

Jan 2018

**Best Execution  
Global FX Annex**  
Client Disclosure Statement  
HSBC Bank plc – Global Markets

Dated 3 January 2018



PUBLIC

Jan 2018

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# Global FX Annex

## INTRODUCTION

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### Global FX

HSBC Bank plc (**HSBC**) is a member of the HSBC Group, the ultimate holding company of which is HSBC Holdings plc. Global Banking and Markets (**GBM**) is a business line of the HSBC Group and provides financial solutions to government, corporate and institutional clients worldwide. **Global Markets** (GM) is the financial markets sales and trading division within GBM. **Global FX** is an Asset Class in GM. It includes our businesses (**Global FX Businesses**):

- Foreign Exchange
- Commodities

### Purpose

This document (**Annex**) supplements the HSBC Markets Best Execution Client Disclosure Statement (**Statement**). This Annex provides additional information on the application of our Best Execution Policy in Global FX. It uses certain terms that are defined in the Statement. If you have any questions about this Annex or the Statement, please contact your HSBC representative.

### Scope

This Annex is addressed to those clients of HSBC who deal directly with Global FX and are not eligible counterparties. For organisational and regulatory reasons, only some clients of HSBC may deal directly with Global FX. In addition, for the same reasons, only some Global FX products may be available to certain clients who deal directly with Global FX. References below to **HSBC** and **we**, and to **clients** and **you**, should be understood accordingly.

## BEST EXECUTION

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### Approach

As discussed in the Statement, under our Best Execution Policy, if best execution is applicable, the overarching principle applies to the exercise by HSBC of our discretion in executing transactions on behalf of clients, having taken into account specific instructions. We encourage clients to be as precise as practicable as to their execution requirements, in particular so that it is clear what discretion we retain in the execution of the transaction concerned. The application of the overarching principle is subject to (amongst other things) prevailing market conditions and our understanding of client preferences.

### Execution factors

Subject to this, in the normal course of business, when applying the overarching principle in Global FX we give the execution factors the following relative importance:

- First, price. In considering price, we also consider the steps that we may reasonably take to minimise the market impact of execution.
- This is followed by size, likelihood of execution, and speed of execution. Broadly, this means we seek to execute your order in whole and in a timely manner.
- Thereafter, the other execution factors have equal priority.

## **FX spot**

Best execution applies to those FX spot transactions that are ancillary to transactions in financial instruments to which best execution applies. In any regard, as part of our practice of providing clients with a consistently high quality service, we apply our Best Execution Policy to FX spot transactions even if not strictly within the scope of best execution, as further described below.

## **Commodities transactions**

Generally, the commodities in which we deal are not financial instruments. Therefore, best execution does not apply to client orders to buy or sell such commodities in the spot market. However, certain transactions in those commodities (eg options, futures, swaps, forwards and other derivatives contracts) may themselves be financial instruments to which best execution applies in the circumstances described in the Statement.

## **EVALUATION**

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### **Approach**

We evaluate quality of execution primarily by reference to price. This means that our monitoring primarily relates to price also. If the execution price deviates from our tolerance, we assess whether this is due to a deficiency in our execution process. We conclude that the deviation is not due to such a deficiency if it results from our duly taking into account a client specific instruction or another of the execution factors.

### **Monitoring**

We monitor best execution for FX cash transactions, precious metals and FX vanilla options executed with us electronically. We are currently enhancing our monitoring capabilities for manually executed orders in FX cash, more complex FX options, base metals, and energy derivatives. Manually executed orders are those placed by clients contacting a HSBC salesperson, or by entering orders via chat (eg Bloomberg or Reuters), where the execution of the order is performed by a member of HSBC staff rather than via an electronic execution platform. While we are working on enhancing our monitoring capability to capture and record the order receipt time, clients leaving such orders will continue to receive competitive pricing. These prices are HSBC prices but are not necessarily indicative of the best prices available in the market at the time of receipt.

### **Fairness**

In the case of OTC products, we monitor the fairness of our pricing. This means we have appropriate valuation systems and procedures to check the fairness of our pricing on a systematic basis.

### **Client feedback**

We actively solicit client feedback on the quality of the execution services that we provide and take that feedback into account in evaluating those services.

## **TERMS OF DEALING**

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For information on our Global FX terms of dealing, please refer to this document here: [www.gbm.hsbc.com/solutions/markets/terms-of-dealing](http://www.gbm.hsbc.com/solutions/markets/terms-of-dealing).

## **GLOBAL FX BUSINESSES**

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The subsequent sections of this Annex contain additional information on our Global FX Businesses.

