
Hang Seng Global Markets

Hong Kong Best Execution Client Disclosure Statement

Introduction

Hang Seng Bank Limited (Hang Seng) is a member of the HSBC Group, the ultimate holding company of which is HSBC Holdings plc. Global Banking and Markets is a business line of the HSBC Group and provides financial solutions to government, corporate and institutional clients worldwide. **Global Markets (GM) Hong Kong** is the financial markets sales and trading division within Global Banking and Markets. It conducts business in various asset classes and products and services including equities products and services ("**Equities Products**"), foreign exchange and commodities products and services ("**FX and Commodities Products**") and fixed income products and services ("**Fixed Income Products**").

This Hong Kong GM Best Execution Client Disclosure Statement (**Statement**) provides information on Hang Seng GM HK's Best Execution Policy. If you have any questions about this Statement or Hang Seng HK GM's Best Execution Policy, please contact your Hang Seng representative.

Hang Seng is a registered institution, authorised by the Hong Kong Monetary Authority under section 16(1) of the Banking Ordinance, and registered by the Securities and Futures Commission of Hong Kong ("**SFC**") for Type 1 (dealing in securities), Type 4 (advising on securities), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities.

Addressees of this Statement

This Statement is addressed to those clients of Hang Seng who deal directly with Hang Seng GM HK. References below to **Hang Seng, we** and **our**, and to **clients** and **you** and **your**, should be understood accordingly.

This Statement is not addressed to those clients of Hang Seng, including any institutional, corporate or individual clients, whose transactions are intermediated by other business lines of the HSBC Group and so do not deal directly with Hang Seng GM HK, even though Hang Seng GM HK may be involved in executing those transactions.

This Statement, and Hang Seng HK GM's Best Execution Policy, applies to clients of Hang Seng GM HK irrespective of their geographic location when transacting with Hang Seng GM HK in a product which is covered by this Statement.

For the avoidance of doubt, to the extent that you maintain a trading relationship with Hang Seng GM HK, it will be on the basis that you have read, understood and accept this Statement and Hang Seng HK GM's Best Execution Policy.

Our Commitment

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

Further Information

This Statement should be read in conjunction with the Appendices to this Statement and the GM Terms of Dealing. These provide further information about the key aspects of the relationship between Hang Seng GM HK

and our clients when dealing with Hang Seng GM HK in GM products and our handling of client transactions and requests (including details in respect of conflicts of interest which may arise as part of the relationship).

The GM Terms of Dealing are available on the [Hang Seng Global Markets Website](#)

The Service we provide to you

Our Capacity

Unless we specify otherwise for a particular transaction, we act solely in a principal capacity for our own account, and as an arm's length party in our transactions with you as specified in the relevant GM Terms of Dealing.

When we transact with you we do at the Hang Seng GM HK Price

Unless we specify otherwise for a particular transaction, when we quote a price for a specified transaction in response to your request for quote ("**RFQ**") or when we accept from you an instruction to execute a specified transaction at a price specified by you (a "**Specific Instruction**"), the price that we quote for your consideration and the price at which we execute any transactions with you will at all times be at Hang Seng GM HK's price as explained in the relevant GM Terms of Dealing.

Hang Seng GM HK's price is not necessarily the best price obtainable in the market at every point in time. Instead, it is a risk price reflecting various factors as explained in the relevant GM Terms of Dealing.

Carve-out Situation

We carve out **specific** circumstances from our best execution obligation.

Please see the **Appendices** of this Statement for specific circumstances which we have concluded are carved out from our obligation to provide you with "*best execution*", as "*best execution*" is defined and specified in the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission ("**SFC Code of Conduct**").

Overarching Principle

Under the SFC Code of Conduct, Hang Seng is required, when acting for or with clients, to execute client orders on the best available terms. This is our "*best execution*" obligation.

Hang Seng GM HK provides execution services in a manner consistent with the "*Overarching Principle*"; to discharge our best execution obligation by taking all sufficient steps to obtain the best available terms for our clients, and taking into account the Execution Factors (which are defined and discussed below), on a consistent basis.

Where the best execution obligation applies, the application of the Overarching Principle involves the exercise of commercial judgement in the context of available market information. It is neither a guarantee that the best price will be obtained nor a guarantee that the transaction will be executed in full.

