Wholesale foreign exchange disclosure

This disclosure sets out the main terms of the Bank[1]' for Foreign Exchange ("**FX**") dealing with its customers and other market participants (together "**counterparties**") in principal to principal transactions, whether by voice or electronic means, in the wholesale FX markets with respect to FX spot, options, swaps and deliverable and non-deliverable forwards (together, "**FX Products**").

When a counterparty enters into FX transactions with the Bank in the wholesale FX markets it will be on the basis of this Disclosure Notice (the "**Notice**"), except to the extent otherwise expressly agreed, provided for in other applicable terms of dealing, ancillary trading documentation, product specific disclosures or notices issued by the Bank or as otherwise required by applicable law or regulation.

This Notice supplements the contractual arrangements governing the relationship between the Bank and you and, in the event of any conflict, those contractual arrangements shall take precedence over this Notice. For further detailed information on any of the principles contained in this Notice, please contact your Relationship Manager.

1. Compliance with laws, regulatory requirements and market practice

The Bank complies with applicable domestic and overseas laws and regulations, market standards and market practices when entering into FX transactions, including the provisions of the FX Global Code.[2] The Bank has signed a Statement of Commitment to the principles of good practice outlined in the FX Global Code, which formally demonstrates the Bank's commitment to promoting integrity, fairness, transparency and the effective functioning of the global FX market.

2. Role of the Bank: Acting as Principal

The Bank generally acts as a principal and places bid/ask prices when it receives orders for FX transactions from counterparties. A principal is a type of market participant who acts on its own behalf as counterparty to its customer and on an arm's length basis. Hence, prices offered by the Bank to a counterparty and the executed price based on an agreement between the counterparty and the Bank will be solely applied to a specific transaction based on that agreement. This means that the Bank does not act as agent, fiduciary, financial advisor or in any similar capacity on behalf of a counterparty when acting as principal. Through FX transactions with counterparties, the Bank holds FX positions and from time to time may execute hedge transaction(s) in the FX market to control the risks arising from transactions with counterparties.

The Bank may also decide to enter into pre-hedge transactions in manners that the Bank determines proper at its discretion in order to effectively execute the counterparties' orders and/or to manage the Bank's own risks. In addition, the Bank may enter into full-hedge transactions for certain customers' orders depending on currency pairs and transaction types. The aforementioned risk hedge related to transactions is carried out by employees who are duly authorised to execute these transactions at the Bank's discretion.

In general, the execution price applied to a certain transaction with a counterparty is unlikely to be identical to the price which the Bank executes to cover its positions in the FX market. This difference is due to the fact that the Bank has no assurance that it is able to execute the cover trades at the same price and/or amount in the FX market.

The Bank's employees do not serve as brokers or agents to the Bank's counterparties and accordingly any statements made by, or communicated through them, should not be construed as recommendations or advice. A counterparty (or its agent) is expected to evaluate the appropriateness of any FX transaction based on the counterparty's own facts and circumstances and its assessment of the transaction's merits.

The Bank takes all reasonable steps to avoid conflicts of interest. Where conflicts arise between orders from different counterparties, or between a counterparty order and a position that the Bank holds as principal, these are managed according to the Bank's regulatory obligations and in line with its Conflicts of Interest Policy.[3]

3. Pricing

Unless otherwise expressly agreed, the Bank does not charge a commission, but rather it applies a mark-up or spread between the price that is charged to counterparties for the purchase of an FX Product and the price the Bank has had to pay to hedge the same FX Product to provide to the counterparty an "**all-in price**". The Bank's employees are required to act honestly, fairly and professionally when determining the all-in price.

A mark-up or spread is included in the all-in price of a transaction in order to compensate the Bank for a variety of reasons, which might include risks taken, costs incurred and services rendered to a particular counterparty. The counterparty is given an all-in price which includes all of the Bank's costs. No additional charges are applied by the Bank when executing the transaction.

Typically the Bank applies a mark-up or spread (i) on the price that it has obtained from the counterparty; or (ii) in circumstances where the Bank is selling the FX Product to the counterparty from its own book, on the initial price calculated by the Bank.

The Bank has policies in place to ensure that a mark-up is reasonable, not excessive and within a range that the Bank considers appropriate for the product type, tenor and size of the trade considering the applicable market conditions and the Bank's risk management policies andpractices. For further information please refer to the Bank's Order Execution Policy.[4]

4. Execution

The Bank quotes the executable rate upon receipt of an order from the counterparty. The rate which is offered is based on the actual market rate as determined by the Bank, and reflects the management of any associated risks when executing the transaction. The Bank manages the limit price orders in accordance with the execution procedures pre-agreed with the counterparties. However, the Bank may not execute the order if the Bank determines that actual market rate has not reached the limit price designated by the counterparty.