## **AMENDMENTS**

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HSBC may update this Annex from time to time. The prevailing version of this Annex is available on [www.hsbcnet.com/bestexecution](http://www.hsbcnet.com/bestexecution).

# Foreign Exchange

## FOREIGN EXCHANGE

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### Services

In our Foreign Exchange business, HSBC provides execution services to clients transacting in currencies and currency-related products in the course of our quote-driven activity. The transactions include cash transactions (eg, FX spot and FX forwards) and FX option transactions.

### FX spot

A spot contract is a binding obligation to buy or sell a certain amount of foreign currency at the current market rate, for settlement in two business days' time. To enter into a spot deal you advise us of the amount, the two currencies involved and which currency you would like to buy or sell.

### FX forwards

A forward exchange contract (**forward contract**) is principal risk transfer contract. The forward contract is a binding obligation to buy or sell a certain amount of foreign currency at a pre-agreed rate of exchange, on a certain future date. To take out a forward contract you need to advise us of the amount, the two currencies involved, the expiry date and whether you would like to buy or sell the currency. It may be possible to build in some flexibility to allow the purchase or sale of the currency between two pre-defined dates rather than a single maturity date.

When executing a FX forward order, HSBC calculates the forward points based on the cost of managing the market risk of the forward transaction. The price provided is an HSBC price, reflecting the principal risk transfer that takes place. HSBC's operational processes are designed to achieve timely execution in all foreseeable circumstances, providing the terms of the order or transaction are within the thresholds HSBC can support

### FX options

These products include vanilla options, more complex options and customised transactions.

## GLOBAL INTERMEDIARY SERVICES

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HSBC provides certain fee-based execution services to clients in Foreign Exchange (as well as in our precious metals business). We do so via our Global Intermediary Services (**GIS**) function. GIS manages our delivery of these fee-based services, including:

### Algorithmic orders

Algorithmic orders (**Algo Orders**) are client orders for the sale or purchase of currencies using a HSBC algorithm. Clients may place Algo Orders in furtherance of one or more strategies. In the case of Algo Orders, the scope for application of the overarching principle is reduced to the extent that the client takes its own responsibility for execution. Transaction cost analysis (**TCA**) is available to clients in connection with Algo Orders.

### Benchmark orders

A benchmark order is a type of order where the client gives specific instructions on price and our discretion is thereby limited. In this case, the instruction is to fill the order at a benchmark price (eg, at a WM/Reuters FX Benchmark price) plus our agreed fee.

## **FX overlay**

These are FX-related services provided to certain clients, under which we provide non-discretionary FX risk management via the execution of FX orders pursuant to the terms of our agreement with the client. FX orders within FX overlay are typically filled at a benchmark price.

## **Custody**

These are FX-related services provided to certain clients for whom HSBC acts as custodian pursuant to the terms of our agreement with the client. FX orders within Custody services are typically filled at a benchmark price.

## **Prime brokerage**

These are FX-related services provided to certain clients for whom HSBC acts as prime broker pursuant to the terms of our agreement with the client. The execution takes place between the client and an execution broker, and the trade is 'given up' to HSBC, acting in its capacity as prime broker.

## **EXECUTION VENUE**

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### **Execution venue**

In the normal course of business, a Foreign Exchange transaction is an OTC transaction that HSBC enters into with the client acting as principal and for our own account. This means that HSBC is the execution venue for the transaction concerned.

### **Prices**

This also means that the prices we provide are HSBC prices and we do not make order routing decisions on the client's behalf.

## **FEE STRUCTURE**

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When we provide fee-based services we add a pre-agreed margin to the benchmark rate (in the case of a benchmark order) and on the forward points (in the case of a forward transaction). Our fees are representative of HSBC's costs plus a reasonable commercial return. In the normal course of our quote-driven activity, we transact with clients at an all-in price in Foreign Exchange.



# Commodities

## **SERVICES**

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In our Commodities business, HSBC provides execution services to clients transacting in metals-related and energy-related products. Transactions in Commodities tend to be quote-driven rather than execution-driven.

## **EXECUTION VENUE**

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### **Execution venue**

In the normal course of business, a Commodities transaction is an OTC transaction that HSBC enters into with the client acting as principal and for our own account. This means that HSBC is the execution venue for the transaction concerned.

### **Prices**

This also means that the prices we provide are HSBC prices and we do not make order routing decisions on the client's behalf.

## **FEE STRUCTURE**

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In the normal course of our quote-driven activity, we transact with clients at an all-in price in Commodities.