

HSBC Bank plc, Securities Services

Best Execution Client Disclosure Statement

Dated January 2023

Contents

Introduction	3
Scope of Best Execution	3
Best Execution	3
Client instructions	5
Conflicts and Best Execution	6
Monitoring	6
Consent	6
Amendments	6

1. Introduction

1.1. HSBC and Securities Services

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. “**Securities Services**” is HSBC’s end-to-end securities services division and is part of GBM. Working closely with clients, Securities Services tailors solutions to clients’ business goals using our fully customisable fund administration, global custody and direct custody and clearing, and corporate trust and loan agency services.

1.2. Purpose

HSBC is subject to the regulatory duty of best execution under the Markets in Financial Instruments Directive (as incorporated into applicable law, “**MiFID**”) in respect of certain of its Securities Services activities. Where best execution is applicable, HSBC is required to take all sufficient steps to obtain the best possible result for its clients. HSBC has a policy and related arrangements (together, the “**Best Execution Policy**”) on best execution in respect of its Securities Services activities. This Client Disclosure Statement (the “**Statement**”) provides information on the Best Execution Policy. If you have any questions about this Statement or the Best Execution Policy, please contact your HSBC representative.

1.3. Scope

This Statement is addressed to those clients of HSBC who deal directly with Securities Services. References below to “**HSBC**” and “**we**”, and to “**clients**” and “**you**”, should be understood accordingly.

1.4. Our commitment

Irrespective of the scope of best execution, we are committed to being efficient, transparent and client focused in our sales to and servicing of clients and are open to discussing with you your precise execution requirements to see how we can accommodate them.

2. Scope of best execution

Under MiFID, best execution is applicable to HSBC in some circumstances only. In summary, those circumstances are:

- ◆ HSBC is executing an order (see paragraph 2.1);
- ◆ the client, in respect of that order, is within the scope of best execution (see paragraph 2.2); and
- ◆ HSBC is acting on the client’s behalf for the purposes of best execution (see paragraph 2.3).

2.1. Executing an order

An “**order**” is an instruction (to buy or sell one or more financial instruments) from the client to HSBC that is accepted by HSBC and “**execution**” is the performance by HSBC of that instruction, even where (in doing so) HSBC is dealing on our own account with the client. MiFID defines the term “**financial instrument**”. For this definition, please see: <http://www.hsbcnet.com/gbm/bestexecution>.

As part of our practice of providing clients with a consistently high quality service, the Best Execution Policy applies to spot FX transactions even if the transactions do not fall within the definition of financial instrument.

2.2. Clients

Clients who are classified by us as professional clients are within the scope of best execution. Eligible counterparties are not. Securities Services does not currently provide regulated dealing services to retail clients.

2.3. Acting on the client’s behalf

HSBC takes account of prevailing regulatory guidance in determining whether we are acting on the client’s behalf for the purposes of best execution. In summary, based on this guidance, our approach is that in the normal course of business HSBC is acting on the client’s behalf for the purposes of best execution in respect of its Securities Services activities.

3. Best execution

3.1. Overarching principle

When best execution is applicable, this “**overarching principle**” applies to HSBC’s conduct: we take all sufficient steps to obtain the best possible result for our clients, taking into account the execution factors, on a consistent basis.

The application of the overarching principle involves the exercise of commercial judgement in the context of available market information. Other firms may exercise their judgement differently and reach a different conclusion as to how the overarching principle might be applied. The diversity of the markets in which we operate and of the transactions that clients carry out means that the steps that we take to apply the overarching principle may vary. In certain circumstances, our discretion in applying the overarching principle is necessarily limited. For example, there may only be a single venue for execution of the transaction concerned.

3.2. Execution factors

In applying the overarching principle, HSBC takes into account these “execution factors”:

- ◆ price;
- ◆ costs payable by the client as a result of the execution;
- ◆ speed of execution and settlement;
- ◆ likelihood of execution and settlement;
- ◆ size of the transaction; and
- ◆ nature of the transaction and any other consideration that is relevant to execution.

These execution factors are not listed in any particular order of priority. In assessing the relative importance of the execution factors, HSBC takes into account the market information that is available to us and the characteristics of:

- ◆ the client;
- ◆ the transaction;
- ◆ the financial instrument that is the subject of the transaction;
- ◆ the execution venues over which the transaction can be executed;

Together with such other criteria as we consider relevant to the application of the overarching principle. The outcome for the client may vary depending on our prioritisation of these execution factors in applying the overarching principle.

