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BNP Paribas Global Markets: Spot Foreign Exchange Trading Practices

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This document sets out the way in which the Global FX Business of BNPP's Global Markets Division ('the FX Business') undertakes Spot Foreign Exchange ("FX") trading activity. This document supplements any other disclosure or agreement that the FX Business may provide to, or agree with, its Clients and is subject to change.

Trading Capacity

The FX Business acts in a principal capacity when transacting with Clients, and as such:

- The FX Business acts on its own behalf as a counterparty entering into arm's length transactions;
- The FX Business does not act as agent, fiduciary, financial advisor or in any similar capacity on behalf of a Client; and,
- The FX Business will take on one or more risks in connection with the transaction, including market and credit risk.

In some instances, the FX Business, through its segregated Automated Client Execution ("ACE") desk, will act as "riskless principal", where the FX Business is not exposed to market risk but still has other risks, e.g. credit risk when transacting with another market participant.

Market Making

The FX Business acts in a principal capacity when acting as a market maker. Market making involves a person or firm routinely standing ready to enter into transactions for their own account at prices determined by them. When an FX transaction takes place between the Client (or other Market Participant) and the FX business, this results in the instantaneous transfer of market risk between the parties. Market making activities may include:

- Providing liquidity to Clients and other Market Participants by quoting two-way prices for certain markets, by voice or through application programming interfaces (APIs), single and multi-dealer platforms, inter-dealer brokers, and exchanges;
- Managing inventory;
- Hedging to manage positions accumulated as a result of engaging in market making activity.

Since the FX Business engages in many activities across different regions and business lines, actual or perceived conflicts of interest may arise. In conducting its market making activities, the FX Business may have an impact on the prices offered to Clients and the availability of liquidity at levels necessary to execute orders. In addition, as an active participant in the FX options market, there may be situations where routine hedging or trading activity undertaken by the FX Business may unintentionally impact the movement of the underlying reference price of a barrier option.

In periods of extreme market volatility and/or disruption, the FX Business has, on some occasions, seen delays to the acceptance and execution of trade requests, pricing, price streaming and/or market data dissemination. The FX Business is not obliged to provide pricing, price streaming or accept trade requests at all times and all electronic trading platforms used by the FX Business have position limits, volatility and other controls, that in each case may temporarily suspend execution, pricing and price streaming during these periods.

Mark up

The FX Business will provide an 'all-in' price or spread to Clients when acting in a principal capacity. Prices quoted by the FX Business should be considered indicative, and may be withdrawn at any time unless the Client has been informed that the price is firm. These prices or spreads will be inclusive of any mark-up, costs or fees associated with the transaction. These associated costs will take into account factors which may include the size and nature of the transaction, the execution method, the prevailing market liquidity and the counterparty resource usage (e.g. capital, funding and balance sheet).

Order Management

In addition to market making, the FX Business will also accept and manage Client orders. An order is a firm instruction placed by a Client to buy or sell a financial instrument with specific details around size, price, quantity, level or direction (including at market) as well as any known timing constraints such that no further action is required to establish the Client's obligation to execute that trade with BNPP. Clients can leave orders via electronic platforms and via voice.

Algo orders

The FX Business offers Clients algorithmic trading strategies for executing FX Spot and NDF orders, accessing both internal and external liquidity. These algorithmic strategies are executed on a riskless principal basis and subject to a pre-agreed fee.

Fixing orders

All fixing orders are managed by the FX Business and are subject to a pre-disclosed fee. When executing fixing orders, the FX Business may need to hedge any associated risk by executing trades before, during, and after the fixing window.

All other orders (such as, but not limited to, limit, stop loss, at best)

Orders left with BNPP will be executed on a principal basis, and these may be executed either electronically or manually. BNPP does not apply discretion to orders unless instructed to do so by the client.

Clients should be aware that the FX Business may be active in the market close to order trigger levels in the ordinary course of business. This activity may unintentionally impact the reference price and may result in orders being triggered.

Order Prioritisation and Execution

With the exception of fixing orders that are aggregated, all orders are accepted and worked in the order in which they are received by an execution channel (i.e., voice or electronic). This means that two orders in the same direction and at the same level will be worked on a first come first served basis. This also means that an order received for voice execution may be executed after a similar order that was received via an electronic channel, even if the electronic order is received after the voice order due to the speed of electronic processing.

Whenever possible, the time-stamping of orders is applied when the order is accepted. However, orders that are amended or cancelled and resubmitted will be re-prioritised at the time of the amendment or resubmission.

As principal, the FX Business attempts to execute an order to make an appropriate return on the transaction if possible, taking into account the FX Business's position, including its inventory strategy and overall risk strategy.

Given the fragmented nature of the market, the fact that a level has traded on one venue is no guarantee that a limit order at that level will have been filled or a stop-loss/take-profit order will have been executed. The FX Business will use its professional judgment based on available market information and liquidity to determine whether an order has been executed. Clients may receive a partial fill of an order absent explicit instruction otherwise.

Reference Prices

Reference prices may trigger contingent events related to orders or options.

The FX Business will determine a reference price relating to a client transaction, including high and low rates, in good faith and in a commercially reasonable manner.

Reference prices can be determined by the FX Business using a number of sources, including: wholesale interbank quotes, transactions executed by the FX Business, pricing generated from internal models, or third-party reference points such as fixing rates. The FX Business may additionally take into account the currency, liquidity, size, and prevailing market conditions when establishing these prices.

Pre-Hedging and Risk Management

When a client indicates an interest in a potential transaction or provides the FX Business with a request to enter into a transaction, the FX Business may engage in pre-hedging and hedging activities (where permitted by relevant rules and regulations) in order to facilitate the client's request. Clients will not, as a matter of routine, be provided with further notification of FX Business' intention to pre-hedge on a request by request basis. Any client that does not wish for the FX Business to pre-hedge their request must notify their salesperson in writing.

Once an order has been received, the FX Business may manage its risk and any such hedging may be undertaken.

Application of Last Look

Generally on electronic platforms, the FX Business provides indicative FX Spot price quotes, which invite requests to trade from Clients, and which may be withdrawn at any time.

Where pricing is provided on an indicative basis, the FX Business reserves the right to either accept or reject any trade request received from a Client based on an assessment of whether the Client's trade request meets a defined deal acceptance criteria. The deal acceptance process, also referred to as "the last look window", is comprised of validity checks (credit, liquidity, malformed order) followed by a price check. No additional hold time is applied. The response time may also be influenced by operational or technical factors such as network or systems processing latencies.

The FX Business does not pre-hedge in the last look window and applies last look symmetrically, which means trades are rejected if the prevailing market has moved materially either in the Clients' favour or against them.

Information Handling

The FX Business has arrangements in place designed to protect and safeguard confidential information in accordance with applicable local laws, rules and regulations. Confidential information will be handled with due care and diligence in accordance with such arrangements.

Unless otherwise agreed, the FX Business may:

- Make appropriate use of the economic terms of client information in order to effect and risk manage transactions, for example in sourcing liquidity in anticipation of counterparty needs, executing hedging or risk-mitigating transactions, and/or managing associated market risk. It will not disclose the client name in these circumstances.
- Appropriately disseminate sufficiently aggregated and anonymised client information, to contribute to the provision of market colour, including on the general state of market conditions and/or in forming a market view.

In addition, as part of a regulated entity, the FX Business may also be required to disclose confidential information to our regulators and/or other public authorities.