

**Best Execution
Fixed Income Annex**
Client Disclosure Statement
HSBC Bank Malta plc – Markets



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Fixed Income Annex

INTRODUCTION

Fixed Income

HSBC Bank Malta plc (**HSBC**) is a member of the HSBC Group, the ultimate holding company of which is HSBC Holdings plc. Global Banking and Markets (**GBM**) is a business line of the HSBC Group and provides financial solutions to government, corporate and institutional clients worldwide. **Markets** is the financial markets sales and trading division within GBM. **Fixed Income** is an Asset Class in Markets.

Purpose

This document (**Annex**) supplements the HSBC Markets Best Execution Client Disclosure Statement (**Statement**). This Annex provides additional information on the application of our Best Execution Policy in Fixed Income. It uses certain terms that are defined in the Statement. If you have any questions about this Annex or the Statement, please contact your HSBC representative.

Scope

This Annex is addressed to those clients of HSBC who deal directly with Fixed Income and are not eligible counterparties. For organisational and regulatory reasons, only some clients of HSBC may deal directly with Fixed Income. In addition, for the same reasons, only some Fixed Income products are available to those clients who deal directly with Fixed Income. References below to **HSBC** and **we**, and to **clients** and **you**, should be understood accordingly.

BEST EXECUTION

Approach

As discussed in the Statement, under our Best Execution Policy, if best execution is applicable, the overarching principle applies to the exercise by HSBC of our discretion in executing transactions on behalf of clients, having taken into account specific instructions. We encourage clients to be as precise as practicable as to their execution requirements, in particular so that it is clear what discretion we retain in the execution of the transaction concerned. The application of the overarching principle is subject to (amongst other things) prevailing market conditions and our understanding of client preferences.

Execution factors

Subject to this, in the normal course of business, when applying the overarching principle in Fixed Income we give the execution factors the following relative importance:

- First, price. In considering price, we also consider the steps that we may reasonably take to minimise the market impact of execution.
- This is followed by size, likelihood of execution, and speed of execution. Broadly, this means we seek to execute your order in whole and in a timely manner.
- Thereafter, the other execution factors have equal priority.

EVALUATION

Approach

We evaluate quality of execution primarily by reference to price. This means that our monitoring primarily relates to price also. If the execution price deviates from our tolerance, we assess whether this is due to a deficiency in our execution process. We conclude that the deviation is not due to such a deficiency if it results from our duly taking into account a client specific instruction or another of the execution factors.

Fairness

In the case of OTC products, we monitor the fairness of our pricing. This means we have appropriate valuation systems and procedures to check the fairness of our pricing on a systematic basis.

Client feedback

We actively solicit client feedback on the quality of the execution services that we provide and take that feedback into account in evaluating those services.

FIXED INCOME

Services

In Fixed Income, HSBC provides execution services to clients transacting in credit and rates products. These products include debt securities, derivatives and structured products. In addition, we may finance a client's position in securities pursuant to a Securities Financing Transaction. Transactions in Fixed Income tend to be quote-driven rather than order-driven.

Execution Venue

In the normal course of business, a Fixed Income transaction is an OTC transaction that HSBC enters into with the client acting as principal and for our own account. This means that HSBC is the execution venue for the transaction concerned.

Prices

This also means that the prices we provide are HSBC prices and we do not make order routing decisions on the client's behalf.

Fee structure

It is our policy to establish an appropriate methodology (whether at the transactional or relationship level) to ensure pricing transparency for clients. In the normal course of business, we transact with clients at an all-in price in Fixed Income.

Terms of Dealing

For information on our Fixed Income terms of dealing, please refer to this document here: <http://www.hsbcnet.com/gbm/hsbc-foreign-exchange-information-notice.html>

AMENDMENTS

HSBC may update this Annex from time to time. The prevailing version of this Annex is available on <http://www.business.hsbc.com.mt/> Tools and resources – MiFID II.