



## **Supplemental Disclosure Annex for FX Prime Brokerage Transactions**

This Supplemental Disclosure Annex supplements and should be read in conjunction with the General Disclosure Statement for Transactions and the Disclosure Annex for Foreign Exchange Transactions, each of which has been made available to you as an actual or prospective counterparty to a swap transaction with BNP Paribas or its affiliates. **NOTHING IN THIS SUPPLEMENTAL ANNEX AMENDS OR SUPERSEDES THE EXPRESS TERMS OF ANY TRANSACTION BETWEEN YOU AND US OR ANY RELATED GOVERNING DOCUMENTATION.** Accordingly, descriptions in this Annex of the operation of FX Prime Brokerage Transactions and the consequences of various events are in all cases subject to the actual terms of the Foreign Exchange Transaction and related prime brokerage or give-up documentation executed between you and us (whether or not such qualification is expressly stated).

### **Overview**

When we act as your prime broker, you, or a representative acting on your behalf, can negotiate and execute Foreign Exchange Transactions as our agent with one or more executing dealers, based on parameters that we have pre-approved. Upon our acceptance of such a transaction, two transactions result: a transaction between us and the executing dealer with whom you have transacted (the “**PB-ED transaction**”) and a transaction with substantially identical economic terms between you and us. After acceptance, we are generally free to take any action we choose with respect to the PB-ED Transaction, including amendment, termination, or settlement.

### **Incentives and Conflicts of Interest**

We receive compensation for acting as prime broker. This compensation may take the form of a line usage charge or volume based fee (e.g. a dollar amount charged per value of executed transactions) or a minimum usage or other commission or fee. Fees that you have agreed to pay to us may be billed periodically or collected by adjustment of the price of the Foreign Exchange Transactions to which you are a party. When you execute prime brokerage transactions through a third-party agent or platform, we may receive fees from that agent or platform. Additionally, we may act as prime broker or as counterparty to that agent or platform, with the result that we become party to additional foreign exchange transactions as a result of a transaction that you have executed. We may pay fees to the third party agent or platform, either directly or by net settling foreign exchange transactions in the same currency that have been executed at different prices.

Our compensation as prime broker is based primarily on the volume of transactions that you execute. As a result, we may profit from your trading activity regardless of whether you make or lose money. We may also have conflict of interest in respect of your consideration of trading strategies that would materially increase transaction volume.

## **Risks of FX Prime Brokerage Transactions**

In addition to the risks associated with all Foreign Exchange Transactions, FX Prime Brokerage Transactions are subject to unique risks, some of which are described below.

### *Credit Risk is Concentrated in a Single Entity*

A prime broker acts as counterparty for all of the Foreign Exchange Transactions that its customer executes. From the customer's perspective, this has the effect of concentrating credit risk in a single entity. Any default by the prime broker would have a material adverse effect on all of the customer's Foreign Exchange Transactions. Additionally, if the creditworthiness or the perceived creditworthiness of the prime broker deteriorates, executing dealers may no longer be willing to enter into Foreign Exchange Transactions with the customer. This event would adversely affect the liquidity that the customer is able to obtain and could force the customer to bear unwanted market risk while it is unable to unwind or hedge its positions.

### *Trading Lines are Uncommitted and May Change Suddenly*

Our allocation of trading lines with executing dealers is uncommitted and is subject to change or reduction in our sole discretion without notice (or with limited notice, to the extent provided in our customer account documentation). Transactions that are unrelated to your prime brokerage activity may create credit exposure between an executing dealer and us, and as a result either we or the executing dealer may choose to limit the Foreign Exchange Transactions that you can enter into using us as prime broker. Additionally, if we in our sole discretion decide to limit or terminate your trading lines, you may be unable to enter into Foreign Exchange Transactions altogether if no executing dealers are willing to transact with you directly.

### *Transactions May Be Rejected*

As a prime broker, we have the right to reject transactions that have been executed outside of the risk limits, product types, trading lines and notification requirements that have been established under our account documentation with you. We have no liability in respect of any transaction that is rejected in accordance with that documentation. You may be liable to pay compensation to an executing dealer in respect of such a rejected transaction to the extent provided by law or by documentation between you and that executing dealer, which documentation is your sole responsibility. You may also be unable to enforce the rejected transaction against, or obtain compensation from, the executing dealer, except as provided by law or by documentation that you have entered into with the executing dealer.