

Information about Hang Seng Bank (China) Limited Global Markets Fixed Income Terms of Dealing

This notice sets out some of the key aspects of the relationship between Hang Seng Bank (China) Limited (“Hang Seng China” or “we”) and its clients, including customers and counterparties (“client” or “you”), when dealing in Fixed Income (FI) products¹, where we transact in the FI markets as a dealer. It is intended to supplement other disclosures concerning the terms and conditions of FI transactions with us and by continuing to trade FI with us, clients do so on the basis of the information described below. This notice is subject to our regulatory duties to our clients and any written agreement we have with you or written terms of business or written disclosure we have provided to you.

Hang Seng China’s FI dealing activities and services

Hang Seng China’s goal is to participate in the orderly operation of the markets, to offer consistently competitive prices and to maintain and enhance its long-term sustainable relationships with its clients.

Unless otherwise expressly agreed, Hang Seng China deals with clients as principal in FI transactions. This is true whether Hang Seng China is responding to a request for quote, providing indicative pricing, executing client orders², or otherwise transacting in the market.

Hang Seng China does not act as the agent or fiduciary of its clients and does not assume any of the responsibilities to clients that would be associated with such roles. Each client should evaluate the appropriateness of any FI transaction based on its own facts and circumstances and its assessment of the transaction’s merits and execute the transaction based on its own independent determination of the transaction, either individually or in consultation with its advisors or agents.

Conflicts of Interest

The role of Hang Seng China in the FI markets may give rise to conflicts of interest between such firms and other market counterparties, including their clients, which cannot be completely eliminated.

As a result of its FI markets activity, at any time Hang Seng China is likely to be engaged in transactions with multiple clients, each of whose interests may diverge from those of Hang Seng China or other clients. As part of Hang Seng China’s trading activity, Hang Seng China trading personnel may anticipate near-term demand; take positions in connection with Hang Seng China’s risk management activities; and minimise the impact of order execution on the market. Hang Seng China’s activities are intended to provide it with sufficient inventory to service its clients.

As part of its activities as a FI dealer, Hang Seng China may hold positions or trade in a way that may not be aligned with the interests of an individual client, in aggregate or in relation to particular trades. Hang Seng China may, for example:

¹ Includes, but is not limited to, interest rate derivatives, bonds and repos

² Orders include Request For Quotes (RFQs), Orders and Instructions

- Enter into transactions via voice or electronic media: For risk management purposes, before, during and after the execution of a client transaction (including transactions which may be linked to reference prices or concluded at or close to the time of a benchmark being calculated). Hang Seng China's risk management activity will take into account the size of orders and applicable market conditions. Where Hang Seng China receives, or reasonably expects to receive, an order, the client acknowledges that Hang Seng China may pre-hedge (where allowed by applicable regulation and markets) the order placed with them and that this may affect the price of the financial instruments and the client understands the potential pricing impact and other risks associated with any such pre-hedging activity.
- Through its trading activity, affect the execution of certain FI positions or transactions, such as barriers or limit orders, or affect the level at which FI reference prices are set, which might trigger or prevent the execution of transactions by clients or adversely affect the price of those transactions.
- Generate profits or losses in connection with Hang Seng China's trading activity including but not limited to pre-hedging activity.
- Receive multiple orders for the same or related products, including in instances where Hang Seng China or its affiliates also has a trading interest in such products. In each of these cases, a client's interests may conflict with the interests of Hang Seng China or its affiliates or other Hang Seng China clients. Hang Seng China generally retains discretion in managing these conflicts (including with respect to order execution, aggregation, priority and pricing), which can in some instances prevent Hang Seng China from satisfying (or fully satisfying) a client's trading interest or adversely affect the price at which Hang Seng China is able to do so.
- Act as the calculation agent, valuation agent, collateral agent or other determining party with respect to transactions or terms or reference inputs of transactions that Hang Seng China enters into with you, in such capacity our economic interests may potentially be adverse to yours.
- Have an ownership or other economic interest in a trading venue on which transactions may be executed or clearing house through which transactions may be cleared. Also, we may have access to one or more trading venues or clearing houses and not others. In each of these cases, we may derive financial or other benefits if trades are executed and/ or cleared at such venue or clearing house.