This Overarching Principle does not mean that Hang Seng GM HK must obtain the best possible result for clients on every single occasion. Rather, it requires:

- verification on an on-going basis that our execution arrangements are effective throughout the different stages of the transaction execution process
- detection of potential deficiencies
- application of all appropriate remedial actions to such deficiencies

As a result of the diversity of markets in which we operate and of the transactions clients carry out, the steps we take to apply the Overarching Principle may vary.

DETERMINING CLIENTS' RELIANCE

Hang Seng GM HK has taken steps to identify the circumstances in which our clients place reliance on us to protect their interests when executing transactions, including having regard to guidance from the SFC and HKMA.

Where clients undertake transactions with HASE GM HK acting in **an agency capacity**, we consider them reliant on Hang Seng GM HK to protect their interests with regards to those orders transactions.

In all other cases, since Hang Seng GM HK does not, in the ordinary course of its business, undertake transactions in an agency capacity, we determine whether a client is placing reliance on Hang Seng GM HK based on holistic consideration of elements related to pricing access, the relevant market and its practices and other relevant facts and circumstances, including:

- the nature of the product
- the capacity in which Hang Seng GM HK is dealing with the client
- whether the client initiated the relevant transaction
- market practice, and whether there is a convention for clients to "shop around"
- the relative levels of transparency within the relevant market
- any agreements between Hang Seng GM HK and the client
- the characteristics and categorisation of the client (as a professional investor or otherwise)

In the absence of such reliance, Hang Seng GM HK does not act on the client's behalf in respect of the activity concerned. As such - best execution is not applicable for any resulting transaction.

RFQs

Where Hang Seng GM HK operates on an RFQ basis or in the course of similar quote-driven activity, Hang Seng GM HK is required to assess whether the client is placing legitimate reliance on Hang Seng GM HK. For avoidance of doubt, even where we conclude that the client is placing legitimate reliance on Hang Seng GM HK in the context of RFQs, Clients should note paragraph titled **"When we transact with you we do so at the Hang Seng GM HK price"** above in relation to the service provided and Hang Seng GM HK's prices.

Specific Instructions

When a client gives us a Specific Instruction in relation to any transaction, we will follow that instruction as far as reasonably possible when executing the trade.

Please be aware that Specific Instructions may prevent Hang Seng GM HK from applying the Overarching Principle to the elements covered by the Specific Instructions, and potentially obtaining the best possible execution result for those elements. We will apply the Overarching Principle to any aspects of the transaction that are not covered by the Specific Instruction.

In the paragraph titled **"Carve-out Situations"** (which is set out in the Appendices), we identify specific circumstances which we have *"carved out"* from our best execution obligation, including for certain clients with whom we deal on an RFQ basis and from whom we receive Specific Instructions.

If clients are reliant on us and best execution is applicable, we seek to apply the Overarching Principle in a manner that takes into account the particular circumstances associated with the execution of the transaction concerned.

EXECUTION FACTORS

Where we determine that clients are reliant on us and our best execution obligation is applicable (even if applicable only to part of the transaction), we seek to apply the Overarching Principle in a manner that takes into account the particular circumstances associated with the execution of the transaction concerned.

In applying the Overarching Principle, Hang Seng GM HK takes into account the following **Execution Factors** (not listed in any particular order of priority):

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

The relative importance of each Execution Factor may vary from client to client, and from trade to trade. The Overarching Principle will therefore be applied through an assessment against multiple Execution Factors, and will also reflect commercial factors such as execution venue arrangements, and the fees and charges of Hang Seng GM HK.

In the normal course of our business, we generally consider that the most important Execution Factor is the price at which the transaction is executed. However, the application of the Overarching Principle is also subject to prevailing market conditions and our understanding of your preferences. Therefore, it is possible that there may be circumstances in which we conclude that other Execution Factors are as important, or more important, than price.

Execution criteria

In assessing the relative importance of the Execution Factors for a specific scenario, Hang Seng GM HK takes into account the market information available to us and characteristics of:

- the client (including whether the client is reliant on Hang Seng GM HK as described above)
- the type of interaction between you and Hang Seng GM HK
- the product(s)
- where relevant and applicable; the execution venues to which that order can be directed

We consider these together with any specific instructions provided by the client and such other criteria as we consider relevant to the application of the Overarching Principle.