Additionally, since the Bank holds numerous orders from multiple counterparties, orders are not necessarily executed in that order they are received from the counterparties. In circumstances where there are multiple identical orders, some of the orders may not be executed at the same time. Such decisions are made by the duly authorised dealers in a reasonable manner as determined by the Bank on the basis of a number of factors including information sources that the Bank determines to be credible, the Bank's execution experience, market liquidity, and dealers' positioning.

The Bank carries out market transactions for the purpose of risk management. This may result in the Bank executing its own trades near or at the prices triggering the counterparty's' stop-loss orders. In these circumstances, the Bank's transactions may influence the rate referenced in the counterparty's order which in turn might trigger their stop loss order.

For further information about the Banks' policies on execution please refer to the Bank's Order Execution Policy.

5. Electronic trading

When a counterparty transmits a trade request to the Bank on any electronic platform (including any platform operated by a third party), as part of the trade acceptance process operated by the Bank, it may automatically apply a number of risk management and operational controls before a decision is made as to whether the Bank wishes to accept the request and enter into the transaction. The Bank refers to these controls employed prior to a trade acceptance collectively as "**Last Look**". These checks may include a credit check as well as confirmation that the requested FX rate remains appropriate.

The purpose of employing Last Look is for the Bank to be able to assess whether a counterparty's trade request is made at a price that, at the time of the trade acceptance decision, remains appropriate (also referred to as "rate validation") for the Bank's liquidity providers, including its parent Sumitomo Mitsui Banking Corporation in Tokyo.

The Bank may perform rate validation to check the difference between the FX rate requested by the counterparty and the latest FX rate quoted by the liquidity provider. A request from the counterparty to trade may be rejected where the price has moved outside a specific threshold after the order has been received. The Bank considers that this validation is an appropriate risk control for timing latencies, technology issues and market disruptions, given that the FX rate quoted by the liquidity provider may change considerably from the time the counterparty makes the request to trade until the time that request is received by the Bank and the trade is executed.

6. Communications

Counterparties must ensure that all requests for quotes, requests for indicative prices and discussion or placement of orders are communicated clearly to the Bank's employees (including details on price limitations, order type, size, currency, and time limitations).

Counterparties must communicate through approved methods of communication as confirmed by the Bank from time to time. In relation to communications submitted in respect of trades to be completed using a combination of voice and other means of electronic communication, where the Bank agrees to the use of fax or electronic messaging (e.g., e-mail, chat-rooms, and instant messaging systems) as a mode for communicating to the Bank, any communication sent to the Bank by fax or electronic messaging will not be considered to be received by the Bank until the Bank's employees verify the communication with the counterparty.

7. Information Sharing

The Bank takes all necessary measures to adequately manage counterparties' confidential information. Information provided to a counterparty by the Bank, unless already publicly available, should be treated as confidential and should not be disclosed to any third party.

The Bank may use information regarding the terms of individual transactions to tailor the provision of products and services to its counterparties. The Bank may use un-attributable aggregated information regarding executed transactions and other available information regarding market conditions in formulating its overall market views and pricing and may communicate such information internally, to counterparties or to other third parties.

In addition, the Bank may share details of a counterparty's transaction request to persons acting in a sales or trading capacity within the SMFG Group[5] or one of its agents, in order to conduct its FX business and/or for other purposes as the Bank reasonably considers necessary or desirable.

For further details on the Bank's policies on information sharing please refer to the Notices to Customers available on the Bank's website.[6]

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1. The term "**Bank**" is taken to mean all offices of Sumitomo Mitsui Banking Corporation located in EMEA, SMBC Bank International plc and its branches, SMBC Bank EU AG and its branches, and JSC Sumitomo Mitsui Rus Bank
2. A copy of the Code, updated in July 2021, is available here: https://www.globalfxc.org/fx_global_code.htm
3. A summary of the Bank's Conflicts of Interest Policy is available here: https://www.smbcgroup.com/emea/noticesand-reporting/mifid-ii/
4. A copy of the Order Execution Policy is available here: https://www.smbcgroup.com/emea/notices-and-reporting/mifid-ii/
5. SMFG Group refers to Sumitomo Mitsui Financial Group, Inc., Sumitomo Mitsui Banking Corporation and any of their respective subsidiaries and affiliates (including SMBC Bank International plc).
6. https://www.smbcgroup.com/emea/notices-and-reporting/customer-information-and-notices