

Notice on Treatment of Trade Settlement Payments for UK Client Money Purposes

This Notice is given in connection with (i) regulated products, services or transactions including, but not limited to, investments specified in Part III of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 and (ii) certain financial instruments under the *Standard Terms of Business for Equities and Fixed Income Securities and Customised Over the Counter Derivatives* as set out in the *Terms and Conditions of Business* of SMBC BI and SMBC, London Branch (each as defined below) or the *Standard Terms of Business for Equities and Fixed Income Securities and Customised Over the Counter Derivatives* of SMBC Nikko and DP Ltd (each as defined below).

In the event of any conflict between the provisions of this Notice and an express term of any other agreement between SMBC and the customer, the relevant term in such other agreement shall prevail.

This Notice applies to the following SMBC entities, as applicable:

- SMBC Bank International plc (“**SMBC BI**”);
- Sumitomo Mitsui Banking Corporation, London Branch (“**SMBC, London Branch**”);
- SMBC Nikko Capital Markets Limited (“**SMBC Nikko**”); and
- SMBC Derivative Products Limited (“**DP Ltd**”),

(together, “**SMBC**”).

TREATMENT OF TRADE SETTLEMENT PAYMENTS FOR UK CLIENT MONEY PURPOSES

SMBC does not hold client money.

To ensure efficient and effective trade settlement in dealings between SMBC and its customer, SMBC has implemented settlement systems to automatically match and settle trades within specified thresholds. Where the system encounters small settlement differences (such as differences in decimal places between counterparty trade booking and settlement systems) these are matched in line with common market practice.

This practice may result in minor over or under payments. In order to administer trade settlement effectively we will not require you to fund any underpayment which is within a threshold (or at our discretion when outside of a threshold). In consideration of such, we will charge a nominal administration fee with respect to any over payments (the “**Fee**”). The Fee will be calculated as the amount of over payment up to the threshold(s) detailed below and, as such, will not result in an additional payment by you.

Therefore, any overpayment that does not exceed the specified threshold(s) will be due to us and will not be treated as client money for the purposes of the rules set out in the handbook issued by the Financial Conduct Authority (the “**UK Client Money Rules**”). Overpayments that exceed the specified thresholds will be returned to the customer.

The thresholds include (but are not limited to):

- SMBC follows the Euroclear settlement system matching tolerances:
 - lower than or equal to EUR 100,000, the matching tolerance is EUR 2
 - higher than EUR 100,000, the matching tolerance is EUR 25
- SMBC follows the standard Japanese market settlement tolerance of JPY 100
- SMBC follows the matching tolerance within the DTC system, currently USD 25
- SMBC follows the standard market convention of a matching tolerance of USD 50 (or local market equivalent) for OTC derivative transactions.

The thresholds may be adjusted from time to time to the extent that SMBC considers reasonable in the circumstances.