

Jan 2018

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

Dated 3 January 2018



PUBLIC

Jan 2018

© Copyright. HSBC Bank plc 2018 ALL RIGHTS RESERVED.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted, on any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of HSBC Bank plc.

HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom.

PUBLIC

Table of Contents

Global Equities Annex	2
Introduction	2
Best Execution	2
Evaluation	3
Global Equities Businesses	3
Amendments	3
Cash Equities	4
Services	4
Execution venues	4
Systematic Internalisation	5
Conflicts	6
Fee structure	6
Exchange Traded Derivatives	7
Services	7
Execution venues	7
Fee structure	7
Equity Derivatives	8
Services	8
Execution venues	8
Fee structure	8

Global Equities Annex

INTRODUCTION

Global Equities

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 Equities** is an Asset Class in Markets. It includes our businesses (**Global Equities Businesses**):

- Cash Equities
- Exchange Traded Derivatives
- Equity Derivatives
- Exchange Traded Funds

Purpose

This document (**Annex**) supplements the HSBC Global Markets Best Execution Client Disclosure Statement (**Statement**). This Annex provides additional information on the application of our Best Execution Policy in Global Equities. 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 Equities and are not eligible counterparties. For organisational and regulatory reasons, only some clients of HSBC may deal directly with Global Equities. In addition, for the same reasons, only some Global Equities products may be available to certain clients who deal directly with Global Equities. References below to **HSBC** and **we**, and to **clients** and **you**, should be understood accordingly.

BEST EXECUTION

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 Equities 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.

EVALUATION

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.

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.

GLOBAL EQUITIES BUSINESSES

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

AMENDMENTS

HSBC may update this Annex from time to time. The prevailing version of this Annex is available on www.hsbcnet.com/bestexecution.

Cash Equities

SERVICES

In our Cash Equities business, HSBC provides execution services to clients transacting in equity securities. Our services may involve both execution-driven and quote-driven activity. Our services may be 'low touch' (with an emphasis on technology) or 'high touch' (with an emphasis on interactions between the client and HSBC staff). In the case of execution-driven activity, our services include:

Electronic services

We provide clients with electronic services, including electronic transaction execution facilities. The scope for the application of the overarching principle is reduced to the extent that the client takes its own responsibility for execution when using these electronic services.

Direct strategy access

We provide clients with direct strategy access (**DSA**) to algorithms, which allows clients to place algorithmic orders in furtherance of one or more strategies. The scope for the application of the overarching principle is reduced to the extent that the client takes its own responsibility for execution when using these DSA services. Transaction cost analysis (**TCA**) is available to clients in connection with this.

Program Trading

Program trading involves the execution of transactions in baskets of equities. Where HSBC has discretion, the overarching principle applies to the exercise of that discretion. In this case, the application of the overarching principle is assessed by reference to execution as a whole (that is, in aggregate) or within the parameters agreed with the client in advance. TCA is also available to clients in connection with program trading.

High touch

Our high touch services frequently involve our working orders on behalf of clients, including by way of voice and electronic execution. A **worked order** is an order that is not executed in whole immediately, but rather is executed in distinct parts over an appropriate period of time. The overarching principle applies to the exercise by HSBC of our discretion in working orders on behalf of clients, having taken into account specific instructions.

iNAV execution order

The term iNAV refers to the indicative net asset value of an exchange traded fund (**ETF**). A client may give us an iNAV execution order, which is also referred to as a 'worked via underlying/hedge agency order'. In these circumstances, the transaction relating to the securities underlying the ETF (or hedge) is executed by us on behalf of the client. The overarching principle applies to this execution, taking into account any specific client instructions.

EXECUTION VENUES

Order routing

Order routing refers to the methodology we apply in selecting between competing execution venues when executing orders in securities on behalf of clients.

Specific instructions

Clients may specify their preferences for execution venues and venue types. You may do this on a standing basis or on an order by order basis.

Venue criteria

The criteria applicable to an execution venue may mean that some orders only may be routed to that execution venue. For example, we may be able to route small orders to the primary exchange only.

Third parties

For those trading venues where we are not a member, we may use the services of a third party who is a member. That third party may be a connected party. Under our Best Execution Policy, we must act in accordance with the best interests of our clients when deciding to rely on such a third party.

