not offered by UKRSIBBANK

Clients should be aware that the FX Business might be active in the market for risk management purposes close to order trigger levels. This activity may impact the reference price and result in orders being triggered.

• ORDER PRIORITIZATION AND EXECUTION

With the exception of fixing orders that are aggregated, all other orders are accepted and worked in the order in which they are received by an execution channel (i.e., voice or electronic).
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 will be re-prioritised at the time of the amendment or resubmission.

There are various factors that may affect how orders are executed, including, but not limited to:

- Existing inventory when acting as principal;
- The prevailing market liquidity and market conditions;
- Other Client orders.

Given the OTC nature of the IRB markets, the fact that the level at which an order has been left has traded in the market is no guarantee that the order will have been filled.
As principal, the FX Business attempts to execute an order to make an appropriate return on the transaction if possible, taking into account the FX Business's position, including its inventory strategy and overall risk strategy.
The FX Business will use its professional judgment based on available market information to determine whether a limit for a limit order has been reached. Clients may receive a partial fill of an order absent explicit instruction otherwise.

• MARKET DATA DETERMINATION

When required, the FX Business will endeavour to determine in good faith and in a commercially reasonable manner, the highs and lows of the FX Spot market in accordance with prevailing market practice:

- Transactions used for the determination must occur within the local trading window
- The FX Business will observe transactions on the market and also trades / quotations on electronic platforms
- Transactions must be of commercial size, noting that this amount will vary based on the currency pair and liquidity levels in that currency pair. A minimum of three confirmed trades is considered to be a solid benchmark (with decent size).

- For currency pairs that are not commonly quoted, the FX Business may, at its discretion simultaneously use one valid high or low trade, as defined above, together with a tradeable price observable
- Transactions executed at off-market prices are not taken into account when determining the high or low level, unless otherwise agreed by the parties.

PRE-HEDGING AND RISK MANAGEMENT

Pre-hedging refers to the management of risks associated with one or more anticipated Client requests to trade, in order to benefit Clients in connection with such requests and any resulting transactions.
Clients will, as a matter of routine, be provided with notification of the FX Business' intention to pre-hedge on a request-by-request basis. Any Client that does not wish for the FX Business to pre-hedge their request must notify their salesperson in writing.

ELECTRONIC MARKET MAKING AND THE APPLICATION OF LAST LOOK

APPLICATION OF LAST LOOK

Generally, on electronic platforms, the FX Business provides indicative FX Spot price quotes, which invites requests to trade from Clients, and which may be withdrawn at any time.
Where liquidity is provided on an indicative basis, the FX Business reserves the right to either accept or reject any trade request received from a Client based on an assessment of whether the Client's trade request meets defined deal acceptance criteria.
The deal acceptance process, also referred to as "the last look window", involves credit, liquidity and malformed order checks as well as latency arbitrage protection. The latency arbitrage protection is introduced to prevent the acceptance of requests to trade that appear "on market" when initiated but are later found to have been "off market" by the time the primary venues have updated their prices.
The FX Business does not pre-hedge in the last look window when market making and applies last look symmetrically, which means trades are rejected if the prevailing market has moved materially either in the Clients' favour or against them.

PRICING CONTINUITY

In periods of extreme market volatility and/or disruption, the FX Business has, on some occasions, seen delays to the acceptance and execution of trade requests, pricing, price streaming and/or market data dissemination. The FX Business is not obligated to provide pricing, price streaming or accept trade requests at all times and, in line with market practice, all electronic trading platforms used by the FX Business have position limits, volatility and other controls, that in each case may temporarily suspend execution, pricing and price streaming during these periods.

INFORMATION HANDLING

The FX Business 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.

Unless otherwise agreed, the FX Business may:

- Make appropriate use of the economic terms of Client information in order to effect and risk manage transactions, for example in sourcing liquidity in anticipation of counterparty needs,
- executing hedging or risk-mitigating transactions, and/or managing associated market risk. It will not disclose the Client name in these circumstances.
- Appropriately disseminate sufficiently aggregated and anonymised Client information, to contribute to the provision of market colour, including on the general state of market conditions and/or in forming a market view. Such information will be disseminated appropriately, and Client confidentiality will not be compromised.
- Where the FX Business acts as "riskless principal" where the execution is contingent on its ability to successfully offset the market risk with another liquidity provider, it will use anonymised unique Client tags on trade requests in the course of sourcing liquidity.

In addition, as part of a regulated entity, the FX Business may also be required to disclose Client information to our regulators and/or other public authorities.