

Best Execution
Global FX Annex
Client Disclosure Statement
HSBC Bank Malta plc – Markets



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PUBLIC

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INTRODUCTION

Global FX

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. **Global FX** is an Asset Class in Markets. It includes our businesses (**Global FX Business**):

- Foreign Exchange

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 Global FX. 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 Global FX and are not eligible counterparties. For organisational and regulatory reasons, only some clients of HSBC may deal directly with Global FX. In addition, for the same reasons, only some Global FX products are available to those clients who deal directly with Global FX. 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 Global FX 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.

TERMS OF DEALING

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

GLOBAL FX BUSINESSES

The subsequent sections of this Annex contain additional information on our Global FX Businesses.

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.

Foreign Exchange

FOREIGN EXCHANGE

Services

In our Foreign Exchange business, HSBC provides execution services to clients transacting in currencies and currency-related products in the course of our quote-driven activity. The transactions include cash transactions (FX forwards) and FX option transactions.

FX forwards

A forward exchange contract (**forward contract**) is principal risk transfer contract. The forward contract is a binding obligation to buy or sell a certain amount of foreign currency at a pre-agreed rate of exchange, on a certain future date. To take out a forward contract you need to advise us of the amount, the two currencies involved, the expiry date and whether you would like to buy or sell the currency. It may be possible to build in some flexibility to allow the purchase or sale of the currency between two pre-defined dates rather than a single maturity date.

FX options

These products include vanilla options, more complex options and customised transactions.

GLOBAL INTERMEDIATION SERVICES

HSBC provides certain fee-based execution services to clients in Foreign Exchange. We do so via our Global Intermediation Services (**GIS**) function. GIS manages our delivery of these fee-based services, including:

Benchmark orders

A benchmark order is a type of order where the client gives specific instructions on price and our discretion is thereby limited. In this case, the instruction is to fill the order at a benchmark price (eg, at a WM/Reuters FX Benchmark price) plus our agreed fee. There may be circumstances in which we are unable to accept forward benchmark orders.

EXECUTION VENUE

Execution venue

In the normal course of business, a Foreign Exchange 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. This means, for example, when we provide fee-based services we add a pre-agreed margin to the benchmark rate (in the case of a benchmark order) and

on the forward points (in the case of a forward transaction). In the normal course of our quote-driven activity, we transact with clients at an all-in price in Foreign Exchange.