3.3. Application

In the case of professional clients, in applying the overarching principle in the normal course of business, price merits a high relative importance. In considering price, we also consider the steps that we may reasonably take to minimise the market impact of execution. The application of the overarching principle is subject to prevailing market conditions and our understanding of the professional client’s preferences. Therefore, there may be circumstances in which we conclude that other execution factors are as important, or more important, than price in applying the overarching principle.

The application of the overarching principle is neither a guarantee that the best price will be obtained nor a guarantee that the transaction will be executed in full.

3.4. Execution venues

A list of the execution venues on which we place significant reliance is available on www.hsbcnet.com/gbm/bestexecution. This list is not exhaustive. We may use other venues where it is appropriate to do so under the Best Execution Policy. This list is not static. We regularly assess the venues that are available and, following any such assessment, may update this list. Any updates will not be separately notified. In cases of market turbulence or systems failure, we may not be able to access the venues on this list. Our execution venues include:

- ◆ stock exchanges and other regulated markets;
- ◆ multilateral trading facilities (“MTFs”);
- ◆ systematic internalisers;
- ◆ market makers (including, brokers, banks and investment firms);
- ◆ other liquidity providers, such as broker cross networks and electronic trading platforms, and
- ◆ internal sources of liquidity.

In selecting an execution venue for the execution of a transaction, we take into account in respect of the venue concerned:

- ◆ price;
- ◆ cost of execution;
- ◆ liquidity available for the financial instrument concerned;
- ◆ speed of execution;
- ◆ reliability of the venue;
- ◆ continuity of trading;
- ◆ creditworthiness of the venue;
- ◆ quality of any related clearing and settlement facilities; and
- ◆ such other factors as we consider relevant to the application of the overarching principle.

3.5. No unfair discrimination

As required by MiFID, HSBC takes steps to avoid discriminating unfairly between execution venues.

3.6. OTC consent

HSBC may execute transactions in financial instruments that are admitted to trading on an execution venue that is a regulated market or MTF outside of that regulated market or MTF. We apply the overarching principle in making such a decision, subject to any specific instruction given by the client. If the client does not provide its prior express consent to this, we may not be able to apply the overarching principle and may decline to accept the order concerned.

3.7. Close-outs

In accordance with the terms of a contractual relationship between HSBC and the client, we may exercise a power to terminate such relationship upon the occurrence of an event of default in respect of which the client is the defaulting party or a similar event. In exercising this power (including, without limitation, by unwinding or otherwise terminating any client position or enforcing any security), we act for our own account to protect our interests and do not, for the purposes of best execution, act on the client's behalf. Therefore, best execution does not apply in this case. This is without prejudice to the terms of the contractual relationship concerned.

4. Client instructions

Best execution (if it is applicable) means that the overarching principle applies to the exercise by HSBC of our discretion, 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.

4.1. Specific instructions

◆ A "specific instruction" is an instruction from the client to HSBC that (i) is accepted by us; and (ii) is a specific direction as to how we should execute the order concerned (or a specific aspect of it). If we accept a specific instruction, we satisfy best execution to the extent that we execute the order, or the specific aspect of the order, following the instruction. In respect of those aspects of the order (if any) that are not covered by the specific instruction, we apply the overarching principle. **Specific instructions may prevent HSBC from applying the overarching principle to the elements covered by those instructions.**

4.2. Transactions

◆ We list below a number of transaction types within Securities Services that are subject to the Best Execution Policy. As discussed below, HSBC may act via "Markets", which is the financial markets sales and trading division of HSBC, in the execution some of these transactions.

4.3. Collective investment schemes

A client may instruct us to subscribe for units in, or to redeem units in, collective investment schemes (including, for example, open ended investment companies and unit trusts) for the client. In the normal course of business, the scheme is the execution venue for this transaction and the subscription or redemption price is established by or on behalf of the scheme in accordance with the terms and conditions that are applicable to the scheme. In these circumstances, HSBC's discretion in applying the overarching principle is necessarily limited. Nonetheless, HSBC always endeavours to ensure that the transaction concerned is executed before the cut-off time concerned and otherwise in accordance with the terms applicable to the relationship between HSBC and the client. Best execution does not apply when acting in the capacity of transfer agent.

