

# Information about HSBC's Foreign Exchange Terms of Dealing

This notice sets out some of the key aspects of the relationship between HSBC and its clients when dealing with HSBC in foreign exchange (FX) products, where HSBC transacts in the FX market as a dealer and market maker. It is intended to supplement other disclosures concerning the terms and conditions of FX transactions with HSBC, and by continuing to trade with HSBC, you do so on the basis of the information described below. This notice does not affect or reduce our legal or regulatory duties to our clients.

## HSBC's FX dealing activities and services

Where HSBC transacts in the FX market as a dealer and market maker, HSBC's goal is to participate in the orderly operation of the markets, to offer consistently competitive prices and to protect and enhance its long-term sustainable relationships with its clients.

Unless otherwise disclosed, HSBC deals as principal, putting its own capital at risk, in arm's-length transactions with clients. This is true whether HSBC is responding to a request for quote, providing indicative pricing, executing client orders, or otherwise transacting in the market.

With respect to FX dealing activities and services, HSBC does not act as the agent, fiduciary or financial advisor of its clients. Accordingly, HSBC does not assume any of the responsibilities that would be associated with such roles.

## Potential Conflicts of Interest

The nature of the FX market and the role of firms such as HSBC in such market gives rise to potential conflicts of interest that cannot be completely eliminated.

As such, at any time HSBC may be engaged in transactions with a large number of different clients, each of whose interests may diverge from those of other clients. As part of HSBC's management of client activity, HSBC trading personnel may seek to anticipate near-term client demand, and take positions in connection with its risk management activities. In such cases, HSBC's actions are intended to provide it with sufficient inventory to service its clients.

It will not be unusual for HSBC to hold positions or trade in a way that may not be aligned with the objectives of an individual client. Given HSBC's activities in the market are consistent with its role as a dealer and market maker, it is possible that HSBC may:

- Affect the execution of certain FX transactions, such as barriers, stop loss orders or other limit orders, or affect the level at which FX benchmarks are set through its trading activity; and
- Enter into transactions in proportion to the requirements of its expected and/or actual order book, taking into account the size of orders, and applicable market conditions in order to effectively support its customers' proposed and/or actual activity

HSBC has policies and procedures in place to manage and mitigate potential conflicts of interest. When conducting these activities, HSBC seeks to avoid undue market impact to the extent consistent with its trading and risk management needs and objectives.

## Client Confidentiality

Protecting client confidential information is amongst HSBC's highest priorities as an institution. We recognise that the clients with whom we transact entrust HSBC with important information, and that in certain circumstances the disclosure of that information may be detrimental to the interests of those clients. It should be understood that HSBC uses information provided by clients to manage its own business and to mitigate and hedge against risk and expected near-term demand. HSBC may also share information about client activities amongst HSBC sales and trading personnel, and may use or disclose that information on an aggregated and non-attributable basis to inform HSBC's view of the market and any related client-facing business. Additionally, HSBC may share information about client activities with regulators and in accordance with any applicable legal requirements. Consequently, HSBC has policies and procedures in place that are designed to protect such confidential information and ensure it is not disclosed or used improperly.



## Basis for FX prices and order execution

As stated above, HSBC's goal is to offer consistently competitive prices to its clients.

A number of factors may be taken into account when pricing transactions. For example:

- The risk which HSBC assumes under the transaction, taking into account matters such as HSBC's risk appetite, business strategy, positions and risk management costs, and the characteristics of the specific transaction
- Infrastructure and other operational costs
- Counterparty, capital and funding related costs, such as the nature and credit risk of the client, and internal credit and/or funding charges
- Fees and costs that arise during the execution and life of the transaction, such as clearing, settlement and other delivery costs, documentation and legal costs, and regulatory costs and taxes
- Client services such as non-standard execution, sub-allocations, trade structuring, trade simulations and related research
- Our relationship with the relevant client, taking into account factors specific to that client; and/or
- Any pre-agreed fee/spread charges (for example, some of our FX execution services entail a fee, which is agreed with the client in advance)

The relevant impact of each individual factor upon the price of a transaction will differ depending upon the prevailing market conditions and specific circumstances of that transaction. The way HSBC prices transactions with clients may also differ depending on whether we are providing quotes and indicative prices, or executing an order on behalf of a client. As a result, HSBC may offer different prices to different clients for the same or substantially similar type of transaction based on the factors above.

### Quotes and indicative prices

Unless otherwise expressly agreed, any firm or indicative price quoted by HSBC to a client is an "all-in" price, inclusive of any margin applied to the price at which HSBC may be able to transact in the market, whether the price is quoted by sales, trading or other personnel.

In relation to any electronic trading with HSBC, HSBC continually updates indicative prices it quotes, as and when it deems appropriate. Therefore, where a client submits a trade request electronically to HSBC, it is possible that HSBC may have refreshed its pricing independent of and prior to receiving the request. In such circumstances, HSBC is not obliged to accept the client's trade request. However, if HSBC does accept such trade request, it will be at the same or an improved price from the client's perspective.

In relation to both electronic trading and voice trading with HSBC, it is the client's obligation to ensure that they are satisfied with the price (indicative or firm) and other terms of any transaction with HSBC prior to the transaction being executed.

### Execution of client orders

Clients can send orders to HSBC using various channels, including voice or electronic means, as may be agreed between HSBC and the relevant client. By placing an order with HSBC, a client offers to transact with HSBC on the basis of the parameters set out in the order. Subject to any express agreement to the contrary, HSBC is entitled to exercise its discretion in determining whether to accept that order and whether to fill the order in whole or in part.

Where a client places an order for execution using a particular algorithm, if the algorithm so permits, at the client's direction, HSBC will execute such order against:

- Liquidity that HSBC accesses by way of transactions with third parties; and/or
- The trading inventory of HSBC itself

In the absence of any specific instruction, HSBC may, in its discretion, use any or all of these execution methods.

**At HSBC, we are committed to building a sustainable business with long term client relationships. This commitment includes maintaining the highest levels of integrity and treating all our clients fairly. If you have questions about this notice, please contact your HSBC representative.**

This notice is also available at <http://www.hsbcnet.com/gbm/hsbc-foreign-exchange-information-notice.html> and may be updated from time to time. Updates will be made available on that website.

In this Notice "HSBC" refers to HSBC Holdings plc and its affiliates, including HSBC Bank plc, HSBC Bank USA, N.A., and The Hongkong and Shanghai Banking Corporation Limited.