Our approach

When routing orders we take into account such factors as we consider relevant to the application of the overarching principle. These factors include the factors discussed above, prevailing market conditions, the strategy being pursued, and our understanding of the client's preferences (including the client's interest in minimising the market impact of execution). In the normal course of business, this means we select the execution venue offering the best liquidity, spread and price at the time of execution. We may use our smart order router in routing orders. In addition, in routing and executing orders on behalf of clients, we may:

- select a trading venue that is not the primary exchange for the securities concerned
- split orders and route their parts to different execution venues
- use our execution algorithms
- take liquidity in executing orders
- provide liquidity in executing orders
- subject to the OTC Consent and the trading obligation (if applicable), execute orders OTC (including by way of internalisation)

OTC Consent

In providing the OTC Consent, the client consents to the execution by us of orders on the client's behalf outside a trading venue. The adoption of this means of execution may have certain consequences for the client. In particular, the order will not then benefit from the rules of any trading venue. In addition, in reliance on this OTC consent, we may internalise the execution of orders on the client's behalf.

Broker-Crossing Network

As at the date of this Annex, HSBC does not operate a broker-crossing network.

SYSTEMATIC INTERNALISATION

In line with our registration as a **Systematic Internaliser (SI)** we may on an organised, frequent, systematic and substantial basis deal on own account when executing client orders in those securities outside of a regulated market, an MTF or an OTF. We publish our quotes to the BATS APA (BXTR), where they will be visible to anyone with market data facilities to receive those data. Our decision to execute a client order on our own account as an SI is subject to the overarching principle in the same manner as any other order routing decision.

CONFLICTS

Explicit costs

HSBC may assume some of the explicit costs associated with the execution of client orders (eg execution venue fees). In these circumstances, HSBC may have an interest in routing orders by reference to those explicit costs. Generally, we do not route orders by reference to those explicit costs. However, we may do so if it is consistent with the overarching principle (eg where the result for the client is not adversely affected).

Incentive schemes

From time to time, we may have the opportunity to participate in incentive schemes designed to support or encourage liquidity on a particular execution venue. We may participate in such a scheme if we form the view that participation does not impair our compliance with the duties we owe to our clients.

FEE STRUCTURE

When executing orders on behalf of clients our commissions for doing so are as agreed with the client concerned.

Exchange Traded Derivatives

SERVICES

In our Exchange Traded Derivatives business (**ETD**), HSBC provides execution services to clients transacting in exchange-traded options and futures (**contracts**) in the course of our execution-driven activity.

EXECUTION VENUES

Order routing

Order routing refers to the methodology we apply in selecting between competing execution venues when executing orders in securities on behalf of clients. If the contract is listed on a single exchange only, our discretion in applying the overarching principle is correspondingly limited.

Specific instructions

If the contract is listed on multiple exchanges, we may invite clients to specifically instruct us on venue selection where this is consistent with the overarching principle. Clients frequently give us specific instructions on venue selection because of their settlement and clearing requirements. In addition, clients frequently give specific instructions on how orders should be handled (including in relation to price), where in consequence the only element over which we have discretion is speed of execution.

Third parties

For those trading venues where we are not a member, we may use the services of a third party who is a member. That third party may be a connected party. Under our Best Execution Policy, we must act in accordance with the best interests of our clients when deciding to rely on such a third party.

Our approach

When routing orders we take into account such factors as we consider relevant to the application of the overarching principle. These factors include the factors discussed above, prevailing market conditions, the strategy being pursued, and our understanding of the client's preferences (including the client's interest in minimising the market impact of execution). However, in the normal course of business, this means we select the execution venue offering the best liquidity, spread and price at the time of execution. We may use our smart order router in routing orders. In addition, in routing and executing orders on behalf of clients, we may:

- select an execution venue that is not the primary exchange for the contract concerned
- split orders and route their parts to different execution venues
- use our execution algorithms
- take liquidity in executing orders
- provide liquidity in executing orders

FEE STRUCTURE

When executing orders on behalf of clients our commissions for doing so are as agreed with the client concerned.

Equity Derivatives

SERVICES

HSBC provides execution services to clients transacting in equity derivatives and other equity-linked products (**equity derivatives**), primarily trading in a principal capacity. The range of products includes OTC equity-linked derivatives, as well as securitised instruments. Transactions in equity derivatives tend to be quote-driven rather than execution-driven.

EXECUTION VENUES

Execution venue

In the normal course of business, an equity derivative 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 risk-based prices and we do not make order routing decisions on the client's behalf.

Hedging transactions

There may be circumstances in which elements of the pricing of an equity derivative are determined by reference to the price at which we execute transactions in the underlying or referenced securities. In these circumstances, we apply the overarching principle to the exercise by us of any discretion we may have in executing those transactions (even though we are executing the transactions on our own behalf). If the client instructs us to execute those transaction with another firm, or otherwise gives us specific instructions, our discretion is correspondingly limited. This analysis applies in particular to transactions through our Prime Finance business.

FEE STRUCTURE

In the normal course of business, when transacting in equity derivatives, we transact with clients at an all-in price.