BP2S – Market and financing Services (MFS): Trading Practices on FX on demand and Principal Lending activities

This document sets out the way in which the Market & Financing Services Division ("MFS") of BNP Paribas Securities Services ("BP2S") undertakes trading activities when acting as counterparty in currency spot, currency OTC derivatives and Securities Financing Transactions (the “SFTs”). This document complements any other disclosure and subject to any other specific agreement that MFS may provide to or agree with its Clients;

This document may be updated from time to time to address legal, regulatory, market or industry developments or changes to internal policies, procedures or practices.

Any questions with respect to this document should be directed to your usual Relationship Manager.

1. Trading Capacity

MFS acts in a principal capacity when transacting with Clients, and as such:

- MFS acts as a counterparty entering into arm’s length transactions;
- In this context, MFS does not act generally as fiduciary, financial advisor or in any similar capacity on behalf of a Client;
- MFS will take on one or more risks in connection with the transaction, including market and credit risk.

Since MFS engages in many activities across different regions and activities, actual or perceived conflicts of interest may arise. Where conflicts of interest have been identified, BP2S MFS will mitigate and manage them in line with applicable laws, rules and/or regulations as well as internal policies and procedures.

2. Price Maker and orders management for FX on demand activity

MFS acts in a principal capacity when acting as price maker.

On a general basis, when squaring itself out, MFS FX deals exclusively liquid currencies with BNPP and restricted currencies with its sub-custodians. As a consequence, BP2S is far less exposed to exchanging information with market participants. MFS is a “price maker” and gives access to its quotes in a non-discriminatory way.

In addition, every client can ask for the quotes of their own trades but MFS may refuse to enter into or discontinue business relationships with clients on the basis of several considerations such as the client credit status, the counterparty risk and the final settlement of the transaction.

For restricted currencies (Group B), MFS will intermediate the FX on the back of underlying securities instructions and execute directly in the local market with the sub-custodian’s desk, and when available and possible, in open architecture with other counterparties so as to apply the best possible price for its clients. MFS is entering into transaction only as a sales player by adding a margin to this sub-custodian’s pricing.
When applicable, all orders are accepted and worked in the order in which they are received by an execution channel (i.e., voice or electronic), the only exception being some specific instances where orders can be aggregated which includes, FX fixing orders. 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 straight through processing. Whenever possible, the time-stamping of orders is applied when the order is accepted. However, consistent with market practice, orders that are amended or cancelled and resubmitted will be re-prioritised at the time of the amendment or resubmission.

3. Mark up and fees

When acting in a principal capacity MFS will provide an ‘all-in’ price or spread to Clients. This “all in” price or spread may be inclusive of any mark-up, costs or fees (includes exchange related fees and transaction based fees) that are associated with the transaction. Factors affecting the sales margin or “mark-up” include costs, resources, the size and nature of the transaction, and the counterparty.

4. Information Handling

Any statements made by or through the BP2S MFS’ personnel, its electronic systems or otherwise in the processing or execution of transactions should not be construed or relied upon as recommendations or advice. We expect our Clients to evaluate the appropriateness of any transaction based on the facts and circumstances relevant to them and their assessment of the transaction’s merits.

BP2S MFS has arrangements in place designed to protect and safeguard Client information in accordance with applicable local laws, rules and regulations. Client information will be handled with due care and diligence in accordance with such arrangements.

In addition, as a regulated entity, BP2S may also be required to disclose Client information to our regulators and/or other public authorities.