# Systematic Internalisation Commercial Policy
## HBEU – Markets (Equities Derivatives)

**HSBC** ◆

# Systematic Internalisation

## Introduction

### Product scope

Applies to Equity Derivatives in respect to its activities as a Systematic Internaliser (SI) with the following product scope:

- securitized Derivatives including:
    - Plain covered warrants
    - Leveraged certificates
    - Exotic covered warrants
    - Negotiable rights
    - Investment certificates
    - Equity Derivatives including:
    - Index options / futures / forwards
    - Dividend index futures / forwards
    - Volatility index options / futures / forwards
    - Stock options / futures / forwards
    - Stock dividend options / futures / forwards
    - ETF options / futures / forwards
- Swaps including:
    - Equity / Index / Custom Basket
    - Dividend / Variance / Volatility
- Portfolio Swaps
    - Dividend / Variance / Volatility


### Key definitions & Notes:

- Derivatives as defined in this document refer to the above identified list of equity financial instruments

- Secondary executions are executions that are based on request for quotes that have been made public as per the SI pre-trade transparent requirement

- SSTI threshold meaning Size Specific To Instrument.  This varies by instrument group and by liquidity of underlying

- LIS means Large in Scale. This varies by instrument group and by liquidity of underlying

- For equity instruments the current SSTI and LIS thresholds (above) are valid from 3-Jan-18 to 31-May-19; Updated values will be published on 30-Apr-19 and will take effect from 01-Jun19 to 31-May-20

- APA is an Approved Publication Agreement.  HSBC's APA for EQD products is TradeWeb

- Swaps, Portfolio Swaps, Structured Finance Products and Other Equity Derivatives are deemed to be illiquid as of the current ESMA classification

## Systematic Internalisation

### Price quotes / Pre-Trade Transparency publication

HSBC will not be providing continuous quoting for in-scope derivatives (see product scope above).

Quotes will be made public when HSBC replies to a Request for Quote (RFQ). HSBC will publish an in-scope quote[1] to our APA at the same time that it replies to the client RFQ. Published quote responses will be the same as those provided to the client (ie. bid only, ask only or two way, as provided). For strategies with multiple legs an aggregated price will be published.

Only firm quotes will be published and are tradable if all conditions are met (see section below)

Published quotes will be viewable via our APA and executable via our high touch desk to those clients so long as the execution of this trade does not contravene our internal risk management procedures or exceed what would be considered a normal volume (see Conditions section below).

### Client interactions with public quotes

Priority will be given to the client that has requested the initial quote.

Client will be able to interact with the published quotes via our high touch desk and the request to trade on the published quote will be reviewed on a case by case basis based on quantity or notional and at the original price so long as all conditions (see conditions section below) are met.

Client will require to be onboarded for the product being quoted in order to be able to interact with our published quotes.

We make these price quotes available to our clients who are Eligible Counterparties or Professional Clients. The quotes are not available to Retail Clients.

### Timing

We publish our price quotes daily during HSBC trading hours between the hours of [07:00] and [17:00].

### Availability

A published quote will remain valid for 3 minutes from the moment it was published after which it will expire.  Quotes that have expired will not be updated.

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[1] MiFID II requires pre-trade transparency when the product is deemed 1) liquid by ESMA and 2) the trade notional below SSTI threshold

**Conditions**

Clients will be able to interact with the published quotes as long as all of the following conditions are met:

1. That the trade does not present any regulatory, risk management or client restriction (including clients presenting a different credit risk profile from the credit risk profile of the client that has requested the initial quote)

2. The client has not already executed on this published quote.  Our commitment is to execute only once with the same client at the quoted price.

3. If there are multiple client request to execute against the same quoted price, we will execute against the client that has requested the initial RFQ or the first client that has submitted a request to execute. The other requests will be considered, but will be declined if subsequent executions would contravene our internal risk management procedures or exceed what would be considered a normal volume.

4. In line with our risk management policy, we would not honour quotes that have been generated as a manifest error, such as a technical disruption that results in incorrect price quotes being computed.

**Exceptional market conditions**

We may withdraw our price quotes under exceptional market conditions. We define the term exceptional market conditions to include the following conditions:

- The trading venue where the underlying is traded halts trading for the underlying in accordance with Article 48(5) of MiFID II
- Market making obligations in the underlying are suspended on the trading venue where it is admitted to trading
- A reliable market price is not available for a significant number of instruments underlying the derivative (index or other).