Outcomes for clients may vary depending on our prioritisation of these Execution Factors in applying the Overarching Principle.

AFFILIATES, THIRD PARTIES AND CONNECTED PARTIES

If we have an affiliate, third party or connected party in the place in which the products concerned are traded, we may transmit the transactions to them for execution. This third party may be an entity that is a member of the HSBC Group. Where best execution is applicable, we seek to apply the Overarching Principle when transmitting client transactions to affiliates, third parties or connected parties for execution.

In some instances, we make **exclusive** use of such affiliates, third parties and/or connected parties. We consider this use to be in the interest of clients because (amongst other things) certainty of execution is increased and communication is enhanced.

MONITORING

Hang Seng GM HK monitors the arrangements described in this Statement. In the case of transmission of client transactions, this includes monitoring affiliates, connected parties and other third parties involved in execution where best execution is applicable.

AMENDMENTS

Hang Seng may amend Hang Seng GM HK's Best Execution Policy and this Statement from time to time. When we make a material change, we publish an updated version.

The prevailing version is available on <https://www.hangseng.com/en-hk/investment/global-markets/>

APPENDIX 1: EQUITIES PRODUCTS

Product scope

The contents of the Statement apply to the Equities Products, for example:

- equity derivatives

Terms of Dealing

GM Terms of Dealing for Equities Products: [click here](#)

Trading Capacity

We act in an agency capacity in relation to a transaction only if expressly specified in the relevant client documentation. Otherwise we act solely in a principal capacity for our own account. Unless we specify otherwise for a particular transaction, we act solely in a principal capacity for our own account, and as an arm's length party in our transactions with you as specified in the relevant GM Terms of Dealing

Execution Venue

In the normal course of business, an Equities Derivatives transaction is an over the counter transaction that Hang Seng GM HK enters into with the client acting as principal and for our own account. This means that Hang Seng GM HK is the execution venue for the transaction concerned. This also means that the prices we provide are Hang Seng GM HK prices and we do not make order routing decisions on the client's behalf.

Hang Seng GM HK may use other venues where it is appropriate to do so. As new execution venues are introduced, Hang Seng GM HK may monitor their performance and connect only if their addition will enhance our best execution performance.

Hang Seng GM HK's Best Execution Policy requires us not to discriminate unfairly between execution venues when providing execution services.

Hang Seng GM HK will regularly assess the available execution venues. In doing this we may take into account (in respect of the venue concerned) these factors:

- quality of liquidity available for the financial instrument concerned
- quality of execution (including, price, cost and speed)
- quality of the operator of the execution venue
- quality of the execution venue (including reliability, continuity of trading and creditworthiness)
- quality of any related clearing and settlement facilities

We take the above together with such other factors as may be relevant to the application of the Overarching Principle.

In particular, the steps we take when applying the Overarching Principle may vary significantly from transaction to transaction depending on whether (for example) we execute with you a customised transaction, compared with a situation where we execute for you a share purchase order on a regulated market. In certain circumstances, the steps available for us to take are limited. For example, there may only be a single available execution venue.

Carve-out Situations

RFQs and Specific Instructions

We believe that, in the ordinary course of our business, if you are an:

- a) institutional professional investor" (as defined in paragraph 15.2 of the SFC Code of Conduct); or

- b) corporate professional investor" (as defined in paragraph 15.2 of the SFC Code of Conduct) in respect of whom the assessment requirements and procedures in paragraphs 15.3A and 15.3B of the SFC Code of Conduct have been satisfied.

you are not relying on us in relation to transactions on the basis of an RFQ or a Specific Instruction.

Securities Financing Transactions

In respect of securities financing transactions (for example, repurchase or "repo" transactions, total return swaps, share or other securities forwards and similar securities financing transactions) entered into by us with you on a principal basis, we consider that best execution is generally not owed.

This is because the nature of such transactions involves the following characteristics:

- we are approached and requested by you to enter into these transactions for the purposes of providing you with funding;
- the nature of the market is such that you will generally have multiple potential counterparties and will likely shop around to find availability, and the best rate in respect of the securities subject to the agreement;
- these transactions are priced according to counterparty-specific factors such as costs of capital, liquidity and default risk which are subject of significant negotiation; and
- while there is not a single source of pricing data in the market, you will have the ability to access information with respect to rates from other potential counterparties and, in respect of more commoditized transactions, from third party data providers.