Hang Seng China has policies and procedures reasonably designed to manage and mitigate the risk of conflicts of interest. When conducting these activities, Hang Seng China seeks to minimise market impact to the extent consistent with its trading and risk management needs and objectives.

Client Confidentiality

Hang Seng China is bound by contractual and regulatory obligations relating to confidential information and protecting client confidential information is amongst Hang Seng China's key priorities as an institution. Hang Seng China recognizes that the clients with whom the firm transacts entrust Hang Seng China 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 Hang Seng China may use information provided by its clients to manage its risk and customer demand in accordance with its policies and procedures on confidentiality and conflicts of interest.

Hang Seng China may use or disclose that information on an aggregated and/ or non-attributable basis to inform Hang Seng China's view of the market and any related client-facing business. Additionally, Hang Seng China may share information about client activities with regulators and in accordance with any applicable legal requirements. Consequently, Hang Seng China has policies and procedures in place that are reasonably designed to protect such confidential information and ensure it is not inappropriately disclosed or otherwise used improperly.

Basis for FI prices

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

- The risks, including market risk, which Hang Seng China assumes under the transaction, taking into account matters such as Hang Seng China'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
- Any pre-agreed fee/ spread charges (for example, some of our FI execution services entail a fee, which is agreed with the client in advance)
- Other relevant factors including applicable regulatory requirements and commercial considerations identified through our relationship with clients.

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 Hang Seng China 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, Hang Seng China 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 advised or expressly agreed by Hang Seng China, any firm price quoted by Hang Seng China to a client is an "all-in" price, inclusive of any margin above the price at which Hang Seng China may be able to transact in the market, whether the price is quoted by sales, trading or other personnel. A firm price will take into account all applicable pricing factors listed above, whereas any indicative price may not take into account any or all of such applicable pricing factors.

In relation to any electronic trading with Hang Seng China, the prices that Hang Seng China quotes are indicative (unless advised otherwise, for example but without limitation, on the relevant platform). Hang Seng China continually updates these prices, as and when it deems appropriate. Therefore, where a client submits a trade request electronically to Hang Seng China, it is possible that Hang Seng China may have refreshed its pricing independent of and prior to receiving the request. In such circumstances, Hang Seng China is not obliged to accept

the client's trade request transmitted prior to any such pricing revisions and may send its revised price to the client. The client will then have the opportunity to accept or reject the revised price.

In relation to both electronic trading and voice trading with Hang Seng China, 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 Hang Seng China prior to the transaction being executed.

Execution of client orders

Clients can send orders to Hang Seng China using various channels, including voice or electronic means, as may be agreed between Hang Seng China and the relevant client. Hang Seng China's receipt and execution of a client's order might be adversely affected by latencies or delays for technological, operational or other reasons. Hang Seng China does not undertake any obligation to disclose to a client if and when it receives a client's order.

By placing an order with Hang Seng China, a client irrevocably offers to transact with Hang Seng China on the basis of the parameters set out in the order. Subject to any express agreement to the contrary, Hang Seng China's receipt of an order or any indication of working an order received from a client does not create a contract between the client and Hang Seng China that commits Hang Seng China to execute any or all of the order in any particular way. Hang Seng China is entitled to exercise its discretion in determining whether to accept an order and whether to fill the order in whole or in part.

Where a transaction or execution instruction is priced or triggered with reference to the market price for a product, unless the parties otherwise agree, Hang Seng China will determine the market price in its discretion (which, depending on the circumstances, may be a bid, offer, mid-market, market-on-close, last-traded, or other price). Where Hang Seng China considers a client order may have a significant impact on market levels, it may endeavour to agree an execution strategy with the client to minimise this impact.

Whilst Hang Seng China seeks to provide consistently competitive pricing, we make no representation that the quotes and indicative prices which Hang Seng China makes to a client are the best prices available in the market at the time, nor that Hang Seng China will make that same price or anticipate making that same price available to other clients.

At Hang Seng China, 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 Hang Seng China representative. This notice is also available at https://www.hangseng.com.cn/1/PA_esf-ca-app-content/content/pws/others/pdfs/gm_fixed_income.pdf and may be updated from time to time. Updates will be made available on that website.