4.4. Money-market funds

A client may instruct us to invest the client's excess cash balances in a money-market fund selected by the client. In these circumstances, the discussion in paragraph 4.3 is applicable.

4.5. FX transactions

A client may instruct HSBC to execute a transaction in securities for the client, where the execution of that transaction requires the execution by us of a linked FX transaction for the client. In these circumstances, we take into account the terms of the FX transaction in applying the overarching principle to the transaction in securities.

◆ A client may instruct HSBC to execute a FX transaction for the client, including by way of standing instruction. For example, these instructions may be in respect of cash flows arising from securities held in custody or arising in the course of HSBC providing account bank, cash management and facility agent services. In the normal course of business, HSBC (acting via Markets) executes the FX transaction concerned. In these circumstances, HSBC (acting via Markets) is the execution venue in respect of the FX transaction. This means that HSBC enters into the transaction concerned with you as your counterparty, acting as principal and dealing on our own account. In the case of restricted markets, we transmit FX transactions to a local agent (who may be a sub-custodian) in the market concerned in accordance with the terms applicable to the relationship between HSBC and the client. Broadly, a market is "restricted" for operational, legal or regulatory reasons, including where the country concerned does not allow offshore trading in its currency and, in consequence, the use of a local agent is required.

4.6. Securities lending

A securities loan is a bilateral arrangement between a lender and a borrower of securities. A client may authorise us to execute, as agent for the client as lender, loans of the client's securities. In these circumstances, HSBC's discretion to act on the client's behalf is circumscribed by the parameters agreed with the client in advance. These parameters may relate to, for example, percentage of portfolio, asset type, collateral, margin, and borrower. HSBC executes the transaction concerned within these agreed parameters. In exercising our discretion, HSBC uses a fair distribution algorithm and takes into account prevailing market conditions in the securities lending market concerned, including whether or to what extent competing lending rate quotations are available. However, the market concerned may not be sufficiently transparent to allow a meaningful comparison of lending rates.

5. Conflicts and best execution

HSBC has established procedures that are designed to identify and manage conflicts of interest. In relation to best execution in particular:

5.1. Payment for order flow

Payment for order flow ("PFOF") is the practice of a firm that executes client orders receiving commissions both from the client originating the order and from the counterparty with whom the trade is executed. HSBC does not enter into PFOF arrangements.

5.2. Transmission and intra-group reliance

HSBC may transmit an order to a third party for execution. This third party may be a "connected party" – that is, an entity that is a member of the HSBC Group. Alternatively, this third party may be an entity that is not a connected party. We are required to act in accordance with the best interests of our clients when transmitting client orders to third parties for execution. This means we apply the overarching principle in making a decision to transmit a client order, subject to any specific instruction given by the client. This does not mean that the standards of execution that apply to us necessarily apply to the third party. If we have a connected party in the place in which the financial instruments concerned are traded, then we may transmit the order to that connected party for execution. We consider that reliance on connected parties in these circumstances is in the interest of clients because (amongst other things) certainty of execution is increased and communication is enhanced.

6. Monitoring

HSBC monitors the arrangements described in this Statement in order to identify any deficiencies and to assess whether we need to make any changes. This monitoring includes the monitoring of the performance of connected parties and other third parties to whom we transmit client orders. Our ability to monitor the quality of execution services provided by local agents in restricted markets may be limited.

7. Consent

HSBC treats a client as having consented to the Best Execution Policy where, subsequent to the receipt by the client of this Statement, we execute for the client a transaction that is subject to the Best Execution Policy. Please note that the only duties that we owe to clients in respect of best execution are those set out in applicable law and any other duties are expressly excluded.

8. Amendments

HSBC may amend the Best Execution Policy and may update this Statement from time to time. When we make a material change to the Best Execution Policy, we inform clients by publishing an updated version of this Statement. The prevailing version of this Statement is available on www.hsbcnet.com/gbm/bestexecution

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, and recording or otherwise without the written permission of HSBC Bank plc. Where HSBC Bank plc has provided this publication to you electronically, you have permission to store this publication in a retrieval system in your capacity as a client or prospective client.

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.