As a result, we believe you are not relying on us in relation to such transactions.

APPENDIX 2: FOREIGN EXCHANGE AND COMMODITIES PRODUCTS

Product scope

The contents of the Statement apply to the FX and Commodities Products, for example:

- foreign exchange forwards
- foreign exchange non-deliverable forwards
- foreign exchange options

As part of our practice of providing clients with a consistently high quality service, we also endeavor to apply the principles of this Statement when transacting in FX spot products, even though FX spot products are not in scope of the SFC best execution requirements.

Terms of Dealing

GM Terms of Dealing for FX and Commodities Products: [click here](#)

Carve-out Situations

RFQs and Specific Instructions

We believe that, in the ordinary course of our business, if you are an:

- institutional professional investor" (as defined in paragraph 15.2 of the SFC Code of Conduct); or
- corporate professional investor" (as defined in paragraph 15.2 of the SFC Code of Conduct) in respect of whom the assessment requirements and procedures in paragraphs 15.3A and 15.3B of the SFC Code of Conduct have been satisfied.

you are not relying on us in relation to transactions on the basis of an RFQ or a Specific Instruction.

APPENDIX 3: FIXED INCOME PRODUCTS

Product scope

The contents of the Statement apply to the Fixed Income Products, for example:

- bonds

Terms of Dealing

GM Terms of Dealing for Fixed Income Products: [click here](#)

Execution Venue

In the normal course of business, an Fixed Income transaction is an over the counter transaction that Hang Seng GM HK enters into with the client acting as principal and for our own account. This means that Hang Seng GM HK is the execution venue for the transaction concerned. This also means that the prices we provide are Hang Seng GM HK prices and we do not make order routing decisions on the client's behalf.

Hang Seng GM HK may use other venues where it is appropriate to do so. As new execution venues are introduced, Hang Seng GM HK may monitor their performance and connect only if their addition will enhance our best execution performance.

Hang Seng GM HK's Best Execution Policy requires us not to discriminate unfairly between execution venues when providing execution services.

Hang Seng GM HK will regularly assess the available execution venues. In doing this we may take into account (in respect of the venue concerned) these factors:

- quality of liquidity available for the financial instrument concerned
- quality of execution (including, price, cost and speed)
- quality of the operator of the execution venue
- quality of the execution venue (including reliability, continuity of trading and creditworthiness)
- quality of any related clearing and settlement facilities

We take the above together with such other factors as may be relevant to the application of the Overarching Principle.

In particular, the steps we take when applying the Overarching Principle may vary significantly from transaction to transaction depending on whether (for example) we execute with you a customised transaction, compared with a situation where we execute for you a share purchase order on a regulated market. In certain circumstances, the steps available for us to take are limited. For example, there may only be a single available execution venue.

Carve-out Situations

RFQs and Specific Instructions

We believe that, in the ordinary course of our business, if you are an:

- institutional professional investor" (as defined in paragraph 15.2 of the SFC Code of Conduct); or
- corporate professional investor" (as defined in paragraph 15.2 of the SFC Code of Conduct) in respect of whom the assessment requirements and procedures in paragraphs 15.3A and 15.3B of the SFC Code of Conduct have been satisfied

you are not relying on us in relation to transactions on the basis of an RFQ or a Specific Instruction.

Securities Financing Transactions

In respect of securities financing transactions (for example, repurchase or "repo" transactions, total return swaps, bond forwards and similar securities financing transactions) entered into by us with you on a principal basis, we consider that best execution is generally not owed.

This is because the nature of such transactions involves the following characteristics:

- we are approached and requested by you to enter into these transactions for the purposes of providing you with funding;
- the nature of the market is such that you will generally have multiple potential counterparties and will likely shop around to find availability, and the best rate in respect of the securities subject to the agreement;
- these transactions are priced according to counterparty-specific factors such as costs of capital, liquidity and default risk which are subject of significant negotiation; and
- while there is not a single source of pricing data in the market, you will have the ability to access information with respect to rates from other potential counterparties and, in respect of more commoditized transactions, from third party data providers.

As a result, we believe you are not relying on us in relation to such transactions.