

# Best Execution Client Disclosure Statement

HSBC Securities (Canada) Inc.

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Prepared by: Global Markets Canada



# 1. Introduction

HSBC Securities (Canada) Inc. (“HCSC”) has policies and related arrangements on best execution in respect of our capital markets activities (herein referred to as “GM Canada”). GM Canada is subject to a regulatory obligation to provide best execution to our clients under IIROC Dealer Member Rule 3300 *Best Execution of Client Orders* (“Rule 3300”).

This Client Disclosure Statement (“Statement”) provides information on GM Canada’s approach to achieving best execution when acting for our clients in accordance with Rule 3300.

If you have any questions about this Statement or GM Canada’s best execution policies, please contact your GM Canada representative.

# 2. Scope

GM Canada’s best execution applies to business conducted with institutional clients (as defined in IIROC’s Dealer Member Rules) when trading in fixed income securities, futures, and repurchase agreements

# 3. Best Execution

The overarching principle of best execution requires GM Canada to obtain the most advantageous execution terms for all client orders reasonably available under the circumstances where you place legitimate reliance on us to protect your interest.

In applying the overarching principle, GM Canada takes into consideration the following execution factors:

price;

- ◆ speed of execution;
- ◆ certainty of execution;
- ◆ overall cost of transaction;
- ◆ size of the transaction;
- ◆ nature of the transaction; and
- ◆ any other consideration that is relevant to execution.

With respect to over-the-counter (“OTC”) securities, best execution will vary depending on the particular circumstances, but generally is considered to be achieved when a price that is fair and reasonable in relation to prevailing market conditions is obtained.

## 4. Prioritisation of Execution Factors

The overarching principle does not mean that we must obtain the best possible results for clients on every single occasion. Rather it requires us to determine the relevance and importance of execution factors as they apply to a particular order by exercising commercial judgement in the context of prevailing market conditions, as well as taking into account:

- ◆ your characteristics;
- ◆ the characteristics of your order; and
- ◆ the financial instruments that are the subject of that order.

Outcomes for clients may vary depending on our prioritisation of the execution factors listed in section 3.0.

## 5. Specific Client Instructions

Where specific client instructions are given to us in respect of any aspect of execution, the trade will be executed in accordance with those instructions, subject to compliance with applicable regulatory requirements.

To the extent that specific client instructions only relate to part of an order, GM Canada personnel will be deemed to have achieved best execution in respect of that part of the order in following those instructions. However, the Procedure will be applied to any aspects of an order not covered by specific client instructions.

Specific client instructions may prevent GM Canada from applying the overarching principle to the elements covered by those instructions.

## 6. Conflicts of interest

GM Canada has established procedures that are designed to manage and identify conflicts of interest in accordance with IIROC Rule 42 *Conflicts of Interest*. Conflicts are centrally logged through GM Canada's internal register.

In all cases, any existing or potential material conflict of interest between GM Canada and the client that cannot be addressed in a fair, equitable and transparent manner, and considering the best interests of the client, is avoided.

## 7. Governance and Oversight

GM Canada has established and operates an effective governance structure that is reasonably designed to achieve compliance with Rule 3300.

### Business Control Committee

GM Canada's Business Control Committee (the "BCC") is the formal governance forum to monitor non-financial risk related matters. The BCC supports GM Canada in its oversight and management of its current and emerging operational and regulatory risks and will be responsible for overseeing the effectiveness of the implementation of best execution procedures. The BCC comprises of appropriate stakeholders with the necessary expertise and authority to fulfill its oversight responsibility.

The BCC meets on a monthly basis and will review and consider key risk indicators, incidents, and other management information or indicators as necessary to fulfill its responsibilities.

### Annual Review of Policies and Procedures

GM Canada management will review on an annual basis the accuracy and effectiveness of the policies and procedures related to Best Execution. More frequent reviews may be conducted as necessary, taking into account the scope and size of GM Canada's business. Material changes that may impact GM Canada's ability to achieve best execution, including to the trading environment, market structure or to our business model will also trigger a review.

The results of the review will be approved by both the Canada Head of Global Markets and the Canada Head of GBM Regulatory Compliance.

### Monitoring

Pursuant to IIROC Rule 38 *Compliance and Supervision*, GM Canada has established and maintains a system to supervise the activities of its employees that is reasonably designed to achieve compliance with applicable rules. Specifically, monitoring reviews covering GM Canada's best execution obligation are conducted in accordance with internal procedures.

To the extent that any issues or deficiencies are identified through best execution monitoring reviews, they are promptly escalated to management and the BCC and resolved, as appropriate. Escalation and resolution of deficiencies are appropriately documented and retained.

### Training

Training is deployed to personnel involved in the execution of client orders to ensure they know and understand the application of relevant policies and procedures that they are required to adhere to. Various training methods, including online and in-person training are used.

